SNC·LAVALIN

Management's Discussion and Analysis

First Quarter of 2014 versus
First Quarter of 2013

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May 8, 2014

All financial information in Canadian dollars, unless otherwise indicated

1 – FIRST QUARTER OF 2014 EXECUTIVE SUMMARY

1.1 – EXECUTIVE SUMMARY – FINANCIAL INDICATORS

NET INCOME

> For the first quarter of 2014, net income attributable to SNC-Lavalin shareholders was $94.6 million ($0.62 per share on a diluted basis), compared to $53.6 million ($0.35 per share on a diluted basis) for the first quarter of 2013.

> For the first quarter of 2014, net income attributable to SNC-Lavalin shareholders from Engineering and Construction and Operations and Maintenance activities ("E&C") was $30.8 million, compared to $18.6 million for the corresponding period of 2013, mainly due to a higher contribution from Infrastructure notably from its Infrastructure & Construction sub-segment, principally due to the reversal of a risk provision previously recorded on a Libyan project, partially offset by a lower contribution from Power and a negative segment EBIT in Resources, Environment and Water ("REW") mainly due to a negative sub-segment EBIT in Oil & Gas and Environment & Water.

> For the first quarter of 2014, net income attributable to SNC-Lavalin shareholders from Infrastructure Concession Investments ("ICI") was $63.8 million, compared to $35.0 million for the same period last year, mainly due to a higher dividend received from Highway 407 and a higher net income from AltaLink.

REVENUES

> Revenues for the first three months of 2014 decreased to $1.7 billion, compared to $1.9 billion for the first three months of 2013 as the increase in ICI revenues was more than offset by a decrease in revenues from Services and Packages.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

> For the first three months of 2014, the selling, general and administrative expenses decreased by 9.8% to $186.8 million, compared to $207.1 million for the corresponding period of 2013, mainly attributable to costs savings resulting from the Company's restructuring plans implemented in the second half of 2013, as well as other initiatives under the Value Up program.

FINANCIAL POSITION

> Cash and cash equivalents totalled $1.1 billion at March 31, 2014, in line with December 31, 2013.

REVENUE BACKLOG

(IN MILLIONS OF CA$)	March 31 2014	December 31 2013
Services	**$ 1,604.3**	$ 1,629.6
Packages	**4,780.9**	4,429.7
O&M	**1,988.9**	2,228.5
Total	**$ 8,374.1**	$ 8,287.8

> Revenue backlog totalled $8.4 billion at the end of March 2014, compared to $8.3 billion at the end of December 2013 mainly reflecting an increase in Packages, partially offset by a decrease in Operations & Maintenance ("O&M").

1.2 – EXECUTIVE SUMMARY – OTHER ITEM

> 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. Refer to section 14 for further details.

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the first quarter of 2014 and accompanying notes, and should therefore be read in conjunction with these documents and with the Financial Report for the year ended December 31, 2013, and should also be **read together with the text in section 2 on caution regarding forward-looking statements**. Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on SEDAR at **www.sedar.com** and on the Company's website at **www.snclavalin.com** under the "Investors" section.

Unless otherwise indicated, all financial information presented in this Management's Discussion and Analysis, including tabular amounts, is in **Canadian dollars**, and prepared in accordance with **International Financial Reporting Standards ("IFRS")**. **Certain totals, subtotals and percentages may not reconcile due to rounding. Not applicable ("N/A") is used to indicate that the percentage change between the current and comparative figures is not meaningful, or if the percentage change exceeds 1,000%.**

2 – CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this MD&A that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "aims", "anticipates", "assumes", "believes", "estimates", "expects", "goal", "intends", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. All such forward-looking statements are made pursuant to the "safe-harbour" provisions of applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on May 8, 2014. The assumptions are set out throughout the Company's 2013 MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2013 MD&A), as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) the Company is subject to ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant, which, in turn, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in ICI that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (x) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (y) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (z) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (aa) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (bb) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (cc) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (dd) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2013 MD&A filed with the securities regulatory authorities in Canada, available on SEDAR at **www.sedar.com** and on the Company's website at **www.snclavalin.com** under the "Investors" section, as updated in this MD&A.

The forward-looking statements herein reflect the Company's expectations as at May 8, 2014, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

3 – OUR BUSINESS

SNC-Lavalin provides engineering and construction and operations and maintenance expertise, which together are referred to as "E&C", through its network of offices across Canada and in over 40 other countries around the world, and is currently active in some 100 countries. SNC-Lavalin also makes select investments in infrastructure concessions that are complementary to its other activities and referred to as "ICI".

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

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

> **Services**: includes contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning.

> **Packages**: includes contracts wherein SNC-Lavalin is responsible not only for providing one or more of the Services activities listed above, but also undertakes the responsibility for providing materials and equipment, and usually also includes construction activities.

Services and Packages activities are offered to clients in multiple industries including Mining & Metallurgy, Oil & Gas, Environment & Water, Power and Infrastructure & Construction. Refer to section 7 of this report for a review of the Company's segment earnings before interest and income taxes.

3.2 – OPERATIONS AND MAINTENANCE ACTIVITIES

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

3.3 – INFRASTRUCTURE CONCESSION INVESTMENTS

SNC-Lavalin makes select investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities, for which its technical, engineering and construction, project management, and O&M expertise, along with its experience in arranging project financing, represent a distinct advantage.

4 – HOW WE ANALYZE AND REPORT OUR RESULTS

The Company reports its results under **four categories of activity**, which are **Services** and **Packages**, **O&M** and **ICI**. The Company's management regularly analyzes the results of these categories independently as they generate different gross margin yields and have different risk profiles. The Company's management also analyzes results by segments, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated.

