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Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three-month periods ended
March 31, 2014 and 2013

SNC-Lavalin Group Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	March 31 2014	December 31 2013
ASSETS			
Current assets			
Cash and cash equivalents		**$ 1,060,041**	$ 1,108,694
Restricted cash		**11,358**	54,616
Trade receivables		**1,231,975**	1,106,360
Contracts in progress		**644,452**	646,019
Other current financial assets		**850,107**	760,813
Other current assets		**252,696**	239,263
Total current assets		**4,050,629**	3,915,765
Property and equipment:			
From ICI	4	**5,625,991**	5,132,027
Excluding ICI		**178,556**	180,368
ICI accounted for by the equity method	4	**462,779**	448,677
ICI accounted for by the cost method	4	**434,811**	426,868
Goodwill	5	**582,746**	576,929
Deferred income tax asset		**266,164**	254,421
Non-current portion of receivables under service concession arrangements		**316,094**	300,758
Non-current financial assets		**369,907**	201,276
Other non-current assets		**341,389**	335,536
Total assets		**$ 12,629,066**	$ 11,772,625
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,175,160**	$ 2,145,755
Downpayments on contracts		**212,366**	226,028
Deferred revenues		**977,358**	981,584
Other current financial liabilities		**461,178**	411,228
Other current liabilities		**159,169**	153,894
Advances under contract financing arrangements		**141,476**	87,188
Current portion of provisions		**126,338**	159,661
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4	**734,970**	277,392
Total current liabilities		**4,988,015**	4,442,730
Long-term debt:			
Recourse		**348,782**	348,733
Non-recourse from ICI	4	**3,743,012**	3,536,912
Other non-current financial liabilities		**126,508**	125,044
Non-current portion of provisions		**288,435**	257,271
Other non-current liabilities		**748,638**	737,767
Deferred income tax liability		**283,134**	283,925
Total liabilities		**10,526,524**	9,732,382
Equity			
Share capital		**508,415**	497,130
Retained earnings		**1,661,834**	1,610,503
Other components of equity	11	**(71,405)**	(70,975)
Equity attributable to SNC-Lavalin shareholders		**2,098,844**	2,036,658
Non-controlling interests		**3,698**	3,585
Total equity		**2,102,542**	2,040,243
Total liabilities and equity		**$ 12,629,066**	$ 11,772,625

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

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

2014

	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 period	**151,807**	**$**	**497,130**	**$**	**1,610,503**	**$**	**(70,975)**	**$**	**2,036,658**	**$**	**3,585**	**$**	**2,040,243**
Net income for the period	**–**		**–**		**94,590**		**–**		**94,590**		**102**		**94,692**
Other comprehensive loss for the period	**–**		**–**		**(6,172)**		**(430)**		**(6,602)**		**–**		**(6,602)**
Total comprehensive income for the period	**–**		**–**		**88,418**		**(430)**		**87,988**		**102**		**88,090**
Dividends declared (Note 10)	**–**		**–**		**(36,496)**		**–**		**(36,496)**		**–**		**(36,496)**
Stock option compensation (Note 8A)	**–**		**–**		**1,863**		**–**		**1,863**		**–**		**1,863**
Shares issued under stock option plans	**268**		**11,285**		**(2,454)**		**–**		**8,831**		**–**		**8,831**
Capital contributions by non-controlling interests	**–**		**–**		**–**		**–**		**–**		**11**		**11**
Balance at end of the period	**152,075**	**$**	**508,415**	**$**	**1,661,834**	**$**	**(71,405)**	**$**	**2,098,844**	**$**	**3,698**	**$**	**2,102,542**

