SNC·LAVALIN

Management's Discussion and Analysis

Third Quarter and First Nine Months of 2014 versus
Third Quarter and First Nine Months of 2013

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November 6, 2014

All financial information in Canadian dollars, unless otherwise indicated

1 – THIRD QUARTER AND FIRST NINE MONTHS OF 2014 EXECUTIVE SUMMARY

1.1 – EXECUTIVE SUMMARY – FINANCIAL INDICATORS

NET INCOME (LOSS)

> **Third quarter**

- For the third quarter of 2014, net income attributable to SNC-Lavalin shareholders was $69.0 million ($0.45 per share on a diluted basis), compared to a net loss of $72.7 million ($-0.48 per share on a diluted basis) for the third quarter of 2013.
- For the third quarter of 2014, there was a net loss attributable to SNC-Lavalin shareholders from Engineering and Construction and Operations and Maintenance activities ("E&C") of $20.0 million, compared to a net loss of $128.4 million for the corresponding period of 2013. The net loss from E&C in the third quarter of 2014 is mainly due to $38.4 million (after taxes) of financing, acquisition-related and integration costs related to the acquisition of Kentz Corporation Limited ("Kentz"), which was completed on August 22, 2014, and $10.2 million (after taxes) of restructuring costs, as the Company continued its restructuring actions to align its operations with its growth strategy. Without these costs, the third quarter 2014 net income from E&C was $28.6 million versus a net loss from E&C of $66.0 million in the corresponding period of 2013, when excluding restructuring costs and goodwill impairment. The positive year-over-year variance of $94.6 million is mainly due to a lower negative segment earnings before interest and income taxes ("segment EBIT") in Infrastructure and higher contributions from Resources, Environment and Water ("REW") and Power, compared to the corresponding period last year.

  The positive variance for Infrastructure is mainly due to a lower negative segment EBIT from Infrastructure & Construction, principally due to less unfavourable cost reforecasts in the third quarter of 2014 compared to the corresponding period of 2013. Infrastructure & Construction sub-segment EBIT continued to be affected by unprofitable legacy fixed-price projects, and included a net negative impact on gross margin of $13.1 million in the quarter from the combination of an additional loss on a major hospital project and of a favourable outcome on certain claims. The positive variance for REW is mainly due to a contribution of $30.7 million from the new Kentz sub-segment, partially offset by lower contributions from Oil & Gas, Mining & Metallurgy and Environment & Water. Despite the positive variance from an improvement in its gross margin-to-revenue ratio, Power was affected in the quarter by an unfavourable cost reforecast on an unprofitable legacy fixed-price contract in North Africa and additional reserves, for a total amount of $23.6 million.

- For the third quarter of 2014, net income attributable to SNC-Lavalin shareholders from Infrastructure Concession Investments ("ICI") was $88.9 million, compared to $55.7 million for the same period last year, mainly due to a higher net income from AltaLink, mainly explained from an accounting requirement under IFRS, for which the Company has ceased to depreciate and amortize AltaLink Holdings, L.P. ("AHLP") non-current assets starting May 1st, 2014, resulting from the classification of AHLP's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date.

> **First nine months ended September 30**

- For the first nine months of 2014, net income attributable to SNC-Lavalin shareholders was $195.6 million ($1.28 per share on a diluted basis), compared to a net loss of $56.8 million ($-0.37 per share on a diluted basis) for the same period of 2013.
- For the first nine months of 2014, there was a net loss attributable to SNC-Lavalin shareholders from E&C of $36.0 million, compared to a net loss of $214.5 million for the corresponding period of 2013. The net loss from E&C is partly due to $64.3 million (after taxes) of financing, acquisition-related costs and integration costs related to the acquisition of Kentz, which was completed on August 22, 2014, and $12.0 million (after taxes) of restructuring costs. Without these costs, the first nine months of 2014 net income from E&C was $40.3 million versus a comparative net loss from E&C of $152.1 million in the corresponding nine-month period in 2013, when excluding restructuring costs and goodwill impairment. The resulting positive variance of $192.4 million is mainly due to a positive segment EBIT in Infrastructure and REW, compared to a negative segment EBIT for the corresponding period last year, partially offset by a lower contribution from Power.

