SNC-LAVALIN

Q3

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2014 and 2013

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	September 30 2014	December 31 2013
ASSETS			
Current assets			
Cash and cash equivalents		**$ 1,143,649**	$ 1,108,694
Restricted cash		**23,520**	54,616
Trade receivables		**1,492,938**	1,106,360
Contracts in progress		**753,656**	646,019
Other current financial assets		**897,643**	760,813
Other current assets		**367,639**	239,263
Assets of disposal group classified as held for sale and asset held for sale	4A	**7,251,782**	–
Total current assets		**11,930,827**	3,915,765
Property and equipment:			
From E&C		**238,651**	180,368
From ICI	4	**–**	5,132,027
ICI accounted for by the equity method	4	**399,960**	448,677
ICI accounted for by the cost method	4	**432,448**	426,868
Goodwill	5A	**376,692**	576,929
Goodwill and other intangible assets recognized following the acquisition of Kentz	5B, 15	**2,259,238**	–
Deferred income tax asset		**295,483**	254,421
Non-current portion of receivables under service concession arrangements		**278,503**	300,758
Non-current financial assets		**194,790**	201,276
Other non-current assets		**111,032**	335,536
Total assets		**$ 16,517,624**	$ 11,772,625
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,229,444**	$ 2,145,755
Downpayments on contracts		**214,551**	226,028
Deferred revenues		**1,154,472**	981,584
Other current financial liabilities		**354,803**	411,228
Other current liabilities		**274,902**	153,894
Advances under contract financing arrangements		**262,490**	87,188
Current portion of provisions		**103,799**	159,661
Short-term debt and current portion of long-term debt:			
Recourse	15	**2,605,954**	–
Non-recourse from ICI	4	**406,708**	277,392
Liabilities of disposal group classified as held for sale	4A	**5,206,989**	–
Total current liabilities		**12,814,112**	4,442,730
Long-term debt:			
Recourse		**348,881**	348,733
Non-recourse from ICI	4	**530,681**	3,536,912
Other non-current financial liabilities		**10,166**	125,044
Non-current portion of provisions		**377,031**	257,271
Other non-current liabilities		**3,710**	737,767
Deferred income tax liability		**292,820**	283,925
Total liabilities		**14,377,401**	9,732,382
Equity			
Share capital		**531,368**	497,130
Retained earnings		**1,679,091**	1,610,503
Other components of equity	11	**(79,380)**	(70,975)
Other components of equity of disposal group classified as held for sale and of asset held for sale	4A, 11	**(1,986)**	–
Equity attributable to SNC-Lavalin shareholders		**2,129,093**	2,036,658
Non-controlling interests		**11,130**	3,585
Total equity		**2,140,223**	2,040,243
Total liabilities and equity		**$ 16,517,624**	$ 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)

NINE MONTHS ENDED SEPTEMBER 30
(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	**–**		**–**		**195,625**		**–**		**195,625**		**911**		**196,536**
Other comprehensive loss for the period	**–**		**–**		**(13,962)**		**(10,391)**		**(24,353)**		**–**		**(24,353)**
Total comprehensive income (loss) for the period	**–**		**–**		**181,663**		**(10,391)**		**171,272**		**911**		**172,183**
Dividends declared (Note 10)	**–**		**–**		**(109,591)**		**–**		**(109,591)**		**–**		**(109,591)**
Dividends declared by subsidiaries to non-controlling interests	**–**		**–**		**–**		**–**		**–**		**(12)**		**(12)**
Stock option compensation (Note 8A)	**–**		**–**		**3,912**		**–**		**3,912**		**–**		**3,912**
Shares issued under stock option plans	**656**		**34,238**		**(7,396)**		**–**		**26,842**		**–**		**26,842**
Acquisition of non-controlling interests of Kentz (Note 15)	**–**		**–**		**–**		**–**		**–**		**6,646**		**6,646**
Balance at end of the period	**152,463**	**$**	**531,368**	**$**	**1,679,091**	**$**	**(81,366)**	**$**	**2,129,093**	**$**	**11,130**	**$**	**2,140,223**

NINE MONTHS ENDED SEPTEMBER 30
(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 (loss) for the period	–		–		(56,769)		–		(56,769)		523		(56,246)
Other comprehensive income for the period	–		–		2,170		10,216		12,386		–		12,386
Total comprehensive income (loss) for the period	–		–		(54,599)		10,216		(44,383)		523		(43,860)
Dividends declared (Note 10)	–		–		(104,514)		–		(104,514)		–		(104,514)
Dividends declared by subsidiaries to non-controlling interests	–		–		–		–		–		(35)		(35)
Stock option compensation (Note 8A)	–		–		8,185		–		8,185		–		8,185
Shares issued under stock option plans	548		25,382		(5,168)		–		20,214		–		20,214
Balance at end of the period	151,617	$	489,122	$	1,558,283	$	(92,470)	$	1,954,935	$	3,491	$	1,958,426

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 (LOSS) PER SHARE AND NUMBER OF SHARES)	Note	THIRD QUARTER 2014	THIRD QUARTER 2013	NINE MONTHS ENDED SEPTEMBER 30 2014	NINE MONTHS ENDED SEPTEMBER 30 2013
Revenues by activity:					
Services		**$ 723,202**	$ 626,794	**$ 1,785,392**	$ 2,000,555
Packages		**726,007**	819,837	**1,961,183**	2,280,194
O&M		**311,576**	318,838	**970,783**	1,000,074
ICI accounted for by the full consolidation or cost methods (1)		**205,703**	134,692	**574,903**	385,497
ICI accounted for by the equity method (2)		**37,643**	45,034	**128,482**	122,497
		2,004,131	1,945,195	**5,420,743**	5,788,817
Direct cost of activities		**1,583,952**	1,764,893	**4,294,948**	5,070,275
Gross margin		**420,179**	180,302	**1,125,795**	718,542
Selling, general and administrative expenses		**204,250**	175,732	**599,367**	611,477
Restructuring costs and goodwill impairment	6	**13,796**	68,249	**15,834**	68,249
Acquisition-related costs and integration costs	15	**29,998**	–	**55,850**	–
Loss on disposal of an ICI	4A	**4,132**	–	**4,132**	–
EBIT		**168,003**	(63,679)	**450,612**	38,816
Financial expenses	7	**78,623**	46,164	**201,792**	120,054
Financial income	7	**(5,128)**	(4,240)	**(14,088)**	(9,892)
Income (loss) before income taxes		**94,508**	(105,603)	**262,908**	(71,346)
Income taxes		**24,797**	(33,139)	**66,372**	(15,100)
Net income (loss) for the period		**$ 69,711**	$ (72,464)	**$ 196,536**	$ (56,246)
Net income (loss) attributable to:					
SNC-Lavalin shareholders		**$ 68,967**	$ (72,717)	**$ 195,625**	(56,769)
Non-controlling interests		**744**	253	**911**	523
Net income (loss) for the period		**$ 69,711**	$ (72,464)	**$ 196,536**	(56,246)
Earnings (loss) per share (in $)					
Basic		**$ 0.45**	$ (0.48)	**$ 1.29**	$ (0.37)
Diluted		**$ 0.45**	$ (0.48)	**$ 1.28**	$ (0.37)
Weighted average number of outstanding shares (in thousands)	9				
Basic		**152,363**	151,588	**152,133**	151,423
Diluted		**152,909**	151,588	**152,577**	151,423

(1) Includes revenues of AltaLink. Up until May 1, 2014, AltaLink was classified as an ICI accounted for by the full consolidation method. From May 1, 2014, AltaLink is classified as a disposal group classified as held for sale (see Note 4A) on the statement of financial position, without any impact on the presentation of its results on the consolidated income statement.