THREE MONTHS ENDED MARCH 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 period	151,069	$	463,740	$	1,714,379	$	(102,686)	$	2,075,433	$	3,003	$	2,078,436
Net income for the period	–		–		53,623		–		53,623		77		53,700
Other comprehensive income (loss) for the period	–		–		(2,155)		8,896		6,741		–		6,741
Total comprehensive income for the period	–		–		51,468		8,896		60,364		77		60,441
Dividends declared (Note 10)	–		–		(34,814)		–		(34,814)		–		(34,814)
Stock option compensation (Note 8A)	–		–		1,801		–		1,801		–		1,801
Shares issued under stock option plans	303		15,110		(2,926)		–		12,184		–		12,184
Capital contributions by non-controlling interests	–		–		–		–		–		29		29
Balance at end of the period	151,372	$	478,850	$	1,729,908	$	(93,790)	$	2,114,968	$	3,109	$	2,118,077

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		THREE MONTHS ENDED MARCH 31	
	Note	**2014**	2013
Revenues by activity:			
Services		**$ 503,605**	$ 650,671
Packages		**610,156**	723,422
O&M		**375,180**	382,875
ICI accounted for by the full consolidation or cost methods		**183,385**	121,988
ICI accounted for by the equity method		**47,823**	21,300
		1,720,149	1,900,256
Direct cost of activities		**1,363,242**	1,593,765
Gross margin		**356,907**	306,491
Selling, general and administrative expenses		**186,847**	207,074
Restructuring costs	6	**1,184**	–
EBIT		**168,876**	99,417
Financial expenses	7	**55,008**	36,821
Financial income	7	**(4,454)**	(3,621)
Income before income taxes		**118,322**	66,217
Income taxes		**23,630**	12,517
Net income for the period		**$ 94,692**	$ 53,700
Net income attributable to:			
SNC-Lavalin shareholders		**$ 94,590**	$ 53,623
Non-controlling interests		**102**	77
Net income for the period		**$ 94,692**	$ 53,700
Earnings per share (in $)			
Basic		**$ 0.62**	$ 0.35
Diluted		**$ 0.62**	$ 0.35
Weighted average number of outstanding shares (in thousands)	9		
Basic		**151,903**	151,233
Diluted		**152,257**	151,603

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

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

	2014		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 94,590**	**$ 102**	**$ 94,692**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 11)	**10,955**	**–**	**10,955**
Available-for-sale financial assets (Note 11)	**69**	**–**	**69**
Cash flow hedges (Note 11)	**(8,406)**	**–**	**(8,406)**
Share of other comprehensive loss of investments accounted for by the equity method (Note 11)	**(7,669)**	**–**	**(7,669)**
Income taxes (Note 11)	**4,621**	**–**	**4,621**
Total of items that will be reclassified subsequently to net income	**(430)**	**–**	**(430)**
Defined benefit pension plans and other post-employment benefits (Note 11)	**(7,071)**	**–**	**(7,071)**
Income taxes (Note 11)	**899**	**–**	**899**
Total of items that will not be reclassified subsequently to net income	**(6,172)**	**–**	**(6,172)**
Total other comprehensive loss for the period	**(6,602)**	**–**	**(6,602)**
Total comprehensive income for the period	**$ 87,988**	**$ 102**	**$ 88,090**

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

	2013		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	$ 53,623	$ 77	$ 53,700
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 11)	10,249	–	10,249
Available-for-sale financial assets (Note 11)	807	–	807
Cash flow hedges (Note 11)	(3,290)	–	(3,290)
Share of other comprehensive income of investments accounted for by the equity method (Note 11)	(2,266)	–	(2,266)
Income taxes (Note 11)	3,396	–	3,396
Total of items that will be reclassified subsequently to net income	8,896	–	8,896
Defined benefit pension plans and other post-employment benefits (Note 11)	(2,702)	–	(2,702)
Income taxes (Note 11)	547	–	547
Total of items that will not be reclassified subsequently to net income	(2,155)	–	(2,155)
Total other comprehensive income for the period	6,741	–	6,741
Total comprehensive income for the period	$ 60,364	$ 77	$ 60,441