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 Company presents the information in the way management performance is evaluated, by regrouping its engineering and construction projects within the related industries, which are as follows: **Mining & Metallurgy, Oil & Gas, Environment & Water, Power, Infrastructure & Construction** and **O&M.** The **O&M** sub-segment and the **ICI** segment correspond to the categories of activity of the same name.

4.1 – NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

The non-IFRS financial measures and additional IFRS measures include the following indicators:

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Performance	
Earnings before interest and income taxes ("EBIT")	Section 5.2
Revenue backlog	Section 6
Segment or sub-segment earnings before interest and income taxes	Section 7
Return on average shareholders equity ("ROASE")	Section 8.4

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Liquidity	
Cash net of recourse debt	Section 8.1

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

5 – BREAKDOWN OF INCOME STATEMENT

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	FIRST QUARTER 2014	FIRST QUARTER 2013
Revenues by activity:		
Services	**$ 503.6**	$ 650.7
Packages	**610.2**	723.4
O&M	**375.2**	382.9
ICI	**231.2**	143.3
	$ 1,720.1	$ 1,900.3
Gross margin	**$ 356.9**	$ 306.5
Selling, general and administrative expenses		
From E&C	**176.8**	203.1
From ICI	**10.1**	4.0
	$ 186.8	$ 207.1
Restructuring costs	**1.2**	-
Earnings before interest and income taxes	**$ 168.9**	$ 99.4
Net financial expenses:		
From E&C	**4.0**	1.6
From ICI	**46.6**	31.6
	50.6	33.2
Income before income taxes	**118.3**	66.2
Income taxes	**23.6**	12.5
Net income for the period	**$ 94.7**	$ 53.7
Net income attributable to:		
SNC-Lavalin shareholders	**$ 94.6**	$ 53.6
Non-controlling interests	**0.1**	0.1
Net income for the period	**$ 94.7**	$ 53.7
Earnings per share ($)		
Basic	**$ 0.62**	$ 0.35
Diluted	**$ 0.62**	$ 0.35
Supplementary information:		
Net income attributable to SNC-Lavalin shareholders from E&C	**$ 30.8**	$ 18.6
Net income attributable to SNC-Lavalin shareholders from ICI:		
From Highway 407	**29.4**	16.8
From AltaLink	**23.2**	13.7
From other ICI	**11.2**	4.6
Net income attributable to SNC-Lavalin shareholders for the period	**$ 94.6**	$ 53.6

5.1 – NET INCOME ANALYSIS

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
Net income attributable to SNC-Lavalin shareholders from E&C	**$ 30.8**	$ 18.6
Net income attributable to SNC-Lavalin shareholders from ICI	**63.8**	35.0
Net income attributable to SNC-Lavalin shareholders	**$ 94.6**	$ 53.6

For the first quarter of 2014, net income attributable to SNC-Lavalin shareholders from E&C was $30.8 million, compared to $18.6 million for the corresponding period of 2013, mainly due to a higher contribution from Infrastructure notably from its Infrastructure & Construction sub-segment, principally due to the reversal of a risk provision previously recorded on a Libyan project, partially offset by a lower contribution from Power and a negative segment EBIT in REW mainly due to a negative sub-segment EBIT in Oil & Gas and Environment & Water.

For the first quarter of 2014, net income attributable to SNC-Lavalin shareholders from ICI was $63.8 million, compared to $35.0 million for the same period last year, mainly due to a higher dividend received from Highway 407 and a higher net income from AltaLink.

5.2 – EARNINGS BEFORE INTEREST AND INCOME TAXES ANALYSIS

EBIT is a non-IFRS financial measure which is an indicator of the entity's capacity to generate income before income taxes from operations before taking into account management's financing decisions. Accordingly, EBIT is defined herein as income before net financial expenses and income taxes. Management uses this measure as a more meaningful way to compare the Company's financial performance from period to period. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
EBIT from E&C	**$ 46.9**	26.2
EBIT from ICI	**122.0**	73.2
EBIT	**$ 168.9**	$ 99.4

For the first quarter of 2014, EBIT from E&C amounted to $46.9 million, compared to $26.2 million in the corresponding period of 2013, mainly due to the same factors explaining the variance in net income from E&C described above.

For the first quarter of 2014, EBIT from ICI amounted to $122.0 million, compared to $73.2 million in the corresponding period of 2013, mainly due to a higher EBIT from AltaLink and a higher dividend received from Highway 407.

5.3 – REVENUE ANALYSIS

Revenues for the first three months of 2014 decreased to $1.7 billion, compared to $1.9 billion for the first three months of 2013.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
Services revenues	**$ 503.6**	$ 650.7

The decrease in Services revenues for the first three months of 2014 reflected a decrease mainly in REW, principally from its Mining & Metallurgy and Oil & Gas sub-segments.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
Packages revenues	**$ 610.2**	$ 723.4

The decrease in Packages revenues for the first three months of 2014 reflected a decrease in REW, mainly in its Mining & Metallurgy sub-segment, as well as in Power, partially offset by an increase in Infrastructure.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
O&M revenues	**$ 375.2**	$ 382.9

O&M revenues for the first three months of 2014 remained in line with the corresponding period of 2013.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
ICI revenues	**$ 231.2**	$ 143.3

The increase in ICI revenues for the first three months of 2014 mainly reflected higher revenues from AltaLink.