(2) Includes income from Astoria Project Partners LLC ("Astoria"). Prior to the third quarter of 2014, Astoria was classified as an ICI accounted for by the equity method. Starting from the third quarter of 2014, Astoria is classified as an asset held for sale (see Note 4A) on the statement of financial position, without any impact on the presentation of its results on the consolidated income statement.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2014			2013		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income (loss) for the period	**$ 68,967**	**$ 744**	**$ 69,711**	$ (72,717)	$ 253	$ (72,464)
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	**(3,732)**	**–**	**(3,732)**	132	–	132
Available-for-sale financial assets (Note 11)	**(3,832)**	**–**	**(3,832)**	(1,548)	–	(1,548)
Cash flow hedges (Note 11)	**(9,250)**	**–**	**(9,250)**	6,498	–	6,498
Share of other comprehensive loss of investments accounted for by the equity method (Note 11)	**(4,591)**	**–**	**(4,591)**	(1,694)	–	(1,694)
Income taxes (Note 11)	**4,689**	**–**	**4,689**	(844)	–	(844)
Total of items that will be reclassified subsequently to net income	**(16,716)**	**–**	**(16,716)**	2,544	–	2,544
Defined benefit pension plans and other post-employment benefits (Note 11)	**(7,054)**	**–**	**(7,054)**	(9,326)	–	(9,326)
Income taxes (Note 11)	**1,267**	**–**	**1,267**	2,288	–	2,288
Total of items that will not be reclassified subsequently to net income	**(5,787)**	**–**	**(5,787)**	(7,038)	–	(7,038)
Total other comprehensive loss for the period	**(22,503)**	**–**	**(22,503)**	(4,494)	–	(4,494)
Total comprehensive income (loss) for the period	**$ 46,464**	**$ 744**	**$ 47,208**	$ (77,211)	$ 253	$ (76,958)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2014			2013		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income (loss) for the period	**$ 195,625**	**$ 911**	**$ 196,536**	$ (56,769)	$ 523	$ (56,246)
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	**6,485**	**–**	**6,485**	(2,551)	–	(2,551)
Available-for-sale financial assets (Note 11)	**(2,327)**	**–**	**(2,327)**	(772)	–	(772)
Cash flow hedges (Note 11)	**(7,187)**	**–**	**(7,187)**	(522)	–	(522)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 11)	**(14,286)**	**–**	**(14,286)**	19,886	–	19,886
Income taxes (Note 11)	**6,924**	**–**	**6,924**	(5,825)	–	(5,825)
Total of items that will be reclassified subsequently to net income	**(10,391)**	**–**	**(10,391)**	10,216	–	10,216
Defined benefit pension plans and other post-employment benefits (Note 11)	**(16,686)**	**–**	**(16,686)**	2,992	–	2,992
Income taxes (Note 11)	**2,724**	**–**	**2,724**	(822)	–	(822)
Total of items that will not be reclassified subsequently to net income	**(13,962)**	**–**	**(13,962)**	2,170	–	2,170
Total other comprehensive income (loss) for the period	**(24,353)**	**–**	**(24,353)**	12,386	–	12,386
Total comprehensive income (loss) for the period	**$ 171,272**	**$ 911**	**$ 172,183**	$ (44,383)	$ 523	$ (43,860)

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)	Note	THIRD QUARTER 2014	THIRD QUARTER 2013 [1]	NINE MONTHS ENDED SEPTEMBER 30 2014	NINE MONTHS ENDED SEPTEMBER 30 2013 [1]
Operating activities					
Net income (loss) for the period		**$ 69,711**	$ (72,464)	**$ 196,536**	$ (56,246)
Adjustments to reconcile net income (loss) to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other non-current assets:					
From E&C		**17,905**	16,187	**51,973**	48,172
From ICI		**–**	30,948	**53,513**	90,081
Income taxes recognized in net income (loss)		**24,797**	(33,139)	**66,372**	(15,100)
Income taxes paid		**(6,938)**	(11,857)	**(63,898)**	(57,071)
Net financial expenses recognized in net income (loss)	7	**73,495**	41,924	**187,704**	110,162
Interest paid:					
From E&C		**(7,674)**	(11,155)	**(32,011)**	(23,014)
From ICI		**(23,615)**	(19,446)	**(140,050)**	(74,030)
Expense recognized in respect of stock options	8A	**1,017**	1,995	**3,912**	8,185
Expense recognized in respect of cash-settled share-based payment arrangements	8B	**6,135**	5,843	**17,330**	8,721
Income from ICI accounted for by the equity method		**(37,643)**	(45,034)	**(128,482)**	(122,497)
Loss on disposal of an ICI	4A	**4,132**	–	**4,132**	–
Dividends and distributions received from ICI accounted for by the equity method		**61,394**	65,150	**121,664**	116,156
Goodwill impairment	6	**–**	48,500	**–**	48,500
Net change in provisions related to forecasted losses on certain contracts		**(8,262)**	62,625	**(45,734)**	40,251
Unfavourable remeasurement of a foreign exchange hedge	15	**14,345**	–	**34,697**	–
Other		**(35,768)**	20,917	**(20,440)**	18,042
		153,031	100,994	**307,218**	140,312
Net change in non-cash working capital items	12	**(52,940)**	(29,499)	**(478,608)**	(156,334)
Net cash generated from (used for) operating activities		**100,091**	71,495	**(171,390)**	(16,022)
Investing activities					
Acquisition of property and equipment:					
From E&C		**(14,026)**	(12,990)	**(39,520)**	(32,920)
From ICI		**(388,716)**	(374,771)	**(1,156,444)**	(887,138)
Payments for ICI		**(66,289)**	(12,818)	**(123,981)**	(33,909)
Costs associated to a foreign exchange hedge	15	**–**	–	**(50,000)**	–
Recovery associated to a foreign exchange hedge	15	**15,303**	–	**15,303**	–
Acquisition of businesses	15	**(1,762,991)**	–	**(1,762,991)**	(1,553)
Net cash inflow on disposal of an ICI	4A	**72,766**	–	**72,766**	–
Change in restricted cash position	2B	**(6,827)**	(1,906)	**14,356**	(14,527)
Increase in receivables under service concession arrangements		**(37,703)**	(13,358)	**(90,626)**	(37,892)
Recovery of receivables under service concession arrangements		**16,240**	1,515	**54,342**	7,492
Increase in short-term and long-term investments	4A	**–**	(66,611)	**(260,492)**	(66,611)
Decrease in short-term and long-term investments		**28,007**	12,174	**67,362**	12,174
Other		**7,003**	(1,393)	**5,479**	(5,324)
Net cash used for investing activities		**(2,137,233)**	(470,158)	**(3,254,446)**	(1,060,208)
Financing activities					
Increase in recourse debt	15	**2,560,000**	–	**2,630,000**	–
Increase in non-recourse debt from ICI		**233,585**	483,350	**1,406,300**	1,094,997
Repayment of recourse debt of Kentz		**(482,393)**	–	**(482,393)**	–
Repayment of non-recourse debt from ICI		**(971)**	(76,982)	**(153,261)**	(403,902)
Increase in advances under contract financing arrangements		**60,189**	31,758	**173,886**	100,736
Repayment of advances under contract financing arrangements		**–**	–	**–**	(13,832)
Proceeds from exercise of stock options		**11,341**	1,938	**26,842**	20,214
Dividends paid to SNC-Lavalin shareholders	10	**(36,580)**	(34,866)	**(109,591)**	(104,514)
Other		**(15,058)**	2,279	**(20,584)**	5,611
Net cash generated from financing activities		**2,330,113**	407,477	**3,471,199**	699,310
Increase (decrease) in exchange differences on translating cash and cash equivalents		**52**	(409)	**1,151**	(266)
Net increase (decrease) in cash and cash equivalents		**293,023**	8,405	**46,514**	(377,186)
Cash and cash equivalents at beginning of period		**862,185**	789,309	**1,108,694**	1,174,900
Cash and cash equivalents at end of period		**$ 1,155,208**	$ 797,714	**$ 1,155,208**	$ 797,714
Presented on the statement of financial position as follows:					
Cash and cash equivalents		**$ 1,143,649**	$ 797,714	**$ 1,143,649**	$ 797,714
Assets of disposal group classified as held for sale and asset held for sale		**11,559**	–	**11,559**	–
		$ 1,155,208	$ 797,714	**$ 1,155,208**	$ 797,714