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THREE MONTHS ENDED MARCH 31	
	Note	**2014**	2013 [1]
Operating activities			
Net income for the period		**$ 94,692**	$ 53,700
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		**40,356**	28,581
Excluding ICI		**18,118**	15,524
Income taxes recognized in net income		**23,630**	12,517
Income taxes paid		**(46,529)**	(46,662)
Net financial expenses recognized in net income	7	**50,554**	33,200
Interest paid:			
From ICI		**(32,695)**	(13,257)
Excluding ICI		**(11,611)**	(11,126)
Expense recognized in respect of stock options	8A	**1,863**	1,801
Expense recognized in respect of cash-settled share-based payment arrangements	8B	**3,513**	648
Income from ICI accounted for by the equity method		**(47,784)**	(21,300)
Dividends and distributions received from ICI accounted for by the equity method		**30,133**	17,950
Net change in provisions related to forecasted losses on certain contracts	2B	**(16,789)**	(1,595)
Other		**14,840**	(1,045)
		122,291	68,936
Net change in non-cash working capital items	12	**(359,680)**	(147,419)
Net cash used for operating activities		**(237,389)**	(78,483)
Investing activities			
Acquisition of property and equipment:			
From ICI		**(284,130)**	(188,388)
Excluding ICI		**(17,235)**	(7,545)
Payments for ICI		**(4,906)**	(7,256)
Acquisition of businesses		**–**	(352)
Change in restricted cash position	2B	**29,303**	(5,450)
Increase in receivables under service concession arrangements		**(27,099)**	(11,423)
Recovery of receivables under service concession arrangements		**18,223**	1,593
Increase in short-term and long-term investments	4A	**(260,492)**	–
Decrease in short-term and long-term investments		**13,347**	–
Other		**(127)**	(2,131)
Net cash used for investing activities		**(533,116)**	(220,952)
Financing activities			
Increase in non-recourse debt from ICI		**806,999**	60,729
Repayment of non-recourse debt from ICI		**(151,271)**	(954)
Increase in advances under contract financing arrangements		**53,906**	–
Proceeds from exercise of stock options		**8,831**	12,184
Other		**1,058**	1,093
Net cash generated from financing activities		**719,523**	73,052
Increase in exchange differences on translating cash and cash equivalents		**2,329**	777
Net decrease in cash and cash equivalents		**(48,653)**	(225,606)
Cash and cash equivalents at beginning of period		**1,108,694**	1,174,900
Cash and cash equivalents at end of period		**$ 1,060,041**	$ 949,294

[1] See Note 2B for explanations relating to comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

The Company provides engineering and construction and operations and maintenance expertise, which together are referred to as "E&C", 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, except for the change in an accounting policy, as described in Note 2C.

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 ended March 31, 2014.

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 May 8, 2014.

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 $1.6 million in the three-month period ended March 31, 2013 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.

2. BASIS OF PREPARATION (CONTINUED)

In addition, in the first quarter of 2014, the Company has made a retrospective change to the presentation of its statement of cash flows and comparative figures were reclassified for the change in restricted cash position, to provide details on this element. Therefore, the amount of the change in restricted cash position of $5.5 million in the three-month period ended March 31, 2013 was reclassified from "Other" to "Change in restricted cash position" included in the investing activities in the statement of cash flows.

C) CHANGE IN AN ACCOUNTING POLICY

In the first quarter of 2014, the Company revised its reportable segments to reflect the changes made to its internal reporting structure and changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by "segment earnings before interest and taxes" ("segment EBIT"), as detailed in Note 3. This change in an accounting policy did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

D) INTERPRETATION AND AMENDMENTS ADOPTED IN 2014

The following interpretation and amendments to an existing standard have been adopted by the Company on January 1, 2014:

- IFRIC Interpretation 21, *Levies*, ("IFRIC 21") 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 retrospective initial application of IFRIC 21 and of the amendments to IAS 36, *Impairment of Assets*, ("IAS 36") did not have any impact on the Company's financial statements. The initial application of IFRIC 21 and of the amendments to IAS 36 was made in accordance with their transitional provisions and with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

E) STANDARD AND AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments and collections of amendments to the standards has been issued by the International Accounting Standards Board ("IASB") and are applicable to the Company for its annual periods beginning on January 1, 2015 and thereafter (except for the amendments to IFRS 2 and to IFRS 3 as detailed below), 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" and are applicable to share-based payment transactions for which the grant date is on or after July 1, 2014.
    - 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 for business combinations for which the acquisition date is on or after July 1, 2014, 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*, ("IFRS 13") 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 to the Company for its annual periods beginning on January 1, 2018, a date tentatively decided by the IASB, and thereafter, with an 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 amendments and standard on its financial statements.