The positive variance for Infrastructure is mainly due to a lower negative sub-segment EBIT from Infrastructure & Construction, principally due to reversals in 2014 of non-cash provisions on a Libyan project, as well as less unfavourable cost reforecasts and provisions in the first nine months of 2014 compared to the corresponding period of 2013, as well as a higher contribution in Operations & Maintenance ("O&M"). The positive variance for REW is mainly due to a lower negative sub-segment EBIT from Oil & Gas and to a contribution of $30.7 million from the new Kentz sub-segment, partially offset by lower contributions from Mining & Metallurgy and Environment & Water. The lower contribution from Power is mainly due to an unfavourable cost reforecast on an unprofitable legacy fixed-price contract in North Africa and additional reserves.

- For the first nine months of 2014, net income attributable to SNC-Lavalin shareholders from ICI was $231.6 million, compared to $157.7 million for the same period in 2013, mainly due to a higher net income from AltaLink, as explained above, and higher dividends received from Highway 407, partially offset by a lower net income from Shariket Kahraba Hadjret En Nouss S.p.A. ("SKH"). Net income from SKH is lower in the first nine months of 2014, compared to the first nine months of 2013, as the latter included the positive impact of the resolution of uncertainties on the collection of past dividends during that period.

REVENUES

> Revenues for the first nine months of 2014 decreased to $5.4 billion, compared to $5.8 billion for the first nine months of 2013, as the increase in ICI revenues was more than offset by the decrease in Services and Packages revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

> For the first nine months of 2014, selling, general and administrative expenses totalled $599.4 million, in line with the corresponding period of 2013, despite the incremental selling, general and administrative expenses from Kentz of $18.3 million, mainly attributable to cost savings resulting from the Company's restructuring plans implemented in the second half of 2013, as well as other initiatives under the Value Up program.

FINANCIAL POSITION

> Cash and cash equivalents totalled $1.1 billion at September 30, 2014, in line with December 31, 2013.

REVENUE BACKLOG

(IN MILLIONS OF CA$)	September 30 2014	June 30 2014	December 31 2013
Services	**$ 4,325.9**	$ 1,526.0	$ 1,629.6
Packages	**6,085.4**	4,843.4	4,429.7
O&M	**2,102.6**	1,843.9	2,228.5
Total	**$ 12,513.9**	$ 8,213.2	$ 8,287.8

> Revenue backlog totalled $12.5 billion at the end of September 2014, compared to $8.3 billion at the end of December 2013, principally reflecting an increase in Services and Packages, mainly from the acquisition of Kentz.

1.2 – EXECUTIVE SUMMARY – OTHER ITEMS

> On May 1, 2014, SNC-Lavalin announced that it had entered into a binding agreement to sell 100% of its interest in AltaLink Holdings, L.P. ("AHLP"), the parent company of AltaLink, L.P., to Berkshire Hathaway Energy. Completion of the sale remains subject to the approval by the Alberta Utilities Commission following receipt of approvals received under the Competition Act and Investment Canada Act.

> On June 23, 2014, in line with its strategy, the Company announced that it has reached an agreement with Kentz Corporation Limited ("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 (the "Acquisition") for a consideration estimated at approximately £1.2 billion (CA$2.1 billion). Kentz is a global oil & gas services company. On August 22, 2014, the Company announced that it has completed the Acquisition. As at September 30, 2014, the operations of Kentz were managed and reviewed as one component and are therefore being presented as a separate sub-segment of REW for the three-month period ended September 30, 2014.

> On August 11, 2014, the Company announced that it has reached an agreement to sell its 21% ownership interest in Astoria Project Partners LLC ("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.

> On September 30, 2014, SNC-Lavalin sold its 100% ownership interest in Ovation Real Estate Group (Quebec) Inc. ("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, Industrial Alliance, until 2038.