5.4 – GROSS MARGIN ANALYSIS

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
Gross margin from E&C	**$ 224.9**	$ 229.2
Gross margin from ICI	**132.1**	77.2
Gross margin	**$ 356.9**	$ 306.5
Gross margin-to-revenue ratio (%)	**20.7%**	16.1%

The gross margin amount from E&C for the first quarter of 2014 was in line with the corresponding period of 2013, due to an increase in Infrastructure, principally due to the reversal of a risk provision previously recorded on a Libyan project, partially offset by a lower volume of activity in REW and in Power.

The gross margin amount from ICI for the first three months of 2014 increased compared to the corresponding period of 2013, mainly reflecting a higher gross margin from AltaLink and a higher dividend received from Highway 407.

5.5 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
Selling, general and administrative expenses	**$ 186.8**	$ 207.1

For the first three months of 2014, the selling, general and administrative expenses decreased compared to the corresponding period of 2013, mainly attributable to costs savings resulting from the Company's restructuring plans implemented in the second half of 2013, as well as other initiatives under the Value Up program.

In the first quarter of 2014 and 2013, the Company's corporate selling, general and administrative expenses included, amongst others, the following expenses:

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
Investigations and related matters	**$ 1.7**	$ 3.7
Expenses related to new information technology systems	**6.4**	6.0
Implementation of a new Compliance program	**3.8**	0.5
Total	**$ 11.9**	$ 10.2

In accordance with the methodology described in Note 4 to the Company's 2013 audited annual consolidated financial statements, **corporate** selling, general and administrative expenses are allocated to each of the Company's segments.

5.6 – NET FINANCIAL EXPENSES ANALYSIS

THREE MONTHS ENDED MARCH 31 (IN MILLIONS OF CA$)	2014			2013		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Interest revenues	**$ (1.4)**	**$ (3.1)**	**$ (4.5)**	$ (3.4)	$ (0.2)	$ (3.6)
Interest on debt:						
Recourse	**5.4**	**–**	**5.4**	5.4	–	5.4
Non-recourse:						
AltaLink	**–**	**43.8**	**43.8**	–	28.3	28.3
Other	**–**	**4.3**	**4.3**	–	1.9	1.9
Other	**(0.1)**	**1.4**	**1.4**	(0.5)	1.7	1.2
Net financial expenses	**$ 4.0**	**$ 46.6**	**$ 50.6**	$ 1.6	$ 31.6	$ 33.2

For the first three months of 2014, net financial expenses from E&C increased to $4.0 million, compared to $1.6 million for the first three months of 2013, mainly reflecting lower interest revenues.

For the first three months of 2014, net financial expenses from ICI increased to $46.6 million, compared to $31.6 million for the first three months of 2013, primarily due to a higher interest expense on additional non-recourse debt related to AltaLink.

5.7 – INCOME TAXES ANALYSIS

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013
Income before income taxes from E&C	**$ 42.9**	$ 24.6
Income before income taxes from ICI	**75.4**	41.6
Income before income taxes	**$ 118.3**	$ 66.2
Income taxes from E&C	**$ 12.0**	$ 5.9
Income taxes from ICI	**11.6**	6.6
Income taxes	**$ 23.6**	$ 12.5
Effective income tax rate from E&C (%)	**28.0%**	24.1%
Effective income tax rate from ICI (%)	**15.4%**	15.8%
Effective income tax rate (%)	**20.0%**	18.9%

For the first quarter of 2014, the income tax expense from E&C was $12.0 million, compared to $5.9 million in the corresponding period of 2013. The change in effective tax rate from E&C was mainly due to an increase in non-taxable income which was more than offset by an increase in 2014 of losses that do not generate an income tax benefit and of other permanent differences.

For the first quarter of 2014, the income tax expense from ICI was $11.6 million, compared to $6.6 million in the first quarter of 2013, mainly due to higher income before taxes from ICI while the effective income tax rate from ICI remained in line with the first quarter of 2013.

6 – REVENUE BACKLOG

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

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

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

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

AT MARCH 31 (IN MILLIONS OF CA$)	2014			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	**$ 282.1**	**$ 239.3**	**$ –**	**$ 521.4**
Oil & Gas	**332.2**	**57.6**	**–**	**389.8**
Environment & Water	**88.1**	**–**	**–**	**88.1**
	$ 702.4	**$ 296.9**	**$ –**	**$ 999.3**
Power	**$ 360.7**	**$ 2,053.1**	**$ –**	**$ 2,413.8**
Infrastructure				
Infrastructure & Construction	**$ 541.2**	**$ 2,430.9**	**$ –**	**$ 2,972.1**
O&M	**–**	**–**	**1,988.9**	**1,988.9**
	$ 541.2	**$ 2,430.9**	**$ 1,988.9**	**$ 4,961.0**
Total	**$ 1,604.3**	**$ 4,780.9**	**$ 1,988.9**	**$ 8,374.1**

AT DECEMBER 31 (IN MILLIONS OF CA$)	2013[(1)]			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	$ 384.4	$ 245.5	$ –	$ 629.9
Oil & Gas	238.0	50.8	–	288.9
Environment & Water	100.8	–	–	100.8
	$ 723.2	$ 296.3	$ –	$ 1,019.5
Power	$ 383.6	$ 1,403.4	$ –	$ 1,787.0
Infrastructure				
Infrastructure & Construction	$ 522.8	$ 2,730.0	$ –	$ 3,252.8
O&M	–	–	2,228.5	2,228.5
	$ 522.8	$ 2,730.0	$ 2,228.5	$ 5,481.3
Total	$ 1,629.6	$ 4,429.7	$ 2,228.5	$ 8,287.8

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

Additionally, the Company discloses at section 12.2 of this MD&A its revenue backlog at the end of each of the first three quarters of 2013, regrouping the information using its segments newly introduced in 2014.