[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 in over 50 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 and nine-month periods ended September 30, 2014, except for the judgments, assumptions and estimates relating to the acquisition of Kentz Corporation Limited by the Company in the three-month period ended September 30, 2014, as indicated in Note 15.

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 November 6, 2014.

2. BASIS OF PREPARATION (CONTINUED)

B) CHANGE IN PRESENTATION

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 amounts of the change in restricted cash position of $1.9 million in the three-month period ended September 30, 2013 and of $14.5 million in the nine-month period ended September 30, 2013 were 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*.

The following amendments to existing standards have been adopted by the Company on July 1, 2014:

- 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.

The adoption of the amendments listed above did not have any impact on the Company's financial statements.

E) STANDARDS 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, 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.

2. BASIS OF PREPARATION (CONTINUED)

- Annual improvements to IFRS (2010-2012 Cycle), which include among others:
  - 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 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 amendments and a collection of amendments to the standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2016 and thereafter, with an earlier application permitted:

- *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*): i) when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full; and ii) when an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interests in the joint venture or associate, i.e., the entity's share of the gain or loss is eliminated.
- Annual Improvements to IFRS (2012-2014 Cycle):
  - Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
  - Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.
  - Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
  - Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

2. BASIS OF PREPARATION (CONTINUED)

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2017 and thereafter, with an earlier application permitted:

- IFRS 15, *Revenue from Contracts with Customers*, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2018 and thereafter, with an earlier application permitted:

- IFRS 9, *Financial Instruments*, covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model.

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

3. SEGMENT DISCLOSURES

In 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. In addition, following the acquisition of Kentz in the third quarter of 2014, the Company reports results from this business acquired as a separate sub-segment of REW for the three-month period ended September 30, 2014.

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.

- Kentz, acquired on August 22, 2014, which includes projects in engineering, construction services and technical support services, principally in the oil and gas sector. In addition, Kentz includes Valerus Field Solutions, a US-based integrated oil and gas surface facility solutions provider, which provides a full suite of products and services from the well-head to the pipeline as well as an integrated services capability. Although Kentz's projects are primarily in Oil & Gas industry, they also include certain projects in other industries such as Mining & Metallurgy, Power, and Infrastructure.

- 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.

3. SEGMENT DISCLOSURES (CONTINUED)

- 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.

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.

3. SEGMENT DISCLOSURES (CONTINUED)

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

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
	2014		2013 (1)		**2014**		2013 (1)	
	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT
Resources, Environment and Water								
Mining & Metallurgy	**$ 246,966**	**$ 20,769**	$ 434,512	$ 23,808	**$ 710,496**	**$ 30,312**	$ 1,301,882	$ 44,813
Oil & Gas (2)	**106,418**	**(7,276)**	143,966	5,683	**338,904**	**(24,204)**	371,176	(75,359)
Kentz	**341,734**	**30,657**	–	–	**341,734**	**30,657**	–	–
Environment & Water	**34,070**	**(3,311)**	36,034	1,315	**91,682**	**(13,689)**	107,717	(2,752)
	729,188	**40,839**	614,512	30,806	**1,482,816**	**23,076**	1,780,775	(33,298)
Power	**269,077**	**12,796**	349,993	4,012	**874,148**	**49,013**	1,141,832	73,059
Infrastructure								
Infrastructure & Construction (3)	**450,944**	**(14,340)**	482,126	(130,338)	**1,389,611**	**(16,360)**	1,358,142	(228,054)
Operations & Maintenance	**311,576**	**9,991**	318,838	5,780	**970,783**	**36,475**	1,000,074	24,235
	762,520	**(4,349)**	800,964	(124,558)	**2,360,394**	**20,115**	2,358,216	(203,819)
ICI	**243,346**	**162,170**	179,726	93,985	**703,385**	**429,542**	507,994	270,487
	$ 2,004,131	**211,456**	$ 1,945,195	4,245	**$ 5,420,743**	**521,746**	$ 5,788,817	106,429
Reversal of non-controlling interests before income taxes included above		**341**		325		**550**		636
Restructuring costs and goodwill impairment (Note 6) (4)		**(13,796)**		(68,249)		**(15,834)**		(68,249)
Acquisition-related costs and integration costs (Note 15)		**(29,998)**		–		**(55,850)**		–
EBIT		**168,003**		(63,679)		**450,612**		38,816
Net financial expenses (Note 7)		**73,495**		41,924		**187,704**		110,162
Income (loss) before income taxes		**94,508**		(105,603)		**262,908**		(71,346)
Income taxes		**24,797**		(33,139)		**66,372**		(15,100)
Net income (loss) for the period		**$ 69,711**		$ (72,464)		**$ 196,536**		$ (56,246)
Net income (loss) attributable to:								
SNC-Lavalin shareholders		**$ 68,967**		$ (72,717)		**$ 195,625**		$ (56,769)
Non-controlling interests		**744**		253		**911**		523
Net income (loss) for the period		**$ 69,711**		$ (72,464)		**$ 196,536**		$ (56,246)

(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 nine-month period ended September 30, 2013, the negative sub-segment EBIT of $75.4 million resulted mainly from an unfavourable cost reforcasts recognized by the Company in the third quarter of 2013 and from a non-cash loss of $70.1 million recognized in the second quarter of 2013 relating to a confirmation of claim received alleging late penalties, both for a legacy fixed-price project in Algeria.