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

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

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

2 – CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on November 6, 2014. The assumptions are set out throughout the Company's 2013 MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2013 MD&A), as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) the Company is subject to ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant, which, in turn, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in ICI that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) the Company may be unable to successfully integrate the businesses of SNC-Lavalin and Kentz and realize the anticipated benefits of the Acquisition; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) the Company's indebtedness following completion of the Acquisition is substantial. This indebtedness could have adverse consequences for the Company, including reducing funds available for other business purposes; (cc) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (dd) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (ee) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (ff) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2013 MD&A filed with the securities regulatory authorities in Canada, available on SEDAR at **www.sedar.com** and on the Company's website at **www.snclavalin.com** under the "Investors" section, as updated in this MD&A.

The forward-looking statements herein reflect the Company's expectations as at November 6, 2014, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

3 – OUR BUSINESS

SNC-Lavalin provides engineering and construction and operations and maintenance expertise, which together are referred to as "E&C", through its network of offices 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".

On August 22, 2014, the Company completed its acquisition of Kentz, a global engineering specialist solutions provider, which serves a blue chip client base primarily in the oil & gas, petrochemical and mining and metals sectors. It has a proven track record of delivering mechanical, electrical, controls and instrumentation engineering, construction and management services in some of the most remote locations on earth. Kentz includes Valerus Field Solutions, a US-based integrated oil and gas surface facility solutions provider, acquired by Kentz on January 3, 2014.

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

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

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

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

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

3.2 – OPERATIONS AND MAINTENANCE ACTIVITIES

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

3.3 – INFRASTRUCTURE CONCESSION INVESTMENTS

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

4 – HOW WE ANALYZE AND REPORT OUR RESULTS

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

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

The Company presents the information in the way management performance is evaluated, by regrouping its engineering and construction projects within the related industries, which are as follows: **Mining & Metallurgy, Oil & Gas, Environment & Water, Power, Infrastructure & Construction** and **O&M.** The **O&M** sub-segment and the **ICI** segment correspond to the categories of activity of the same name. 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. As such, while Kentz's projects are primarily in the oil and gas industry, the Oil & Gas sub-segment presented in this MD&A excludes Kentz.

4.1 – NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Performance	
Earnings before interest and income taxes ("EBIT")	Section 5.2
Revenue backlog	Section 6
Segment or sub-segment earnings before interest and income taxes	Section 7
Return on average shareholders equity ("ROASE")	Section 8.5

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

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

5 – BREAKDOWN OF INCOME STATEMENT

(IN MILLIONS OF CA$, EXCEPT EARNINGS (LOSS) PER SHARE)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Revenues by activity:				
Services	**$ 723.2**	$ 626.8	**$ 1,785.4**	$ 2,000.6
Packages	**726.0**	819.8	**1,961.2**	2,280.2
O&M	**311.6**	318.8	**970.8**	1,000.1
ICI	**243.3**	179.7	**703.4**	508.0
	$ 2,004.1	$ 1,945.2	**$ 5,420.7**	$ 5,788.8
Gross margin	**$ 420.2**	$ 180.3	**$ 1,125.8**	$ 718.5
Selling, general and administrative expenses:				
From E&C	**186.1**	162.3	**554.2**	581.6
From ICI	**18.2**	13.5	**45.2**	29.9
	204.3	175.7	**599.4**	611.5
Restructuring costs and goodwill impairment	**13.8**	68.2	**15.8**	68.2
Acquisition-related costs and integration costs	**30.0**	–	**55.9**	–
Loss on disposal of an ICI	**4.1**	–	**4.1**	–
EBIT	**$ 168.0**	$ (63.7)	**$ 450.6**	$ 38.8
Net financial expenses:				
From E&C	**18.7**	11.5	**34.5**	16.8
From ICI	**54.8**	30.5	**153.2**	93.3
	73.5	41.9	**187.7**	110.2
Income (loss) before income taxes	**94.5**	(105.6)	**262.9**	(71.3)
Income taxes	**24.8**	(33.1)	**66.4**	(15.1)
Net income (loss) for the period	**$ 69.7**	$ (72.5)	**$ 196.5**	$ (56.2)
Net income (loss) attributable to:				
SNC-Lavalin shareholders	**$ 69.0**	$ (72.7)	**$ 195.6**	$ (56.8)
Non-controlling interests	**0.7**	0.3	**0.9**	0.5
Net income (loss) for the period	**$ 69.7**	$ (72.5)	**$ 196.5**	$ (56.2)
Earnings (loss) per share ($)				
Basic	**$ 0.45**	$ (0.48)	**$ 1.29**	$ (0.37)
Diluted	**$ 0.45**	$ (0.48)	**$ 1.28**	$ (0.37)
Supplementary information:				
Net loss attributable to SNC-Lavalin shareholders from E&C	**$ (20.0)**	$ (128.4)	**$ (36.0)**	$ (214.5)
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	**29.4**	33.5	**88.1**	72.1
From AltaLink	**58.9**	21.3	**126.8**	52.5
From other ICI	**0.7**	0.8	**16.8**	33.1
Net income (loss) attributable to SNC-Lavalin shareholders for the period	**$ 69.0**	$ (72.7)	**$ 195.6**	$ (56.8)