At March 31, 2014, revenue backlog was $8.4 billion, compared to $8.3 billion at the end of December 2013, mainly reflecting an increase in Packages partially offset by a decrease in O&M.

6.1 – SERVICES BACKLOG

(IN MILLIONS OF CA$)	**March 31 2014**	December 31 2013
Services backlog	**$ 1,604.3**	$ 1,629.6

The Services backlog at the end of March 2014 remained in line with the end of December 2013.

6.2 – PACKAGES BACKLOG

(IN MILLIONS OF CA$)	**March 31 2014**	December 31 2013
Packages backlog	**$ 4,780.9**	$ 4,429.7

The increase from December 2013 to March 2014 mainly reflected an increase in Power, notably from the addition in the first quarter of 2014 of the John Hart Generating Station Replacement Facility project, further described in section 7.4. This increase was partially offset by a decrease in the Infrastructure & Construction sub-segment of Infrastructure.

6.3 – O&M BACKLOG

(IN MILLIONS OF CA$)	**March 31 2014**	December 31 2013
O&M backlog	**$ 1,988.9**	$ 2,228.5

The O&M backlog at the end of March 2014 decreased compared to the end of December 2013, mainly due to normal fluctuations in the timing of long-term contracts.

7 – SEGMENTED INFORMATION

As mentioned in section 4, the Company revised its reportable segments to reflect the changes made to its internal reporting structure. SNC-Lavalin's reportable segments are now i) **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 O&M sub-segments of Infrastructure.

In 2014, the Company also 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. Therefore, since January 2014, the Company evaluates segment performance, using segment EBIT, which consists of gross margin less i) directly related selling, general and administrative expenses; ii) corporate selling, general and administrative expenses; and iii) non-controlling interests before taxes. Corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Restructuring costs and goodwill impairment are not allocated to the Company's segments.

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

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

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

ACCOUNTING METHOD	PERFORMANCE EVALUATION
Cost method	Dividends or distributions received from investments
Equity method	SNC-Lavalin's share of the net results of its investments, or dividends from ICI for which the carrying amount is $nil, before taxes
Full consolidation method	EBIT from investments

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

(IN MILLIONS OF CA$)	FIRST QUARTER	
BY SEGMENT	**2014**	2013(1)
Resources, Environment and Water		
Mining & Metallurgy	**$ 229.2**	$ 408.5
Oil & Gas	**103.5**	156.9
Environment & Water	**29.7**	32.7
	$ 362.5	$ 598.1
Power	**$ 287.4**	$ 369.5
Infrastructure		
Infrastructure & Construction	**$ 463.9**	$ 406.5
Operations & Maintenance	**375.2**	382.9
	$ 839.1	$ 789.4
ICI	**$ 231.2**	$ 143.3
Total	**$ 1,720.1**	$ 1,900.3

(1) Comparative figures have been restated to reflect changes made to segment reporting structure.

The following table summarizes the Company's **segment EBIT**:

(IN MILLIONS OF CA$)	FIRST QUARTER	
BY SEGMENT	**2014**	2013(1)
Resources, Environment and Water		
Mining & Metallurgy	**$ 6.6**	$ 5.1
Oil & Gas	**(3.4)**	6.2
Environment & Water	**(4.6)**	(1.0)
	$ (1.5)	$ 10.4
Power	**$ 18.8**	$ 38.0
Infrastructure		
Infrastructure & Construction	**$ 13.5**	$ (33.5)
Operations & Maintenance	**17.0**	11.2
	$ 30.6	$ (22.3)
ICI	**$ 122.0**	$ 73.2
Total segment EBIT	**$ 169.9**	$ 99.3
Less: Restructuring costs	**$ (1.2)**	$ –
Reversal of non-controlling interests before income taxes	**0.1**	0.1
EBIT	**$ 168.9**	$ 99.4

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

Additionally, the Company discloses at section 12.2 of this MD&A its revenues and segment EBIT for each quarter of 2013, regrouping the information using its segments newly introduced in 2014.

7.1 – RESOURCES, ENVIRONMENT AND WATER

REW regroups projects from the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments which are further described below.

7.1.1 – MINING & METALLURGY

Mining & Metallurgy 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.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013[1]
Revenues from Mining & Metallurgy		
Services	**$ 147.3**	$ 240.7
Packages	**81.9**	167.9
Total	**$ 229.2**	$ 408.5
Sub-segment EBIT from Mining & Metallurgy	**$ 6.6**	$ 5.1
Sub-segment EBIT over revenues from Mining & Metallurgy (%)	**2.9%**	1.3%

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

Mining & Metallurgy revenues in the first quarter of 2014 decreased to $229.2 million, compared to $408.5 million for the corresponding period of 2013, reflecting a lower level of Services and Packages activity, mainly attributable to a continued softening of the commodity markets.

Mining & Metallurgy sub-segment EBIT was $6.6 million in the first quarter of 2014, compared to $5.1 million in the corresponding period of 2013, mainly reflecting lower selling, general and administrative expenses and a higher gross margin-to-revenue ratio, while being negatively impacted by a lower volume of activity. The gross margin-to-revenue ratio in the first quarter of 2013 included a provision for costs of approximately $17 million following the receipt of a notice of suspension by the Company in March 2013 in connection with a major mining contract.

7.1.2 – OIL & GAS

Oil & Gas 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.