3. SEGMENT DISCLOSURES

In the first quarter of 2014, the Company revised its reportable segments to reflect the changes made to its internal reporting structure. SNC-Lavalin's reportable segments are now i) **Resources, Environment and Water** ("**REW**"); ii) **Power**; iii) **Infrastructure**; and iv) **ICI**. The Company also provides additional information on certain sub-segments of its segments, notably on the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments of REW, as well as on the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure.

The description of each of the segment and related sub-segments is as follows:

REW includes the following:

- Mining & Metallurgy which includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers and sulphur product.
- Oil & Gas which includes projects in the areas of bitumen production, heavy oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, specialty chemicals, biofuels, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture and utilization, transportation and storage, sustaining capital, pipelines, terminals and pump stations.
- Environment & Water which includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.

Power includes projects in hydro, thermal and nuclear power generation, energy from waste, green energy solutions, and transmission and distribution.

Infrastructure includes the following:

- Infrastructure & Construction which includes projects in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering and materials testing, as well as water infrastructure and treatment facilities.
- Operations & Maintenance which consists 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.

ICI regroups SNC-Lavalin's investments in infrastructure concessions, for which further details are provided in Note 4.

3. SEGMENT DISCLOSURES (CONTINUED)

In addition, as disclosed in Note 2C, the Company changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by "segment earnings before interest and taxes ("segment EBIT"). As such, the Company no longer calculates imputed interest, which was in the past allocated to segments other than ICI at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceeded current liabilities or vice versa. The Company also no longer includes net financial expenses and income taxes in its measure of profit or loss for the ICI segment.

In addition, following the change in reportable segments, the Company revised its cash-generating units ("CGU") and groups of CGU and reallocated its goodwill accordingly, as detailed in Note 5.

The following table presents revenues and EBIT according to the Company's segments:

THREE MONTHS ENDED MARCH 31	2014		2013 [1]	
	REVENUES	EBIT	REVENUES	EBIT
Resources, Environment and Water				
Mining & Metallurgy	**$ 229,212**	**$ 6,569**	$ 408,505	$ 5,108
Oil & Gas	**103,504**	**(3,407)**	156,867	6,215
Environment & Water	**29,741**	**(4,626)**	32,707	(960)
	362,457	**(1,464)**	598,079	10,363
Power	**287,375**	**18,844**	369,534	37,957
Infrastructure				
Infrastructure & Construction [2]	**463,929**	**13,532**	406,480	(33,502)
Operations & Maintenance	**375,180**	**17,048**	382,875	11,236
	839,109	**30,580**	789,355	(22,266)
ICI	**231,208**	**121,980**	143,288	73,243
	$ 1,720,149	**169,940**	$ 1,900,256	99,297
Reversal of non-controlling interests before income taxes included above		**120**		120
Restructuring costs (Note 6)		**(1,184)**		–
EBIT		**168,876**		99,417
Net financial expenses (Note 7)		**50,554**		33,200
Income before income taxes		**118,322**		66,217
Income taxes		**23,630**		12,517
Net income for the period		**$ 94,692**		$ 53,700
Net income attributable to:				
SNC-Lavalin shareholders		**$ 94,590**		$ 53,623
Non-controlling interests		**102**		77
Net income for the period		**$ 94,692**		$ 53,700

(1) Comparative figures have been restated to reflect changes made to segment reporting structure and measure of profit or loss for the Company's reportable segments.