5.1 – NET INCOME (LOSS) ANALYSIS

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Net loss attributable to SNC-Lavalin shareholders from E&C	**$ (20.0)**	$ (128.4)	**$ (36.0)**	$ (214.5)
Net income attributable to SNC-Lavalin shareholders from ICI	**88.9**	55.7	**231.6**	157.7
Net income (loss) attributable to SNC-Lavalin shareholders	**$ 69.0**	$ (72.7)	**$ 195.6**	$ (56.8)

For the third quarter of 2014, there was a net loss attributable to SNC-Lavalin shareholders from E&C of $20.0 million, compared to a net loss of $128.4 million for the corresponding period of 2013. The net loss from E&C in the third quarter of 2014 is mainly due to $38.4 million (after taxes) of financing, acquisition-related and integration costs related to the acquisition of Kentz, which was completed on August 22, 2014, and $10.2 million (after taxes) of restructuring costs, as the Company continued its restructuring actions to align its operations with its growth strategy. Without these costs, the third quarter 2014 net income from E&C was $28.6 million versus a comparative net loss from E&C of $66.0 million in the corresponding period of 2013, when excluding restructuring costs and goodwill impairment. The positive year-over-year variance of $94.6 million is due to a lower negative segment EBIT in Infrastructure and higher contribution from REW and Power, compared to the corresponding period last year.

The positive variance for Infrastructure is mainly due to a lower negative segment EBIT from Infrastructure & Construction, principally due to less unfavourable cost reforecasts in the third quarter of 2014 compared to the corresponding period of 2013. Infrastructure & Construction sub-segment EBIT continued to be affected by unprofitable legacy fixed-price projects, and included a net negative impact on gross margin of $13.1 million in the quarter from the combination of an additional loss on a major hospital project and of a favourable outcome on certain claims. The positive variance for REW is mainly due to a contribution of $30.7 million from the new Kentz sub-segment, partially offset by lower contributions from Oil & Gas, Mining & Metallurgy and Environment & Water. Despite the positive variance from an improvement in its gross margin-to-revenue ratio, Power was affected in the quarter by an unfavourable cost reforecast on an unprofitable legacy fixed-price contract in North Africa and additional reserves for a total of $23.6 million.

For the third quarter of 2014, net income attributable to SNC-Lavalin shareholders from ICI was $88.9 million, compared to $55.7 million for the same period last year, mainly due to a higher net income from AltaLink, mainly explained by an accounting requirement under IFRS, for which the Company has ceased to depreciate and amortize AHLP's non-current assets starting May 1st, 2014, resulting from the classification of AHLP's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date.

For the first nine months of 2014, there was a net loss attributable to SNC-Lavalin shareholders from E&C of $36.0 million, compared to a net loss of $214.5 million for the corresponding period of 2013. The net loss from E&C is partly due to $64.3 million (after taxes) of financing, acquisition-related costs and integration costs related to the acquisition of Kentz, which was completed on August 22, 2014, and $12.0 million (after taxes) of restructuring costs. Without these costs, the first nine months of 2014 net income from E&C was $40.3 million versus a comparative net loss from E&C of $152.1 million in the corresponding nine-month period in 2013 when excluding restructuring costs and goodwill impairment. The resulting positive variance of $192.4 million is due to a positive segment EBIT in Infrastructure and REW, compared to a negative segment EBIT for the corresponding period last year, partially offset by a lower contribution from Power.