(IN MILLIONS OF CA$)	FIRST QUARTER			
		2014		2013(1)
Revenues from Oil & Gas				
Services	$	96.1	$	130.9
Packages		7.4		26.0
Total	$	103.5	$	156.9
Sub-segment EBIT from Oil & Gas	$	(3.4)	$	6.2
Sub-segment EBIT over revenues from Oil & Gas (%)		(3.3%)		4.0%

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

Revenues from Oil & Gas decreased to $103.5 million in the first quarter of 2014, compared to $156.9 million for the first quarter of 2013, reflecting a lower level of Services and Packages activity, mainly due to projects completed or nearing completion.

In the first quarter of 2014, Oil & Gas sub-segment EBIT was negative $3.4 million, compared to a sub-segment EBIT of $6.2 million in the first quarter of 2013, mainly reflecting a lower volume of activity combined with a lower gross margin-to-revenue ratio, both negatively impacted in 2014 by the near completion of a legacy fixed-price project in Algeria. This decrease was partially offset by a decrease in selling, general and administrative expenses.

7.1.3 – ENVIRONMENT & WATER

Environment & Water 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.

(IN MILLIONS OF CA$)	FIRST QUARTER			
		2014		2013(1)
Revenues from Environment & Water				
Services	$	29.7	$	32.7
Total	$	29.7	$	32.7
Sub-segment EBIT from Environment & Water	$	(4.6)	$	(1.0)
Sub-segment EBIT over revenues from Environment & Water (%)		(15.6%)		(2.9%)

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

Environment & Water revenues decreased to $29.7 million in the first quarter of 2014, compared to $32.7 million for the corresponding quarter of 2013, reflecting a lower level of activity.

Environment & Water sub-segment EBIT was negative $4.6 million for the first quarter of 2014, compared to a negative sub-segment EBIT of $1.0 million in the corresponding period of 2013, mainly reflecting a lower gross margin-to-revenue ratio and insufficient gross margin generated to cover selling, general and administrative expenses.

The Company intends to reorganize its Environment & Water sub-segment in 2014 in order to enhance its ability to deliver a positive contribution.

7.2 – POWER

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

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013[(1)]
Revenues from Power		
Services	**$ 92.7**	$ 92.3
Packages	**194.7**	277.2
Total	**$ 287.4**	$ 369.5
Segment EBIT from Power	**$ 18.8**	$ 38.0
Segment EBIT over revenues from Power (%)	**6.6%**	10.3%

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

Power revenues decreased to $287.4 million in the first quarter of 2014, compared to $369.5 million for the first quarter of 2013, reflecting a lower level of Packages activity mainly due to certain major projects nearing completion, mainly in Canada, while activity from a major Packages project in Power awarded in the first quarter of 2014, as described in section 6.2 was scheduled to begin in the second quarter of 2014.

For the first quarter of 2014, Power segment EBIT was $18.8 million, compared to $38.0 million in the corresponding quarter of 2013, mainly reflecting a lower volume of Packages activity, partially offset by a decrease in selling, general and administrative expenses.

7.3 – INFRASTRUCTURE

Infrastructure regroups projects from Infrastructure & Construction and O&M which are further described below.

7.3.1 – INFRASTRUCTURE & CONSTRUCTION

Infrastructure & Construction 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.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013[1]
Revenues from Infrastructure & Construction		
Services	**$ 137.8**	$ 154.1
Packages	**326.1**	252.3
Total	**$ 463.9**	$ 406.5
Sub-segment EBIT from Infrastructure & Construction	**$ 13.5**	$ (33.5)
Sub-segment EBIT over revenues from Infrastructure & Construction (%)	**2.9%**	(8.2%)

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

Infrastructure & Construction revenues for the first quarter 2014 increased to $463.9 million, compared to $406.5 million for the corresponding period of 2013, reflecting a higher level of Packages activity mainly from certain major transportation projects ramping up, partially offset by a lower level of Services activity, mainly in Quebec and in France.

For the first quarter of 2014, Infrastructure & Construction sub-segment EBIT was $13.5 million, compared to a negative sub-segment EBIT of $33.5 million in the corresponding quarter of 2013, mainly reflecting a higher gross margin-to-revenue ratio, explained mainly by: i) letters of credit on which a draw was attempted in 2013 matured in the first quarter of 2014 which led the Company to reverse a risk provision recorded in the second quarter of 2013 for an amount of $47.0 million on a Libyan project; ii) partially offset by 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 availability of such funds as difficult conditions in the country have worsened during the first quarter of 2014; and iii) approximately $32 million recognized from additional costs on a major hospital project in the first quarter of 2013. The two first elements above on Libya had a net favourable impact of $35.3 million on gross margin.

While benefiting from a higher gross margin-to-revenue ratio in the first quarter of 2014 compared to the first quarter of 2013, the Infrastructure & Construction sub-segment contribution was negatively impacted by the need to maintain a level of selling, general and administrative expenses to support ongoing projects, which include challenging projects that do not generate gross margin.

7.3.2 – O&M

Operations & Maintenance 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.

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013[(1)]
Revenues from O&M	**$ 375.2**	$ 382.9
Sub-segment EBIT from O&M	**$ 17.0**	$ 11.2
Sub-segment EBIT over revenues from O&M (%)	**4.5%**	2.9%

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

O&M revenues in the first quarter of 2014 were $375.2 million, in line with the corresponding period of 2013.

O&M Sub-segment EBIT was $17.0 million in the first quarter of 2014, compared to $11.2 million in the first quarter of 2013, mainly reflecting a higher gross margin-to-revenue ratio, mainly attributable to achieved costs reduction on certain projects.

7.4 – ICI

SNC-Lavalin makes investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities, which are grouped into the ICI segment and described in section 8.3 of the Company's 2013 Financial Report under "Management's Discussion and Analysis".