(3) For the nine-month period ended September 30, 2013, the negative sub-segment EBIT of $228.1 million was mainly due to: i) unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, recognized by the Company in the third quarter of 2013; ii) a risk provision of $47.0 million recorded in the second quarter of 2013 related to letters of credit on a Libyan project on which a draw was attempted, as well as iii) approximately $32 million recognized from additional costs on a major hospital project in the first quarter of 2013.

(4) In the nine-month period ended September 30, 2013, goodwill impairment for the "Services and Packages-Europe" cash-generating unit related to the Infrastructure & Environment, Oil & Gas, and Other Industries reportable segments at that time. The EBIT by reportable segment presented above excludes the amount of restructuring costs and goodwill impairment.

3. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below under "Supplementary Information" its net loss 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.

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Supplementary information:				
Net loss attributable to SNC-Lavalin shareholders from E&C	**$ (19,963)**	$ (128,392)	**$ (36,020)**	$ (214,486)
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	**29,355**	33,548	**88,065**	72,129
From AltaLink	**58,896**	21,312	**126,772**	52,469
From other ICI: [(1)]				
From a net loss on disposal of Ovation (Note 4A)	**(3,126)**	–	**(3,126)**	–
Excluding the net loss on disposal of Ovation	**3,805**	815	**19,934**	33,119
Net income (loss) attributable to SNC-Lavalin shareholders for the period	**$ 68,967**	$ (72,717)	**$ 195,625**	$ (56,769)

(1) For the nine-month period ended September 30, 2013, uncertainties on dividend collection from one of the Company's ICI accounted for by the equity method were resolved, positively impacting net income from other ICI.

4. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

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

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 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 DECREASES IN OWNERSHIP INTERESTS IN ICI

I) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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.

DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND ASSET HELD FOR SALE

AltaLink Holdings, L.P. ("AHLP")

In May 2014, SNC-Lavalin announced that it had entered into a binding agreement to sell 100% of its interest in AHLP, the parent company of AltaLink, L.P., to Berkshire Hathaway Energy. Completion of the sale remains subject to the approval of the Alberta Utilities Commission following receipt of approvals received under the Competition Act and Investment Canada Act.

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

As the assets and liabilities of AHLP are expected to be realized through this transaction, the Company presents the aggregate amount of such assets and such liabilities of AHLP as assets and liabilities of a disposal group classified as held for sale on its consolidated statement of financial position. However, there was no impact from the presentation of AHLP as a disposal group classified as held for sale on the Company's consolidated income statement and consolidated statement of cash flows. The net assets of AHLP will fluctuate, notably from equity injections and net results of AHLP, until the closing of the transaction.

Upon presentation of assets and liabilities of AHLP as assets and liabilities of a disposal group classified as held for sale on May 1, 2014, the Company ceased to depreciate and amortize non-current assets of AHLP.

Astoria Project Partners LLC ("Astoria")

In August 2014, SNC-Lavalin announced that it has reached an agreement to sell its 21% ownership interest in Astoria, the owner of the legal entity that owns and operates a gas-fired combined-cycle power plant in New York City. Completion of the sale was subject to customary adjustments, closing conditions, regulatory approvals and the provisions of the Astoria governing documents. On October 15, 2014, SNC-Lavalin announced that it has completed the disposition of its ownership interest in Astoria, as detailed in Note 17, since all closing conditions have been met by the parties.

Upon classification of the Company's ownership interest in Astoria as an asset held for sale in the third quarter of 2014, SNC-Lavalin reclassified Astoria's net book value from "ICI accounted for by the equity method" to "Assets of disposal group classified as held for sale and asset held for sale" in the consolidated statement of financial position. In addition, SNC-Lavalin ceased to apply the equity method of accounting to its investment in Astoria and started measuring it at the lower of carrying amount and fair value less costs to sell.

The major classes of assets and liabilities of the disposal group and the asset held for sale as at September 30, 2014 were as follows:

	SEPTEMBER 30, 2014		
	ALTALINK	ASTORIA	TOTAL
Cash and cash equivalents	**$ 11,559**	**$ –**	**$ 11,559**
Restricted cash	**2,415**	**–**	**2,415**
Trade receivables, other current financial assets and other current assets	**119,899**	**–**	**119,899**
ICI accounted for by the equity method	**–**	**44,727**	**44,727**
Property and equipment	**6,455,390**	**–**	**6,455,390**
Goodwill	**203,786**	**–**	**203,786**
Non-current financial assets	**162,930**	**–**	**162,930**
Other non-current assets	**251,076**	**–**	**251,076**
Assets of disposal group classified as held for sale and asset held for sale	**7,207,055**	**44,727**	**7,251,782**
Trade payables, deferred revenues, other current financial liabilities and other current liabilities [1]	**182,526**	**–**	**182,526**
Non-recourse short-term debt and current portion of non-recourse long-term debt	**211,900**	**–**	**211,900**
Non-recourse long-term debt	**3,928,978**	**–**	**3,928,978**
Other non-current financial liabilities	**79,726**	**–**	**79,726**
Provisions and other non-current liabilities	**803,859**	**–**	**803,859**
Liabilities of disposal group classified as held for sale	**5,206,989**	**–**	**5,206,989**
Net assets of disposal group classified as held for sale and asset held for sale	**$ 2,000,066**	**$ 44,727**	**$ 2,044,793**

(1) The amount of trade payables as at September 30, 2014 excludes trade payables by AltaLink to SNC-Lavalin of $456.9 million, which are eliminated upon consolidation.

While the assets and liabilities of AHLP are presented as held for sale, the following assets and liabilities related to the financing of the Company's equity contributions in AHLP are still presented on the Company's consolidated statement of financial position, as such assets and liabilities are not part of the disposal group classified as held for sale:

	SEPTEMBER 30 2014
Cash and cash equivalents	**$ 11,898**
Deferred income tax asset	**5,020**
Total assets	**16,918**
Trade payables	**265**
Non-recourse short-term debt	**347,238**
Total liabilities	**347,503**
Net liabilities	**$ (330,585)**

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

OVATION REAL ESTATE GROUP (QUEBEC) INC. ("OVATION")

On September 30, 2014, SNC-Lavalin sold its 100% ownership interest in Ovation which principal activity was to build, operate and maintain an acoustic concert hall in Montreal, Canada. SNC-Lavalin will continue to provide operations and maintenance services for this acoustic concert hall and its new owner, Industrielle Alliance, until 2038.

The total consideration received of $77.6 million, which comprises consideration received in cash of $75.6 million and deferred sales proceeds of $2.0 million, is subject to final adjustments.

Net loss on disposal of an ICI

NINE-MONTH PERIOD ENDED SEPTEMBER 30		2014
Consideration received	$	77,600
Net assets disposed of [(1)]		(76,257)
Cumulative loss on cash flow hedges reclassified from equity on loss of control of an ICI		(5,475)
Loss on disposal of an ICI		**(4,132)**
Income taxes		(1,006)
Net loss on disposal of an ICI	**$**	**(3,126)**

(1) As at September 30, 2014, net assets disposed of mainly included cash and cash equivalents of $2.8 million and receivables under a service concession arrangement of $74.1 million.

Net cash inflow on disposal of an ICI

NINE-MONTH PERIOD ENDED SEPTEMBER 30		2014
Consideration received in cash	$	75,600
Less: cash and cash equivalents balances disposed of		(2,834)
Net cash inflow on disposal of an ICI	**$**	**72,766**

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.