(2) For the three-month period ended March 31, 2014, sub-segment EBIT was $13.5 million compared to a negative sub-segment EBIT of $33.5 million for the three-month period ended March 31, 2013 mainly due to: i) a reversal of a risk provision recorded in 2013 related to letters of credit on a Libyan project on which a draw was attempted and that matured in the first quarter of 2014, ii) a risk provision recorded in the first quarter of 2014 covering in full the cash held in Libya caused by the increasing risk on the availablity of such funds as difficult conditions in the country have worsened during the first quarter of 2014, as well as iii) approximately $32 million recognized from additional costs on a major hospital project in the first quarter of 2013.

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

THREE MONTHS ENDED MARCH 31	2014	2013
Supplementary information:		
Net income attributable to SNC-Lavalin shareholders from E&C	**$ 30,803**	$ 18,585
Net income attributable to SNC-Lavalin shareholders from ICI:		
From Highway 407	**29,355**	16,774
From AltaLink	**23,223**	13,670
From other ICI	**11,209**	4,594
Net income attributable to SNC-Lavalin shareholders for the period	**$ 94,590**	$ 53,623

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 THREE-MONTH PERIOD ENDED MARCH 31, 2014

INPOWER BC GENERAL PARTNERSHIP

In February 2014, the Company announced that InPower BC General Partnership, its wholly owned subsidiary, signed an agreement with BC Hydro to design, build, partially finance, maintain and rehabilitate the John Hart Generating Replacement Facility, in Canada, under a 20-year contract. SNC-Lavalin will provide engineering and construction services, while the maintenance of the 132 MW generating station will be performed by a partnership of SNC-Lavalin and Industrias Metalúrgicas Pescarmona S.A.I.C. y F.

The financing of the capital cost of the project will come in part from a term credit facility and the issuance of long-term senior bonds, both non-recourse to SNC-Lavalin. The aggregate maximum principal amount of the term credit facility is $63.2 million. The term credit facility bears interest at a rate of: i) 4.15% up to 2019; and ii) CDOR plus 1.10% from 2019 to maturity in 2021. Senior bonds issued in the aggregate principal amount of $299.2 million bear interest at a rate of 4.471%, mature in 2033 and are presented as non-recourse long-term debt from ICI in the Company's consolidated statement of financial position. Upon issuance of senior bonds, an amount of $260.5 million was invested in deposit notes, maturing until 2017.

SNC-Lavalin's investment in InPower BC General Partnership is accounted for by the full consolidation method.

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

II) 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 for the three-month period ended December 31, 2013 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.

B) NET BOOK VALUE OF ICI

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

		MARCH 31 2014		DECEMBER 31 2013
Cash and cash equivalents (1)	**$**	**180,158**	$	17,775
Restricted cash		**7,114**		10,485
Trade receivables, other current financial assets and other current assets		**293,765**		190,140
Property and equipment (2)		**5,625,991**		5,132,027
Goodwill		**203,786**		203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets (3)		**656,289**		477,702
Other non-current assets and deferred income tax asset		**266,672**		258,726
Total assets		**7,233,775**		6,290,641
Trade payables, deferred revenues, other current financial liabilities and other current liabilities		**742,985**		491,484
Non-recourse short-term debt and current portion of non-recourse long-term debt (4)		**734,970**		277,392
Non-recourse long-term debt (4)		**3,743,012**		3,536,912
Other non-current financial liabilities		**114,785**		113,662
Provisions and other non-current liabilities		**749,465**		738,841
Total liabilities		**6,085,217**		5,158,291
Net assets from ICI accounted for by the full consolidation method (5)	**$**	**1,148,558**	$	1,132,350
Net book value of ICI accounted for by the equity method (6)	**$**	**462,779**	$	448,677
Net book value of ICI accounted for by the cost method		**434,811**		426,868
Total net book value of ICI	**$**	**2,046,148**	$	2,007,895

(1) The increase of cash and cash equivalents from ICI from December 31, 2013 to March 31, 2014 is mainly due to the proceeds from a secured credit facility, non-recourse to the Company, to be used solely to finance the Company's equity injections in its AltaLink, L.P. subsidiary.

(2) The increase of property and equipment from ICI from December 31, 2013 to March 31, 2014 is due to AltaLink's acquisition of property and equipment for a total cash outflow of $284.1 million for the three-month period ended March 31, 2014.