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. The wholly owned subsidiary is an ICI accounted for by the full consolidation method.

7.4.1 – NET BOOK VALUE OF ICI

Given the significant effect of ICI on the Company's consolidated statement of financial position, the Company provides additional information in Note 4 to its unaudited interim condensed consolidated financial statements for the first quarter of 2014 regarding the net book value of its ICI in accordance with the method accounted for in SNC-Lavalin's consolidated statement of financial position.

(IN MILLIONS OF CA$)	**March 31 2014**	December 31 2013
ICI accounted for by the full consolidation method	**$ 1,148.6**	$ 1,132.4
ICI accounted for by the equity method	**462.8**	448.7
ICI accounted for by the cost method	**434.8**	426.9
Total net book value of ICI	**$ 2,046.2**	$ 2,007.9

As at March 31, 2014, the Company estimated that the fair value of its ICI portfolio was much higher than its net book value, with the Company's investment in Highway 407 and AltaLink having the highest estimated fair values of its ICI portfolio. The net book values of the Company's investments in Highway 407 and AltaLink were $nil and $1,052.2 million, respectively, as at March 31, 2014.

7.4.2 – EBIT OF THE ICI SEGMENT

(IN MILLIONS OF CA$)	FIRST QUARTER	
	2014	2013[1]
Revenues from ICI	**$ 231.2**	$ 143.3
EBIT:		
From Highway 407	**$ 29.4**	$ 16.8
From AltaLink	**75.2**	47.2
From other ICI [2]	**17.4**	9.3
Segment EBIT from ICI	**$ 122.0**	$ 73.2

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

[2] EBIT from other ICI is net of divisional and allocated corporate selling, general and administrative expenses, as well as from selling, general and administrative expenses from all other ICI accounted for by the full consolidation method.

The Company's investments in ICI are accounted for by either the cost, equity or full consolidation methods depending on whether SNC-Lavalin exercises, or not, significant influence, joint control or control. In evaluating the performance of the segment, the relationship between revenues and EBIT is not meaningful, as a significant portion of the investments in ICI are accounted for by the cost and equity methods, which do not reflect the line by line items of the individual ICI's financial results.

The ICI segment EBIT amounted to $122.0 million in the first quarter of 2014, compared to $73.2 million for the same period last year, mainly due to a higher EBIT from AltaLink and a higher dividend received from Highway 407.

8 – LIQUIDITY AND CAPITAL RESOURCES

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

> A review of the **cash net of recourse debt** of the Company;

> A **cash flow analysis**, providing details on how the Company generated and used its cash and cash equivalents; and

> The presentation of the Company's **dividends declared** and **Return on Average Shareholders' Equity ("ROASE")**.

8.1 – CASH NET OF RECOURSE DEBT

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

(IN MILLIONS OF CA$)	**March 31 2014**	December 31 2013
Cash and cash equivalents	**$ 1,060.0**	$ 1,108.7
Less:		
Cash and cash equivalents of ICI accounted for by the full consolidation method	**180.2**	17.8
Recourse debt	**348.8**	348.7
Cash net of recourse debt	**$ 531.1**	$ 742.2

The cash net of recourse debt at March 31, 2014 was $531.1 million, compared to $742.2 million at December 31, 2013. The decrease in cash net of recourse debt is mainly due to a decrease in cash and cash equivalents excluding cash and cash equivalents of ICI accounted for by the full consolidation method, mainly due to cash used for operating activities.

Management continues to believe, subject to the risks and limitations described herein, that its current liquidity position, including its cash position and unused capacity under its credit facility should be sufficient to fund its operations over the foreseeable future.

8.2 – CASH FLOW ANALYSIS

THREE MONTHS ENDED MARCH 31 (IN MILLIONS OF CA$)	**2014**	2013
Cash flows generated from (used for):		
Operating activities	**$ (237.4)**	$ (78.5)
Investing activities	**(533.1)**	(221.0)
Financing activities	**719.5**	73.1
Increase in exchange differences on translating cash and cash equivalents	**2.3**	0.8
Net decrease in cash and cash equivalents	**(48.7)**	(225.6)
Cash and cash equivalents at beginning of period	**1,108.7**	1,174.9
Cash and cash equivalents at end of period	**$ 1,060.0**	$ 949.3

Cash and cash equivalents were $1,060.0 million at March 31, 2014, compared to $949.3 million at March 31, 2013, as discussed further below.

8.2.1 – CASH FLOWS RELATED TO OPERATING ACTIVITIES

Cash used for operating activities was $237.4 million for the first three months of 2014, compared to $78.5 million for the corresponding period of 2013. The major elements impacting operating activities were as follows:

> Net cash generated from operating activities before net change in non-cash working capital items, totalling $122.3 million in the first three months of 2014, compared to $68.9 million in the corresponding period of 2013, mainly reflecting a net income of $94.7 million in the first three months of 2014, compared to $53.7 million in the first three months of 2013;

> Cash used from the net change in non-cash working capital items, which totalled $359.7 million in the first three months of 2014, compared to $147.4 million in the corresponding period of 2013, reflecting working capital requirements on certain major projects.