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

B) NET BOOK VALUE OF ICI

The table below presents the impact on the Company's statement of financial position from its ICI accounted for by the full consolidation method, the equity method and cost method:

	SEPTEMBER 30 2014 [1]	DECEMBER 31 2013
Cash and cash equivalents	**$ 11,743**	$ 17,775
Restricted cash	**19,631**	10,485
Trade receivables, other current financial assets and other current assets	**116,896**	190,140
Property and equipment	**–**	5,132,027
Goodwill	**–**	203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets	**428,991**	477,702
Other non-current assets and deferred income tax asset	**31,663**	258,726
Total assets	**608,924**	6,290,641
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	**28,090**	491,484
Non-recourse short-term debt and current portion of non-recourse long-term debt [2]	**59,470**	277,392
Non-recourse long-term debt	**530,681**	3,536,912
Other non-current financial liabilities	**3,467**	113,662
Provisions and other non-current liabilities	**–**	738,841
Total liabilities	**621,708**	5,158,291
Net assets (liabilities) from ICI accounted for by the full consolidation method	**$ (12,784)**	$ 1,132,350
Net book value of ICI accounted for by the equity method [3]	**$ 399,960**	$ 448,677
Net book value of ICI accounted for by the cost method	**432,448**	426,868
Total net book value of ICI	**$ 819,624**	$ 2,007,895

(1) As at September 30, 2014, AltaLink is no longer classified as an ICI accounted for by the full consolidation method, but rather presented as a disposal group classified as held for sale (see Note 4A).

(2) Excludes non-recourse short-term debt of $347.2 million related to the Company's contributions in AHLP (see Note 4A).

(3) Includes the Company's investment in Highway 407, for which the net book value was $nil as at September 30, 2014 and December 31, 2013. As at September 30, 2014, Astoria is no longer classified as an ICI accounted for by the equity method, but rather presented as an asset held for sale (see Note 4A).

5. GOODWILL

A) 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 September 30, 2014 and December 31, 2013, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	SEPTEMBER 30 2014	DECEMBER 31 2013
AltaLink [1]	**$ –**	$ 203,786
REW	**135,412**	–
Power	**68,032**	–
Infrastructure	**173,248**	–
Services and Packages - Europe	**–**	94,732
Services and Packages - Brazil	**–**	55,740
Services and Packages - Other	**–**	197,586
O&M	**–**	25,085
	$ 376,692	$ 576,929

(1) As at September 30, 2014, the carrying value of goodwill allocated to AltaLink is $nil since its carrying value is included in "Assets of disposal group classified as held for sale and asset held for sale" in the Company's consolidated statement of financial position.

5. GOODWILL (CONTINUED)

B) GOODWILL RECONCILIATION

The following table presents a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period:

NINE MONTHS ENDED SEPTEMBER 30		**2014**
Balance at January 1, 2014	$	576,929
Additional amount recognized from the acquisition of Kentz (Note 15)		2,258,433
Reclassified as a disposal group classified as held for sale (Note 4A, 5A)		(203,786)
Net foreign exchange differences		4,354
Balance at September 30, 2014	**$**	**2,635,930**
Presented on the statement of financial position as follows:		
Goodwill	**$**	**376,692**
Goodwill and other intangible assets recognized following the acquisition of Kentz	**$**	**2,259,238**

6. RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

Restructuring costs and goodwill impairment were as follows for the third quarters and the nine-month periods ended September 30, 2014 and 2013:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Restructuring costs	**$ 13,796**	$ 19,749	**$ 15,834**	$ 19,749
Goodwill impairment	**–**	48,500	**–**	48,500
Restructuring costs and goodwill impairment	**$ 13,796**	$ 68,249	**$ 15,834**	$ 68,249

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 $13.8 million in the third quarter of 2014 (2013: $19.7 million) and $15.8 million in the nine-month period ended September 30, 2014 (2013: $19.7 million). The amounts paid during the third quarter of 2014 totalled $5.5 million (2013: $9.6 million) and $10.7 million during the nine-month period ended September 30, 2014 (2013: $9.6 million). The amount of the provision for restructuring costs totalled $22.0 million as at September 30, 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 nine-month period ended September 30, 2014 were mainly for severances, while the restructuring costs recognized in the nine-month period ended September 30, 2013 were mainly for the reorganization of the Company's European activities, including the disposal and closure of certain offices. Such reorganization, the lack of profitability on certain activities and a decrease in the overall level of activities in the "Services and Packages – Europe" cash-generating unit resulted in a goodwill impairment totalling $48.5 million in the third quarter of 2013. The amount of goodwill impairment was calculated using a discounted cash flow model, which was based on key assumptions such as future cash flows and discount rates. The discount rate used for the 2013 estimate and previous impairment test as at October 31, 2012 was 14.0%.

7. NET FINANCIAL EXPENSES

THREE MONTHS ENDED SEPTEMBER 30		**2014**			2013	
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Financial income	**$ (2,250)**	**$ (2,878)**	**$ (5,128)**	$ (1,833)	$ (2,407)	$ (4,240)
Interest on debt:						
Recourse	**13,405**	**–**	**13,405**	5,467	–	5,467
Non-recourse:						
AltaLink	**–**	**51,417**	**51,417**	–	30,089	30,089
Other	**–**	**7,675**	**7,675**	–	2,715	2,715
Other	**7,543**	**(1,417)**	**6,126**	7,823	70	7,893
Financial expenses	**20,948**	**57,675**	**78,623**	13,290	32,874	46,164
Net financial expenses	**$ 18,698**	**$ 54,797**	**$ 73,495**	$ 11,457	$ 30,467	$ 41,924

7. NET FINANCIAL EXPENSES (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30	2014			2013		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Financial income	**$ (4,827)**	**$ (9,261)**	**$ (14,088)**	$ (5,865)	$ (4,027)	$ (9,892)
Interest on debt:						
Recourse	**24,333**	**–**	**24,333**	16,389	–	16,389
Non-recourse:						
AltaLink	**–**	**142,893**	**142,893**	–	87,600	87,600
Other	**–**	**17,903**	**17,903**	–	6,492	6,492
Other	**15,038**	**1,625**	**16,663**	6,292	3,281	9,573
Financial expenses	**39,371**	**162,421**	**201,792**	22,681	97,373	120,054
Net financial expenses	**$ 34,544**	**$ 153,160**	**$ 187,704**	$ 16,816	$ 93,346	$ 110,162

8. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the third quarter and the nine-month period ended September 30, 2014 was $1.0 million (2013: $2.0 million) and $3.9 million (2013: $8.2 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Risk-free interest rate	**–**	–	**–**	1.15%
Expected stock price volatility	**–**	–	**–**	30.26%
Expected option life	**–**	–	**–**	4.5 years
Expected dividend yield	**–**	–	**–**	2.00%

For the nine-month period ended September 30, 2014 and for the third quarter of 2013, no stock options were granted to employees.

During the nine-month period ended September 30, 2013, 1,246,800 stock options under the Company's 2013 Stock Option Plan were granted to employees with a weighted average fair value of $9.28 per stock option.