The positive variance for Infrastructure is mainly due to a lower negative sub-segment EBIT from Infrastructure & Construction, principally due to reversals in 2014 of non-cash provisions on a Libyan project, as well as less unfavourable cost reforecasts and provisions in the first nine months of 2014 compared to the corresponding period of 2013, as well as a higher contribution in O&M. The positive variance for REW is mainly due to a lower negative sub-segment EBIT from Oil & Gas and to a contribution of $30.7 million from the new Kentz sub-segment, partially offset by lower contributions from Mining & Metallurgy and Environment & Water. The lower contribution from Power is mainly due to an unfavourable cost reforecast on an unprofitable legacy fixed-price contract in North Africa and additional reserves.

For the first nine months of 2014, net income attributable to SNC-Lavalin shareholders from ICI was $231.6 million, compared to $157.7 million for the same period in 2013, mainly due to a higher net income from AltaLink, as explained above, and higher dividends received from Highway 407, partially offset by a lower net income from SKH. Net income from SKH is lower in the first nine months of 2014, compared to the first nine months of 2013, as the latter included the positive impact of the resolution of uncertainties on the collection of past dividends during that period.

5.2 – EARNINGS BEFORE INTEREST AND INCOME TAXES ANALYSIS

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

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
EBIT from E&C	**$ 5.8**	$ (157.7)	**$ 21.1**	$ (231.7)
EBIT from ICI	**162.2**	94.0	**429.5**	270.5
EBIT	**$ 168.0**	$ (63.7)	**$ 450.6**	$ 38.8

For the third quarter of 2014, EBIT from E&C amounted to $5.8 million, compared to a negative EBIT of $157.7 million in the corresponding period of 2013, mainly due to the same factors outlined in section 5.1, except for costs related to additional financing for the acquisition of Kentz, as such costs are not included in EBIT.

For the first nine months of 2014, EBIT from E&C amounted to $21.1 million, compared to a negative EBIT of $231.7 million in the corresponding period of 2013, mainly due to the same factors explained in section 5.1, except for costs related to additional financing for the acquisition of Kentz, as such costs are not included in EBIT.

For the third quarter of 2014, EBIT from ICI amounted to $162.2 million, compared to $94.0 million in the corresponding period of 2013, mainly due to a higher contribution from AltaLink, and the Company ceasing to depreciate and amortize AHLP's non-current assets starting May 1st, 2014, resulting from the classification of AHLP's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date.

For the first nine months of 2014, EBIT from ICI amounted to $429.5 million, compared to $270.5 million in the corresponding period of 2013, mainly due to a higher contribution from AltaLink, and the Company ceasing to depreciate and amortize AHLP's non-current assets starting May 1st, 2014, as explained above, as well as higher dividends received from Highway 407, partially offset by a lower contribution from SKH.

5.3 – REVENUE ANALYSIS

Revenues for the first nine months of 2014 decreased to $5.4 billion, compared to $5.8 billion for the first nine months of 2013, as the increase in ICI revenues was more than offset by the decrease in Services and Packages revenues.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Services revenues	**$ 723.2**	$ 626.8	**$ 1,785.4**	$ 2,000.6

The decrease in Services revenues for the first nine months of 2014 reflected a decrease, mainly in REW and Infrastructure. The decrease in REW mainly reflected a decrease in its Mining & Metallurgy and Oil & Gas sub-segments, partially offset by incremental revenues from Kentz in the period from August 22, 2014 to September 30, 2014.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Packages revenues	**$ 726.0**	$ 819.8	**$ 1,961.2**	$ 2,280.2

The decrease in Packages revenues for the first nine months of 2014 reflected a decrease in Power and REW, partially offset by an increase in Infrastructure. The decrease in REW was reflective of a decrease in its Mining & Metallurgy sub-segment, partially offset by incremental revenues from Kentz in the period from August 22, 2014 to September 30, 2014.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
O&M revenues	**$ 311.6**	$ 318.8	**$ 970.8**	$ 1,000.1

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

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
ICI revenues	**$ 243.3**	$ 179.7	**$ 703.4**	$ 508.0