8.2.2 – CASH FLOWS RELATED TO INVESTING ACTIVITIES

Cash used for investing activities was $533.1 million for the first three months of 2014, compared to $221.0 million for the corresponding period of 2013. The major investing activities were as follows:

> The acquisition of property and equipment from fully consolidated ICI used a total cash outflow of $284.1 million in the first three months of 2014, compared to $188.4 million for the corresponding period of 2013, both due to AltaLink, mainly relating to capital expenditures to reinforce and expand the transmission system;

> The acquisition of property and equipment from E&C activities amounted to a total cash outflow of $17.2 million in the first three months of 2014, compared to $7.5 million for the corresponding period of 2013;

> A decrease in restricted cash position of $29.3 million in the first quarter of 2014, compared to an increase of $5.5 million in the corresponding quarter of 2013;

> The investment in deposit notes of a portion of $260.5 million of proceeds resulting from the issuance by InPower BC General Partnership of senior bonds in the first quarter for 2014 as described in note 4A to the Company's unaudited interim condensed consolidated financial statements for the first quarter of 2014.

8.2.3 – CASH FLOWS RELATED TO FINANCING ACTIVITIES

Cash generated from financing activities was $719.5 million in the first three months of 2014, compared to $73.1 million for the corresponding period of 2013. The major financing activities were as follows:

> The increase in non-recourse debt from ICI amounted to $807.0 million in the first three months of 2014, primarily relating to AltaLink Holdings, L.P. and other related holding entities as well as to InPower BC General Partnership, compared to $60.7 million for the corresponding period of 2013. The repayment of non-recourse debt from ICI amounted to $151.3 million in the first three months of 2013, compared to $1.0 million for the corresponding period of 2013, primarily relating to AltaLink. The net increase from AltaLink included $193.9 million from a $350.0 million credit facility used to finance equity injections in AltaLink, L.P. of which $164.5 million was held in cash and cash equivalents from ICI at March 31, 2014;

> An increase in advances under contract financing arrangements of $53.9 million in the first three months of 2014, compared to $nil in the corresponding period of 2013;

> The issuance of shares pursuant to the exercise of stock options generated $8.8 million of cash in the first three months of 2014 (268,695 stock options at an average price of $32.87), compared to $12.2 million in the first three months of 2013 (302,840 stock options at an average price of $40.23). As at April 28, 2014, there were 3,972,172 stock options outstanding. At that same date, there were 152,080,834 common shares issued and outstanding.

8.3 – DIVIDENDS DECLARED

On March 6, 2014 and May 8, 2014 the Board of Directors declared a quarterly cash dividend of $0.24 per share, payable April 3, 2014, and June 5, 2014, respectively, representing an increase of 4.3% compared to the corresponding quarterly dividends paid in 2013 of $0.23 per share.

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

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

ROASE was 3.6% for the 12-month period ended March 31, 2014, compared to 13.7% for the same period last year, mainly reflecting net losses incurred in the second quarter and the third quarter of 2013.

8.5 – FINANCIAL INSTRUMENTS

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 29 to the Company's 2013 annual audited consolidated financial statements. In the first three months of 2014, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

9 – 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.

10 – ACCOUNTING POLICIES AND CHANGES

The Company established its accounting policies and methods used in the preparation of its unaudited interim condensed consolidated financial statements for the first quarter of 2014 in accordance with IFRS. See Note 2 to the Company's 2013 annual audited consolidated financial statements for more information about the significant accounting principles used to prepare the financial statements, as they remain unchanged for the first quarter of 2014, except for accounting policies affected by the interpretation and amendments adopted in 2014, as described in section 10.1 below. Furthermore, as described in Note 2C to the Company's unaudited interim condensed consolidated financial statements, 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 EBIT as detailed in sections 4 and 7.

The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements and notes, were disclosed in the Company's 2013 annual audited consolidated financial statements and remain unchanged for the first quarter of 2014.

10.1 – 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*.

10.2 – 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*, 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*, ("IFRS 13") 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.

11 – RISKS AND UNCERTAINTIES

Risks and uncertainties and certain risk management practices of the Company are described in section 13 of the Company's 2013 Financial Report under "Management's Discussion and Analysis". These risks and uncertainties and risk management practices have not materially changed in the first three months of 2014.

12 – QUARTERLY INFORMATION AND RESTATED 2013 QUARTERLY SEGMENTED INFORMATION

12.1 – QUARTERLY INFORMATION

(IN MILLIONS OF CA$, EXCEPT EARNINGS (LOSS) PER SHARE AND DIVIDENDS PER SHARE)	**2014**	2013				2012		
	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER
Revenues	**$ 1,720.1**	$ 2,124.3	$ 1,945.2	$ 1,943.4	$ 1,900.3	$ 2,421.5	$ 1,975.2	$ 1,906.3
EBIT	**$ 168.9**	$ 190.0	$ (63.7)	$ 3.1	$ 99.4	$ 138.6	$ 180.8	$ 67.2
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ 30.8**	$ (31.3)	$ (128.4)	$ (104.7)	$ 18.6	$ 23.4	$ 83.1	$ 1.2
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:								
From Highway 407	**29.4**	41.9	33.5	21.8	16.8	56.6	14.7	14.7
From AltaLink	**23.2**	39.3	21.3	17.5	13.7	16.7	13.6	12.9
From other ICI	**11.2**	42.6	0.8	27.7	4.6	(2.9)	2.6	2.9
Net income (loss) attributable to SNC-Lavalin shareholders	**94.6**	92.5	(72.7)	(37.7)	53.6	93.8	114.1	31.7
Net income (loss) attributable to non-controlling interests	**0.1**	0.1	0.3	0.2	0.1	0.1	(0.1)	0.2
Net income (loss)	**$ 94.7**	$ 92.6	$ (72.5)	$ (37.5)	$ 53.7	$ 93.9	$ 113.9	$ 31.9
Basic earnings (loss) per share ($)	**$ 0.62**	$ 0.61	$ (0.48)	$ (0.25)	$ 0.35	$ 0.62	$ 0.76	$ 0.21
Diluted earnings (loss) per share ($)	**$ 0.62**	$ 0.61	$ (0.48)	$ (0.25)	$ 0.35	$ 0.62	$ 0.75	$ 0.21
Dividends declared per share ($)	**$ 0.24**	$ 0.24	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.22	$ 0.22

12.2 – RESTATED 2013 QUARTERLY SEGMENTED INFORMATION

As disclosed in section 7, 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 EBIT. The tables below summarize the restated quarterly revenues, EBIT and revenue backlog by segment for the year ended December 31, 2013.