As at September 30, 2014, 3,288,369 stock options were outstanding (December 31, 2013: 4,438,529 stock options), while 2,758,436 stock options remained available for future grants under the Company's 2013 Stock Option Plan (December 31, 2013: 2,329,416 stock options).

8. STOCK-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 nine-month periods ended September 30, 2014 and 2013:

NINE MONTHS ENDED SEPTEMBER 30	**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)
2014 PSU plan	**233,133**	**$ 47.12**	–	$ –
2009 PSU plan (1)	**–**	**$ –**	55,150	$ 43.01
2009 DSU plan	**63,651**	**$ 46.91**	58,650	$ 43.01
RSU plan	**354,585**	**$ 46.91**	317,581	$ 41.57
DSU plan	**21,325**	**$ 49.22**	30,894	$ 41.89

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

The compensation expense recorded in the third quarter and the nine-month period ended September 30, 2014 relating to cash-settled share-based payment arrangements was $6.1 million (2013: $5.8 million) and $17.3 million (2013: $8.7 million), respectively.

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the third quarters and the nine-month periods ended September 30, 2014 and 2013 to calculate the basic and diluted earnings (loss) per share were as follows:

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Weighted average number of outstanding shares - basic	**152,363**	151,588	**152,133**	151,423
Dilutive effect of stock options	**546**	–	**444**	–
Weighted average number of outstanding shares - diluted	**152,909**	151,588	**152,577**	151,423

In the third quarters and nine-month periods ended September 30, 2014, 1,437,512 outstanding stock options (2013: 4,698,706 outstanding stock options) have not been included in the computation of diluted earnings (loss) per share because they were anti-dilutive.

10. DIVIDENDS

During the nine-month period ended September 30, 2014, the Company recognized as distributions to its equity shareholders dividends of $109.6 million or $0.72 per share (2013: $104.5 million or $0.69 per share).

NINE MONTHS ENDED SEPTEMBER 30	**2014**	2013
Dividends payable at January 1st	**$ –**	$ –
Dividends declared during the period	**109,591**	104,514
Dividends paid during the period	**(109,591)**	(104,514)
Dividends payable at September 30	**$ –**	$ –

11. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at September 30, 2014 and December 31, 2013:

		SEPTEMBER 30 2014		DECEMBER 31 2013
Exchange differences on translating foreign operations	**$**	**(40,578)**	$	(47,063)
Available-for-sale financial assets		**1,508**		2,605
Cash flow hedges		**(7,812)**		(2,375)
Share of other comprehensive loss of investments accounted for by the equity method		**(34,484)**		(24,142)
Other components of equity	**$**	**(81,366)**	$	(70,975)
Presented on the statement of financial position as follows:				
Other components of equity	**$**	**(79,380)**	$	(70,975)
Other components of equity of disposal group classified as held for sale and of asset held for sale	**$**	**(1,986)**	$	–

- 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 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 third quarters and the nine-month periods ended September 30, 2014 and 2013:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ (36,846)**	$ (50,658)	**$ (47,063)**	$ (47,975)
Current period gains (losses)	**(3,732)**	132	**6,485**	(2,551)
Balance at end of period	**(40,578)**	(50,526)	**(40,578)**	(50,526)
Available-for-sale financial assets:				
Balance at beginning of period	**3,580**	3,127	**2,605**	2,558
Current period losses	**(3,230)**	(1,359)	**(1,414)**	(344)
Income taxes relating to current period losses	**1,679**	439	**1,107**	200
Reclassification to net income	**(602)**	(189)	**(913)**	(428)
Income taxes relating to amounts reclassified to net income	**81**	51	**123**	83
Balance at end of period	**1,508**	2,069	**1,508**	2,069
Cash flow hedges:				
Balance at beginning of period	**(151)**	(4,969)	**(2,375)**	395
Current period gains (losses)	**(12,090)**	2,306	**(14,516)**	(2,515)
Income taxes relating to current period gains (losses)	**3,217**	(1,023)	**3,728**	(521)
Reclassification to net income	**2,840**	4,192	**7,329**	1,993
Income taxes relating to amounts reclassified to net income	**(1,628)**	(1,211)	**(1,978)**	(57)
Balance at end of period	**(7,812)**	(705)	**(7,812)**	(705)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(31,233)**	(42,514)	**(24,142)**	(57,664)
Current period share	**(8,094)**	(5,088)	**(23,762)**	11,953
Income taxes relating to current period share	**2,295**	1,818	**6,486**	(3,415)
Reclassification to net income	**3,503**	3,394	**9,476**	7,933
Income taxes relating to amounts reclassified to net income	**(955)**	(918)	**(2,542)**	(2,115)
Balance at end of period	**(34,484)**	(43,308)	**(34,484)**	(43,308)
Other components of equity	**$ (81,366)**	$ (92,470)	**$ (81,366)**	$ (92,470)
Presented on the statement of financial position as follows:				
Other components of equity	**$ (79,380)**	$ (92,470)	**$ (79,380)**	$ (92,470)
Other components of equity of disposal group classified as held for sale and of asset held for sale	**$ (1,986)**	$ –	**$ (1,986)**	$ –

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the third quarters and the nine-month periods ended September 30, 2014 and 2013:

THREE MONTHS ENDED SEPTEMBER 30	**2014**			2013		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (34,009)**	**$ 7,811**	**$ (26,198)**	$ (9,818)	$ 2,580	$ (7,238)
Recognized during the period	**(7,054)**	**1,267**	**(5,787)**	(9,326)	2,288	(7,038)
Cumulative amount at end of period	**$ (41,063)**	**$ 9,078**	**$ (31,985)**	$ (19,144)	$ 4,868	$ (14,276)

NINE MONTHS ENDED SEPTEMBER 30	**2014**			2013		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (24,377)**	**$ 6,354**	**$ (18,023)**	$ (22,136)	$ 5,690	$ (16,446)
Recognized during the period	**(16,686)**	**2,724**	**(13,962)**	2,992	(822)	2,170
Cumulative amount at end of period	**$ (41,063)**	**$ 9,078**	**$ (31,985)**	$ (19,144)	$ 4,868	$ (14,276)

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:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Decrease (increase) in trade receivables	**$ (3,302)**	$ 11,892	**$ (15,611)**	$ 39,763
Decrease (increase) in contracts in progress	**(35,241)**	(63,568)	**8,438**	(66,834)
Decrease (increase) in other current financial assets	**61,538**	(52,425)	**(30,001)**	(187,974)
Decrease in other current assets	**4,478**	9,285	**17,553**	14,250
Increase (decrease) in trade payables	**(117,953)**	203,619	**(536,971)**	116,904
Decrease in downpayments on contracts	**(5,699)**	(45,885)	**(8,337)**	(57,993)
Increase (decrease) in deferred revenues	**18,671**	(107,448)	**32,558**	(80,771)
Increase in other current financial liabilities	**21,397**	25,062	**47,524**	70,709
Increase (decrease) in other current liabilities	**3,171**	(10,031)	**6,239**	(4,388)
Net change in non-cash working capital items	**$ (52,940)**	$ (29,499)	**$ (478,608)**	$ (156,334)

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 / Disposal group classified as held for sale (1)	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 / Asset held for sale (2)	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.