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

5.4 – GROSS MARGIN ANALYSIS

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Gross margin from E&C	**$ 235.7**	$ 72.8	**$ 646.9**	$ 418.2
Gross margin from ICI	**184.5**	107.5	**478.8**	300.4
Gross margin	**$ 420.2**	$ 180.3	**$ 1,125.8**	$ 718.5
Gross margin-to-revenue ratio (%)	**21.0%**	9.3%	**20.8%**	12.4%

The gross margin amount from E&C for the third quarter of 2014 increased compared to the corresponding period of 2013, mainly reflecting an increase in Packages. The Packages gross margin for the third quarter of 2014 included a net negative impact on gross margin of $13.1 million from the combination of an additional loss on a major hospital project and of a favourable outcome on certain claims, as well as a total amount of $23.6 million from an unfavourable cost reforecast on an unprofitable legacy fixed-price contract in North Africa and additional reserves. The Packages gross margin for the third quarter of 2013 included unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, partially offset by a favourable final outcome on a fixed-price contract for a net negative impact of $165.5 million.

The gross margin amount from E&C for the first nine months of 2014 increased compared to the corresponding period of 2013, mainly reflecting an increase in Packages. In addition to the items explained above, while the first nine months of 2014 gross margin was positively impacted by the reversal, in the first quarter of 2014, of a risk provision on a Libyan project recorded in the second quarter of 2013, the gross margin in the first nine months of 2013 was also negatively impacted by a loss relating to the confirmation of a claim on a project in Algeria, as well as additional costs on a major hospital project recognized in the first nine months of 2013. The increase in Packages gross margin was partially offset by a decrease in Services gross margin, mainly due to a lower volume of activity, primarily in REW.

The gross margin amount from ICI for the first nine months of 2014 increased compared to the corresponding period of 2013, mainly reflecting a higher contribution from AltaLink, and the Company ceasing to depreciate and amortize AHLP's non-current assets starting May 1st, 2014, resulting from the classification of AHLP's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date, as well as higher dividends received from Highway 407, partially offset by a lower contribution from SKH.

5.5 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

(IN MILLIONS OF CA$)	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
		2014		2013		**2014**		2013
Selling, general and administrative expenses from E&C	**$**	**186.1**	$	162.3	**$**	**554.2**	$	581.6
Selling, general and administrative expenses from ICI		**18.2**		13.5		**45.2**		29.9
Selling, general and administrative expenses	**$**	**204.3**	$	175.7	**$**	**599.4**	$	611.5

For the third quarter of 2014, selling, general and administrative expenses increased to $204.3 million, compared to $175.7 million for the third quarter of 2013, mainly reflecting the incremental selling, general and administrative expenses from Kentz of $18.3 million between August 22, 2014 and September 30, 2014.

For the first nine months of 2014, selling, general and administrative expenses totalled $599.4 million, in line with the corresponding period of 2013, despite the incremental selling, general and administrative expenses from Kentz of $18.3 million, mainly attributable to cost savings resulting from the Company's restructuring plans implemented in the second half of 2013, as well as other initiatives under the Value Up program. The Company expects to continue implementing selling, general and administrative expenses reduction initiatives and expects to integrate potential selling, general and administrative expenses synergies following the Acquisition.

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

(IN MILLIONS OF CA$)	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
		2014		2013		**2014**		2013
Investigations and related matters	**$**	**1.6**	$	3.4	**$**	**7.0**	$	11.7
Expenses related to new information technology systems		**7.7**		5.3		**20.3**		15.0
Implementation of a new Compliance program		**3.8**		3.1		**11.8**		4.2
Total	**$**	**13.1**	$	11.9	**$**	**39.1**	$	31.0

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

5.6 – RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Restructuring costs	**$ 13.8**	$ 19.7	**$ 15.8**	$ 19.7
Goodwill impairment	**–**	48.5	**–**	48.5
Restructuring costs and goodwill impairment	**$ 13.8**	$ 68.2	**$ 15.8**	$ 68.2

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%.