(3) The increase in non-current portion of receivables under service concession arrangements and non-current financial assets from December 31, 2013 to March 31, 2014 is mainly due to proceeds from issuance of senior bonds by InPower BC General Partnership that were invested in deposit notes (see Note 4A).

(4) The increase in non-recourse short-term debt and long-term debt from December 31, 2013 to March 31, 2014 is mainly due to additional indebtedness incurred by ICI, namely AltaLink and InPower BC General Partnership.

(5) The net assets related to AltaLink totalled $1,052.2 million as at March 31, 2014 (December 31, 2013: $1,019.5 million).

(6) Includes the Company's investment in Highway 407, for which the net book value was $nil as at March 31, 2014 and December 31, 2013.

5. GOODWILL

For the purpose of impairment testing, goodwill is allocated to CGU or groups of CGU, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

As mentioned in Note 3, following the change in its reportable segments, the Company revised its CGU and groups of CGU and reallocated its goodwill accordingly. As at March 31, 2014 and December 31, 2013, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	MARCH 31 2014	DECEMBER 31 2013
AltaLink	**$ 203,786**	$ 203,786
REW	**135,397**	–
Power	**67,965**	–
Infrastructure	**175,598**	–
Services and Packages - Europe	–	94,732
Services and Packages - Brazil	–	55,740
Services and Packages - Other	–	197,586
O&M	–	25,085
	$ 582,746	$ 576,929

6. RESTRUCTURING COSTS

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 $1.2 million in the first quarter of 2014 (first quarter of 2013: $nil). The amount paid during the three-month period ended March 31, 2014 for restructuring costs totalled $5.2 million (three-month period ended March 31, 2013: $nil). The amount of the provision for restructuring costs totalled $12.8 million as at March 31, 2014 (December 31, 2013: $16.8 million). These accrued restructuring costs are expected to be disbursed within the next 12 months.

The restructuring costs recognized in the first quarter of 2014 were mainly for severances.

7. NET FINANCIAL EXPENSES

THREE MONTHS ENDED MARCH 31	2014			2013		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Financial income	**$ (1,394)**	**$ (3,060)**	**$ (4,454)**	$ (3,374)	$ (247)	$ (3,621)
Interest on debt:						
Recourse	**5,432**	**–**	**5,432**	5,429	–	5,429
Non-recourse:						
AltaLink	**–**	**43,841**	**43,841**	–	28,269	28,269
Other	**–**	**4,341**	**4,341**	–	1,895	1,895
Other	**(52)**	**1,446**	**1,394**	(481)	1,709	1,228
Financial expenses	**5,380**	**49,628**	**55,008**	4,948	31,873	36,821
Net financial expenses	**$ 3,986**	**$ 46,568**	**$ 50,554**	$ 1,574	$ 31,626	$ 33,200

8. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the three-month period ended March 31, 2014 was $1.9 million (three-month period ended March 31, 2013: $1.8 million).

During the first three months of 2014 and 2013, no stock options were granted to employees.

As at March 31, 2014, 3,977,628 stock options were outstanding (December 31, 2013: 4,438,529 stock options), while 2,414,850 stock options remained available for future grants under the Company's 2013 Stock Option Plan (December 31, 2013: 2,329,416 stock options).

8. SHARE-BASED PAYMENTS (CONTINUED)

B) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

In the first quarter of 2014, the Company introduced the 2014 Performance Share Unit plan ("2014 PSU plan") in favour of certain of its key employees. The 2014 PSU plan is similar to the 2009 PSU plan with the exception that, among other things, i) the units vest in full at the end of the second calendar year following the calendar year during which the grant was made; and ii) in the event of death or retirement of a participant before the end of the vesting period, the units vest on a *pro rata* basis.