(1) Up until May 1, 2014, AltaLink was classified as an ICI accounted for by the full consolidation method. From May 1, 2014, AltaLink is presented as a disposal group classified as held for sale (see Note 4A).

(2) Prior to the third quarter of 2014, Astoria was classified as an ICI accounted for by the equity method. Starting from the third quarter of 2014, Astoria is presented as an asset held for sale (see Note 4A).

For the third quarter and the first nine months of 2014, SNC-Lavalin recognized revenues of $158.9 million (2013: $194.3 million) and $463.2 million (2013: $525.3 million), respectively, from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these ICI accounted for by the equity method of $37.6 million for the third quarter of 2014 (2013: $45.0 million) and $128.5 million for the first nine months of 2014 (2013: $122.5 million), respectively. For the third quarter and the first nine months of 2014, intragroup revenues generated from transactions with AltaLink, which amounted to $331.1 million (2013: $412.7 million) and $1,001.7 million (2013: $1,156.5 million), respectively, were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to $77.3 million as at September 30, 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 $285.5 million as at September 30, 2014 (December 31, 2013: $300.0 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $45.9 million at September 30, 2014 (December 31, 2013: $155.2 million).

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

14. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at September 30, 2014 and December 31, 2013 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	2014					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL (1)	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 1,143,649**	**$ –**	**$ –**	**$ –**	**$ 1,143,649**	**$ 1,143,649**
Restricted cash	**23,520**	**–**	**–**	**–**	**23,520**	**23,520**
Trade receivables	**–**	**–**	**1,492,938**	**–**	**1,492,938**	**1,492,938**
Other current financial assets	**66,027**	**–**	**827,128**	**4,488**	**897,643**	**897,643**
ICI accounted for by the cost method	**–**	**345,810**	**86,638**	**–**	**432,448**	**See (2)**
Non-current potion of receivables under service concession arrangements	**–**	**–**	**278,503**	**–**	**278,503**	**293,392**
Non-current financial assets	**–**	**9,458**	**185,332**	**–**	**194,790**	**194,790**
Total	**$ 1,233,196**	**$ 355,268**	**$ 2,870,539**	**$ 4,488**	**$ 4,463,491**	

AT DECEMBER 31	2013					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL (1)	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,108,694	$ –	$ –	$ –	$ 1,108,694	$ 1,108,694
Restricted cash	54,616	–	–	–	54,616	54,616
Trade receivables	–	–	1,106,360	–	1,106,360	1,106,360
Other current financial assets	65,083	–	693,192	2,538	760,813	760,813
ICI accounted for by the cost method	–	346,700	80,168	–	426,868	See (2)
Non-current potion of receivables under service concession arrangements	–	–	300,758	–	300,758	299,002
Non-current financial assets	118,375	10,011	72,763	127	201,276	201,276
Total	$ 1,346,768	$ 356,711	$ 2,253,241	$ 2,665	$ 3,959,385	

(1) Fair value through profit or loss ("FVTPL").

(2) The available-for-sale financial assets of $345.8 million as at September 30, 2014 (December 31, 2013: $346.7 million) represent mainly the equity instruments that do not have a market price in an active market. The fair value of loans and receivables included in "ICI accounted for by the cost method" approximates its carrying value.

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at September 30, 2014 and December 31, 2013 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	2014			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	**$ –**	**$ 2,229,444**	**$ 2,229,444**	**$ 2,229,444**
Downpayments on contracts	**–**	**214,551**	**214,551**	**214,551**
Other current financial liabilities	**19,159**	**335,644**	**354,803**	**354,803**
Advances under contract financing arrangements	**–**	**262,490**	**262,490**	**270,082**
Provisions	**–**	**31,710**	**31,710**	**31,710**
Short-term debt and long-term debt	**–**	**3,892,224**	**3,892,224**	**4,008,771**
Other non-current financial liabilities	**3,003**	**7,163**	**10,166**	**10,166**
Total	**$ 22,162**	**$ 6,973,226**	**$ 6,995,388**	

AT DECEMBER 31	2013			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,145,755	$ 2,145,755	$ 2,145,755
Downpayments on contracts	–	226,028	226,028	226,028
Other current financial liabilities	14,902	396,326	411,228	411,228
Advances under contract financing arrangements	–	87,188	87,188	93,534
Provisions	–	22,723	22,723	22,723
Short-term debt and long-term debt	–	4,163,037	4,163,037	4,274,644
Other non-current financial liabilities	2,016	123,028	125,044	125,044
Total	$ 16,918	$ 7,164,085	$ 7,181,003	

14. FINANCIAL INSTRUMENTS (CONTINUED)

In the three-month period ended September 30, 2014, SNC-Lavalin amended its unsecured recourse revolving credit facility entered into in December 2013 to increase the amount of the credit facility from $3,500.0 million to $4,250.0 million and to extend the maturity of the credit facility from December 2016 to September 2017.

For the nine-month periods ended September 30, 2014 and 2013, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

15. KENTZ CORPORATION LIMITED ("KENTZ")

In June 2014, in line with its strategy, SNC-Lavalin announced that it has reached an agreement with Kentz, approved by the boards of directors of both companies, on the terms of a cash acquisition by which the entire ordinary share capital of Kentz, issued and to be issued, was to be acquired by SNC-Lavalin for a consideration estimated at approximately £1.2 billion (CA$2.1 billion). Kentz is a global oil & gas services company. In August 2014, SNC-Lavalin announced that it has completed its acquisition of Kentz.

To finance this acquisition, SNC-Lavalin entered in June 2014 into a recourse non-revolving acquisition credit agreement (the "Acquisition Facility") for an aggregate amount of $2,750 million comprised of the following: i) an asset sale bridge facility of $2,550 million, which matures the latest in December 2015; and ii) a term facility of $200 million, which matures the latest in June 2016. Amounts drawn under the asset sale bridge facility and term facility bear interest at variable rates plus an applicable margin. Under the terms of the Acquisition Facility, SNC-Lavalin has to make a mandatory prepayment on the outstanding balance of borrowings under the Acquisition Facility upon the receipt by SNC-Lavalin of net proceeds from disposition of certain of its ICI, including AltaLink. The Acquisition Facility should be used solely to fund the acquisition of Kentz and its related indebtedness, fees and expenses.

In September 2014, the Company amended the Acquisition Facility entered in June 2014 by cancelling the term facility of $200 million, while all other terms of the Acquisition Facility remained unchanged. In addition, during the three-month period ended September 30, 2014, the Company used a portion of its unsecured recourse revolving credit facility (the "Facility") to finance the acquisition of Kentz.

The Acquisition Facility is committed and subject to affirmative, negative and financial covenants, including a requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt (excluding borrowings made under the asset sale bridge facility) to adjusted earnings before interest, taxes, depreciation and amortization ratio, as defined in the Acquisition Facility, not exceeding a certain limit. The financial covenants of the Company's Facility were modified to exclude borrowings made under the asset sale bridge facility from the definition of net recourse debt.

In case of an event of default, the Acquisition Facility is subject to customary accelerated repayment terms.