5.7 – ACQUISTION-RELATED COSTS AND INTEGRATION COSTS

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Unfavourable remeasurement of a foreign exchange hedge	**$ 14.3**	$ –	**$ 34.7**	$ –
Professional fees and other related costs	**15.7**	–	**21.2**	–
Acquisition-related costs and integration costs	**$ 30.0**	$ –	**$ 55.9**	$ –

In the first nine months of 2014, the Company incurred acquisition-related costs and integration costs totalling $55.9 million, attributable to the agreement to acquire Kentz, due to a $34.7 million unfavourable remeasurement of a foreign exchange hedge settled in the third quarter of 2014, as explained in Note 15 to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2014, as well as $21.2 million of professional fees and other related costs, which included initial integration costs of $3.0 million incurred in the third quarter of 2014.

5.8 – NET FINANCIAL EXPENSES ANALYSIS

THIRD QUARTER ENDED SEPTEMBER 30 (IN MILLIONS OF CA$)	**2014**			2013
	FROM E&C	FROM ICI	TOTAL	TOTAL
Interest revenues	**$ (2.3)**	**$ (2.9)**	**$ (5.1)**	$ (4.2)
Interest on debt:				
Recourse	**13.4**	**–**	**13.4**	5.5
Non-recourse:				
AltaLink	**–**	**51.4**	**51.4**	30.1
Other	**–**	**7.7**	**7.7**	2.7
Other	**7.5**	**(1.4)**	**6.1**	7.9
Net financial expenses	**$ 18.7**	**$ 54.8**	**$ 73.5**	$ 41.9

NINE MONTHS ENDED SEPTEMBER 30 (IN MILLIONS OF CA$)	**2014**			2013
	FROM E&C	FROM ICI		TOTAL
Interest revenues	**$ (4.8)**	**$ (9.3)**		$ (9.9)
Interest on debt:				
Recourse	**24.3**	**–**		16.4
Non-recourse:				
AltaLink	**–**	**142.9**		87.6
Other	**–**	**17.9**		6.5
Other	**15.0**	**1.6**		9.6
Net financial expenses	**$ 34.5**	**$ 153.2**		$ 110.2

For the first nine months of 2014, net financial expenses from E&C increased to $34.5 million, compared to $16.8 million for the first nine months of 2013, mainly resulting from costs of $12.5 million related to additional financing for the acquisition of Kentz concluded in the third quarter of 2014 and the cost of the unsecured revolving credit agreement entered into in December 2013.

For the first nine months of 2014, net financial expenses from ICI increased to $153.2 million, compared to $93.3 million for the first nine months of 2013, primarily due to a higher interest expense on additional non-recourse debt mainly related to AltaLink and InPower BC General Partnership.

5.9 – INCOME TAXES ANALYSIS

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Loss before income taxes from E&C	**$ (12.9)**	$ (169.1)	**$ (13.5)**	$ (248.5)
Income before income taxes from ICI	**107.4**	63.5	**276.4**	177.1
Income (loss) before income taxes	**$ 94.5**	$ (105.6)	**$ 262.9**	$ (71.3)
Income taxes from E&C	**$ 6.4**	$ (41.0)	**$ 21.6**	$ (34.5)
Income taxes from ICI	**18.4**	7.8	**44.7**	19.4
Income taxes	**$ 24.8**	$ (33.1)	**$ 66.4**	$ (15.1)
Effective income tax rate from E&C (%)	**(49.4%)**	24.2%	**(160.6%)**	13.9%
Effective income tax rate from ICI (%)	**17.2%**	12.3%	**16.2%**	11.0%
Effective income tax rate (%)	**26.2%**	31.4%	**25.2%**	21.2%

For the third quarter of 2014, the income tax expense from E&C was $6.4 million, compared to an income tax benefit of $41.0 million in the corresponding period of 2013. **For the first nine months of 2014, the income tax expense from E&C was $21.6 million,** compared to an income tax benefit of $34.5 million in the first nine months of 2013. While there was a loss before income taxes from E&C in the first nine months of 2014, the Company incurred an income tax expense which mainly reflected i) permanent differences, including non-deductible acquisition-related costs, as well as ii) losses that do not generate an income tax benefit, partially offset by iii) the geographic mix of income (loss) before income taxes. The low effective income tax rate from E&C in the first nine months of 2013 was mainly due to losses recognized in 2013 that do not generate an income tax benefit, the geographic mix of income (loss) before income taxes, as well as a non-deductible goodwill impairment in the third quarter of 2013.