2013 Restated Segment Revenues by Quarter

(IN MILLIONS OF CA$)	2013				
BY SEGMENT	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	TOTAL
Resources, Environment and Water					
Mining & Metallurgy	$ 317.9	$ 434.5	$ 458.9	$ 408.5	$ 1,619.8
Oil & Gas	184.6	144.0	70.3	156.9	555.8
Environment & Water	37.0	36.0	39.0	32.7	144.7
	$ 539.5	$ 614.5	$ 568.2	$ 598.1	$ 2,320.3
Power	$ 428.4	$ 350.0	$ 422.3	$ 369.5	$ 1,570.3
Infrastructure					
Infrastructure & Construction	$ 562.3	$ 482.1	$ 469.5	$ 406.5	$ 1,920.4
Operations & Maintenance	338.2	318.8	298.4	382.9	1,338.3
	$ 900.6	$ 801.0	$ 767.9	$ 789.4	$ 3,258.8
ICI	$ 255.9	$ 179.7	$ 185.0	$ 143.3	$ 763.8
Total	$ 2,124.3	$ 1,945.2	$ 1,943.4	$ 1,900.3	$ 7,913.2

2013 Restated Segment EBIT by Quarter

(IN MILLIONS OF CA$)	2013				
BY SEGMENT	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	TOTAL
Resources, Environment and Water					
Mining & Metallurgy	$ 21.1	$ 23.8	$ 15.9	$ 5.1	$ 65.9
Oil & Gas	19.7	5.7	(87.3)	6.2	(55.6)
Environment & Water	(7.7)	1.3	(3.1)	(1.0)	(10.5)
	$ 33.1	$ 30.8	$ (74.5)	$ 10.4	$ (0.2)
Power	$ 24.6	$ 4.0	$ 31.1	$ 38.0	$ 97.7
Infrastructure					
Infrastructure & Construction	(48.6)	(130.3)	(64.2)	(33.5)	(276.7)
Operations & Maintenance	21.6	5.8	7.2	11.2	45.9
	$ (27.0)	$ (124.6)	$ (57.0)	$ (22.3)	$ (230.8)
ICI	$ 214.3	$ 94.0	$ 103.3	$ 73.2	$ 484.7
Total Segment EBIT	$ 245.0	$ 4.2	$ 2.9	$ 99.3	$ 351.5
Less: Restructuring costs and goodwill impairment	$ (55.2)	$ (68.2)	$ –	$ –	$ (123.5)
Reversal of non-controlling interests before income taxes	0.1	0.3	0.2	0.1	0.8
EBIT	$ 190.0	$ (63.7)	$ 3.1	$ 99.4	$ 228.8

2013 Restated Revenue Backlog by Quarter

AT SEPTEMBER 30 (IN MILLIONS OF CA$)	2013			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	$ 331.0	$ 340.6	$ –	$ 671.6
Oil & Gas	256.4	61.9	–	318.3
Environment & Water	114.9	–	–	114.9
	$ 702.2	$ 402.5	$ –	$ 1,104.7
Power	$ 404.3	$ 1,603.0	$ –	$ 2,007.3
Infrastructure				
Infrastructure & Construction	$ 566.0	$ 3,044.8	$ –	$ 3,610.8
O&M	–	–	2,272.6	2,272.6
	$ 566.0	$ 3,044.8	$ 2,272.6	$ 5,883.4
Total	$ 1,672.5	$ 5,050.3	$ 2,272.6	$ 8,995.4

AT JUNE 30 (IN MILLIONS OF CA$)	2013			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	$ 421.6	$ 375.2	$ –	$ 796.8
Oil & Gas	182.2	78.7	–	260.9
Environment & Water	115.7	–	–	115.7
	$ 719.5	$ 453.8	$ –	$ 1,173.4
Power	$ 533.1	$ 1,804.5	$ –	$ 2,337.6
Infrastructure				
Infrastructure & Construction	$ 595.9	$ 3,295.1	$ –	$ 3,891.0
O&M	–	–	2,250.4	2,250.4
	$ 595.9	$ 3,295.1	$ 2,250.4	$ 6,141.4
Total	$ 1,848.5	$ 5,553.4	$ 2,250.4	$ 9,652.4

AT MARCH 31 (IN MILLIONS OF CA$)	2013			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	$ 528.6	$ 417.2	$ –	$ 945.8
Oil & Gas	178.7	95.5	–	274.2
Environment & Water	122.2	–	–	122.2
	$ 829.5	$ 512.7	$ –	$ 1,342.2
Power	$ 427.0	$ 1,957.0	$ –	$ 2,384.0
Infrastructure				
Infrastructure & Construction	$ 632.7	$ 3,484.5	$ –	$ 4,117.2
O&M	–	–	2,392.4	2,392.4
	$ 632.7	$ 3,484.5	$ 2,392.4	$ 6,509.6
Total	$ 1,889.2	$ 5,954.2	$ 2,392.4	$ 10,235.8

13 – CONTROLS AND PROCEDURES

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

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

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

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

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2014 and ended on March 31, 2014, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

14 – 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.