The carrying value of the Acquisition Facility and of the Facility used to finance the acquisition of Kentz and to repay a portion of the debt of Kentz was as follows:

	SEPTEMBER 30 2014	DECEMBER 31 2013
Acquisition Facility	**$ 2,550,000**	$ –
Facility	**80,000**	–
Total	**2,630,000**	–
Net unamortized deferred financing costs	**(24,046)**	–
Recourse short-term debt	**$ 2,605,954**	$ –

In June 2014, in relation with the agreement to acquire Kentz, SNC-Lavalin entered into a foreign exchange hedge to hedge the foreign exchange exposure of the transaction. This hedge was classified as a derivative used for cash flow hedges and was measured at its fair value with gains and losses arising from periodic remeasurements and not qualifying for hedge accounting being recognized in net income and included in "Acquisition-related costs and integration costs" in the Company's consolidated income statement. For the third quarter of 2014 and the nine-month period ended September 30, 2014, the acquisition-related costs and integration costs were as follows:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Unfavourable remeasurement of a foreign exchange hedge	**$ 14,345**	$ –	**$ 34,697**	$ –
Professional fees and other related costs	**15,653**	–	**21,153**	–
Acquisition-related costs and integration costs	**$ 29,998**	$ –	**$ 55,850**	$ –

15. KENTZ CORPORATION LIMITED ("KENTZ") (CONTINUED)

Acquisition-related costs amounted to $26.9 million in the three-month period ended September 30, 2014 and to $52.8 million in the nine-month period ended September 30, 2014.

The acquisition of Kentz was accounted for using the acquisition method and Kentz has been consolidated from the effective date of acquisition, which is August 22, 2014. The business acquisition of Kentz completed by SNC-Lavalin was for 100% of the voting shares of Kentz.

The purchase price for this business acquisition was $2.1 billion. The allocation of purchase price to acquire this business and the total cash consideration paid were as follows:

	AUGUST 22 2014
Cash and cash equivalents	**$ 310,605**
Trade receivables	**479,590**
Contracts in progress	**189,405**
Other current assets	**210,130**
Other non-current assets	**110,840**
Trade payables and other current liabilities	**(885,960)**
Short-term debt	**(495,175)**
Non-current liabilities and non-controlling interests	**(104,272)**
Net identifiable liabilities of business acquired	**(184,837)**
Goodwill and other intangible assets	**2,258,433**
Total purchase price	**2,073,596**
Less: Cash and cash equivalents at acquisition	**310,605**
Total purchase price, net of cash and cash equivalents at acquisition, presented on consolidated statement of cash flows	**1,762,991**

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Kentz, it is not practical to definitely allocate the purchase price as at September 30, 2014. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period, which cannot exceed one year from the acquisition date. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect new information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

Goodwill arose in the business combination because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits will not be recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

SNC-Lavalin's consolidated revenues and net income attributable to SNC-Lavalin shareholders in the three-month period ended September 30, 2014 included approximately $341.7 million and $18.6 million, respectively, from the business acquisition of Kentz completed by SNC-Lavalin in the three-month period ended September 30, 2014. Had the acquisition of Kentz and related financing occurred on January 1, 2014, SNC-Lavalin unaudited pro forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately $7,160.0 million and $170.2 million, respectively. These unaudited pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin's acquisition date and should not be viewed as indicative of SNC-Lavalin's consolidated future performance.

16. 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").

16. CONTINGENT LIABILITIES (CONTINUED)

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

World Bank Settlement

On April 17, 2013, the Company announced a settlement in connection with the previously announced investigations by the World Bank Group relating to the project in Bangladesh referred to above and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully.

According to the terms of the World Bank Settlement, certain of the Company's other affiliates continue to be eligible to bid on and be awarded World Bank Group-financed projects as long as they comply with all of the terms and conditions imposed upon them under the terms of the World Bank Settlement, including an obligation not to evade the sanction imposed. The World Bank Settlement also requires that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement does not include a financial penalty. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

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. In addition, Pierre Duhaime and Riadh Ben Aissa, former Company employees, 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. On October 1, 2014, Mr. Ben Aissa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aissa by Swiss authorities since April 2012. The Company was recognized as an injured party in the context of these proceedings and is entitled to recover certain amounts of money in connection therewith.

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).

16. CONTINGENT LIABILITIES (CONTINUED)

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

The Company's senior management and Board of Directors have been required to devote significant time and resources to the investigations described above, the World Bank Settlement and ongoing related matters which have distracted and may continue to distract from the conduct of the Company's daily business, and significant expenses have been and may continue to be incurred in connection with these investigations including substantial fees of lawyers and other advisors. In addition, the Company and/or other employees or additional former employees of the Company could become the subject of these or other investigations by law enforcement and/or regulatory authorities in respect of the matters described above or other matters which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

B) CLASS ACTION LAWSUITS

On March 1, 2012, a "Motion to Authorize the Beginning of a Class Action and to Obtain the Status of Representative" (the "Quebec Motion") was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from and including March 13, 2009 through and including February 28, 2012, whether in a primary market offering or in the secondary market. The defendants in the Québec Motion are SNC-Lavalin and certain of its current and former directors and officers. The Quebec Motion raises both statutory and negligent misrepresentation claims.

On May 9, 2012, two proposed class actions were commenced in the Ontario Superior Court on behalf of all persons who acquired SNC-Lavalin securities during different time periods. These two actions were consolidated into a single action (the "Ontario Action") on June 29, 2012. The defendants in the Ontario Action are SNC-Lavalin and certain of its current and former directors and officers. The Ontario Action seeks damages on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012 (the "Class Period"). The Ontario Action raises, among other things, both statutory and common law misrepresentation claims.

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.

16. CONTINGENT LIABILITIES (CONTINUED)

C) **OTHER**

On June 12, 2014, the Quebec Superior Court rendered a decision in the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the defendants, on an *in solidum* basis. On July 10, 2014, SNC-Lavalin filed a Notice to Appeal the Superior Court decision both on merit and apportionment of liability. Based on the current judgement, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers.

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Company's appeal or these and other related proceedings generally, determine if the amount included in the Company's provisions is sufficient or determine the amount of any potential losses, if any, that may be incurred in connection with any final judgement on this matter.

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.

17. EVENTS AFTER THE REPORTING PERIOD

A) **COMPLETION OF DISPOSAL OF ASTORIA**

On October 15, 2014, SNC-Lavalin announced that it has reached financial close on the sale of its 21% ownership interest in Astoria, the owner of the legal entity that owns and operates the Astoria plant in Queens, New York, to EIF Astoria, LLC, a subsidiary of MyPower Corp wholly owned by Mitsui & Co., Ltd., and East River FundCo LLC, an investment fund owned by Harbert Power Fund V, LLC and JEMB Family L.P.

B) **ACTIONS TO ALIGN OPERATIONS WITH GROWTH STRATEGY AND END-MARKET ECONOMICS**

On November 6, 2014, the Company announced that it will take a number of steps to restructure and right-size certain areas of its business as it continues to execute its five-year strategic plan to build a global Tier-1 engineering and construction firm. Accordingly, over the next 18 months, SNC-Lavalin expects to incur charges of approximately $200 million after taxes to scale back certain underperforming activities and adjust, consolidate and streamline some of its operations and corporate structure to improve efficiency, effectiveness and competitive positioning. Simultaneously, the Company is also expected to record approximately $100 million after taxes of non-cash charges over this time.

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