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the three-month periods ended March 31, 2014 and 2013:

THREE MONTHS ENDED MARCH 31	**2014**			2013		
	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 [(1)]	**–**	**$**	**–**	55,150	$	43.01
2009 DSU plan	**–**	**$**	**–**	58,650	$	43.01
RSU plan	**–**	**$**	**–**	15,161	$	43.01
DSU plan	**8,307**	**$**	**46.89**	10,600	$	40.10

[(1)] No units are available for future grants under the 2009 PSU plan since January 1, 2014.

The compensation expense recorded in the three-month period ended March 31, 2014 relating to cash-settled share-based payment arrangements was $3.5 million (three-month period ended March 31, 2013: $0.6 million).

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the three-month periods ended March 31, 2014 and 2013 to calculate the basic and diluted earnings per share were as follows:

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS)	**2014**	2013
Weighted average number of outstanding shares - basic	**151,903**	151,233
Dilutive effect of stock options	**354**	370
Weighted average number of outstanding shares - diluted	**152,257**	151,603

In the three-month period ended March 31, 2014, 1,772,000 outstanding stock options (three-month period ended March 31, 2013: 2,014,150 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

10. DIVIDENDS

During the three-month period ended March 31, 2014, the Company recognized as distributions to its equity shareholders dividends of $36.5 million or $0.24 per share (three-month period ended March 31, 2013: $34.8 million or $0.23 per share). As at March 31, 2014, this amount payable on April 3, 2014 (March 31, 2013: April 5, 2013) is included in "other current financial liabilities" on the consolidated statement of financial position.

THREE MONTHS ENDED MARCH 31		**2014**		2013
Dividends payable at January 1	**$**	**–**	$	–
Dividends declared during the period		36,496		34,814
Dividends paid during the period		**–**		–
Dividends payable at March 31	**$**	**36,496**	$	34,814

11. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at March 31, 2014 and December 31, 2013:

		MARCH 31 2014		DECEMBER 31 2013
Exchange differences on translating foreign operations	**$**	**(36,108)**	$	(47,063)
Available-for-sale financial assets		**2,665**		2,605
Cash flow hedges		**(8,402)**		(2,375)
Share of other comprehensive loss of investments accounted for by the equity method		**(29,560)**		(24,142)
Other components of equity	**$**	**(71,405)**	$	(70,975)

- 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 revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's proportionate share of the other comprehensive income (loss) from its investments accounted for by the equity method.

11. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the three-month periods ended March 31, 2014 and 2013:

THREE MONTHS ENDED MARCH 31	**2014**	2013
Exchange differences on translating foreign operations:		
Balance at beginning of period	**$ (47,063)**	$ (47,975)
Current period gains	**10,955**	10,249
Balance at end of period	**(36,108)**	(37,726)
Available-for-sale financial assets:		
Balance at beginning of period	**2,605**	2,558
Current period gains	**202**	807
Income taxes relating to current period gains	**(27)**	(186)
Reclassification to net income	**(133)**	–
Income taxes relating to amounts reclassified to net income	**18**	–
Balance at end of period	**2,665**	3,179
Cash flow hedges:		
Balance at beginning of period	**(2,375)**	395
Current period losses	**(12,813)**	(4,085)
Income taxes relating to current period losses	**3,262**	534
Reclassification to net income	**4,407**	795
Income taxes relating to amounts reclassified to net income	**(883)**	2,361
Balance at end of period	**(8,402)**	–
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of period	**(24,142)**	(57,664)
Current period share	**(10,608)**	(3,953)
Income taxes relating to current period share	**3,030**	1,109
Reclassification to net income	**2,939**	1,687
Income taxes relating to amounts reclassified to net income	**(779)**	(422)
Balance at end of period	**(29,560)**	(59,243)
Other components of equity	**$ (71,405)**	$ (93,790)

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following table provides a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the three-month periods ended March 31, 2014 and 2013:

THREE MONTHS ENDED MARCH 31	**2014**			2013		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (24,377)**	**$ 6,353**	**$ (18,024)**	$ (22,136)	$ 5,690	$ (16,446)
Recognized during the period	**(7,071)**	**899**	**(6,172)**	(2,702)	547	(2,155)
Cumulative amount at end of period	**$ (31,448)**	**$ 7,252**	**$ (24,196)**	$ (24,838)	$ 6,237	$ (18,601)

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:

	THREE MONTHS ENDED MARCH 31	
	2014	2013
Increase in trade receivables	**$ (120,097)**	$ (36,555)
Decrease (increase) in contracts in progress	**4,588**	(119,509)
Increase in other current financial assets	**(20,305)**	(34,646)
Decrease (increase) in other current assets	**17,131**	(11,748)
Increase (decrease) in trade payables	**(213,382)**	63,046
Increase (decrease) in downpayments on contracts	**(13,707)**	13,895
Decrease in deferred revenues	**(8,690)**	(43,827)
Increase in other current financial liabilities	**4,791**	21,228
Increase (decrease) in other current liabilities	**(10,009)**	697
Net change in non-cash working capital items	**$ (359,680)**	$ (147,419)

13. 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.

For the first three months of 2014, SNC-Lavalin recognized revenues of $159.3 million (first three months of 2013: $160.2 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 $47.8 million for the three-month period ended March 31, 2014 (three-month period ended March 31, 2013: $21.3 million). Intragroup revenues generated from transactions with AltaLink, which amounted to $354.8 million for the three-month period ended March 31, 2014 (three-month period ended March 31, 2013: $323.5 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 $47.0 million as at March 31, 2014 (December 31, 2013: $35.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $322.0 million as at March 31, 2014 (December 31, 2013: $300.0 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $155.2 million at March 31, 2014 (December 31, 2013: $155.2 million).

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

14. 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.

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.

14. CONTINGENT LIABILITIES (CONTINUED)

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.

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.

14. CONTINGENT LIABILITIES (CONTINUED)

B) CLASS ACTION LAWSUITS

On March 1, 2012, a “Motion to Authorize the Beginning of a Class Action and to Obtain the Status of Representative” (the “Quebec Motion”) was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from and including March 13, 2009 through and including February 28, 2012, whether in a primary market offering or in the secondary market. The 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.

The Quebec Motion and the Ontario Action (collectively, the “Actions”) allege that certain documents filed by SNC-Lavalin contained misrepresentations concerning, among other things, SNC-Lavalin’s corporate governance practices, adequacy of controls and procedures, reported net income for the year ended December 31, 2010, and adherence to SNC-Lavalin’s Code of Ethics.

The Actions each seek damages based on the decline in market value of the securities purchased by proposed class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as other damages and costs. The Ontario Action seeks additional damages based on various further drops in share price.

On September 19, 2012, the Ontario judge agreed to the discontinuance of the plaintiffs’ claims other than the statutory misrepresentation claims under securities legislation in accordance with an agreement with the plaintiffs. The judge granted the plaintiffs leave to proceed with those statutory claims and has certified a class action covering shareholders who bought SNC-Lavalin shares during the Class Period except for Quebec residents. On January 24, 2013, a judge of the Quebec Superior Court rendered a similar judgement covering Quebec residents.

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class action 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.

15. EVENT AFTER THE REPORTING PERIOD

On May 1, 2014, SNC-Lavalin announced that it had entered into a binding agreement to sell 100% of its interest in AltaLink Holdings, L.P. (“AHLP”), the parent company of AltaLink, L.P., to Berkshire Hathaway Energy. Completion of the sale is subject to customary regulatory approvals, including approval by the *Alberta Utilities Commission* and approvals pursuant to the Competition Act and Investment Canada Act.

As the assets and liabilities of AHLP are expected to be realized through this transaction, the Company will present, on a prospective basis, the aggregate amount of such assets and such liabilities of AHLP as “held for sale” on its consolidated statement of financial position. These assets and liabilities amounted to $6.4 billion and $5.2 billion, respectively, as at March 31, 2014. The net assets of AHLP will fluctuate, notably from equity injections and net results of AHLP, until the closing of the transaction.

The Company will also cease to depreciate and amortize non-current assets of AHLP on a prospective basis. The depreciation and amortization of these non-current assets amounted to $40.4 million in the first quarter of 2014.

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