For the third quarter of 2014, the income tax expense from ICI was $18.4 million, compared to $7.8 million in the third quarter of 2013, mainly due to a higher income before income taxes from AltaLink.

For the first nine months of 2014, the income tax expense from ICI was $44.7 million, compared to $19.4 million in the corresponding period of 2013, for the same reason stated above.

6 – REVENUE BACKLOG

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

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

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

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

AT SEPTEMBER 30 (IN MILLIONS OF CA$)	2014			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	$ 222.9	$ 668.2	$ –	$ 891.1
Oil & Gas	281.4	54.9	–	336.3
Kentz	2,887.8	1,467.4	–	4,355.2
Environment & Water	72.2	–	–	72.2
	$ 3,464.3	$ 2,190.5	$ –	$ 5,654.8
Power	$ 349.1	$ 2,033.2	$ –	$ 2,382.3
Infrastructure				
Infrastructure & Construction	$ 512.4	$ 1,861.7	$ –	$ 2,374.1
O&M	–	–	2,102.6	2,102.6
	$ 512.4	$ 1,861.7	$ 2,102.6	$ 4,476.7
Total	$ 4,325.9	$ 6,085.4	$ 2,102.6	$ 12,513.9

AT JUNE 30
(IN MILLIONS OF CA$)

2014				
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	$ 224.5	$ 730.3	$ –	$ 954.8
Oil & Gas	283.6	62.8	–	346.4
Environment & Water	97.0	–	–	97.0
	$ 605.2	$ 793.1	$ –	$ 1,398.3
Power	$ 406.1	$ 1,885.1	$ –	$ 2,291.2
Infrastructure				
Infrastructure & Construction	$ 514.7	$ 2,165.2	$ –	$ 2,679.9
O&M	–	–	1,843.9	1,843.9
	$ 514.7	$ 2,165.2	$ 1,843.9	$ 4,523.8
Total	$ 1,526.0	$ 4,843.4	$ 1,843.9	$ 8,213.2

AT DECEMBER 31
(IN MILLIONS OF CA$)

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

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

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

At September 30, 2014, revenue backlog was $12.5 billion, compared to $8.2 billion at the end of June 2014 and to $8.3 billion at the end of December 2013. The revenue backlog at the end of September 2014, compared to the end of December 2013, principally reflected an increase in Services and Packages, mainly from the acquisition of Kentz.

6.1 – SERVICES BACKLOG

(IN MILLIONS OF CA$)		**September 30 2014**		June 30 2014		December 31 2013
Services backlog	**$**	**4,325.9**	$	1,526.0	$	1,629.6

The increase in Services backlog from December 2013 to September 2014 mainly reflected the addition of backlog resulting from the acquisition of Kentz, partially offset by a decrease in Mining & Metallurgy which continues to be affected by the softening of the commodity markets.

6.2 – PACKAGES BACKLOG

(IN MILLIONS OF CA$)		**September 30 2014**		June 30 2014		December 31 2013
Packages backlog	**$**	**6,085.4**	$	4,843.4	$	4,429.7

The increase from December 2013 to September 2014 mainly reflected the addition of backlog resulting from the acquisition of Kentz, as well as an increase in Power and REW, partially offset by a decrease in Infrastructure. The increase in Power notably reflected the addition in the first nine months of 2014 of the John Hart Generating Replacement Facility project, further described in section 7.4, the addition of a contract with Manitoba Hydro to design and build a 230-kV AC switchyard in Canada, as well as the addition of an engineering, balance of plant procurement, and construction ("EPC") contract for the St. Charles Energy Center Project in Maryland by Competitive Power Ventures, Inc. The increase in REW was mainly due to the addition in its Mining & Metallurgy sub-segment of a major engineering, procurement, construction, commissioning and start-up services contract for a sulphuric acid plant in Saudi Arabia.

6.3 – O&M BACKLOG

(IN MILLIONS OF CA$)		**September 30 2014**		June 30 2014		December 31 2013
O&M backlog	**$**	**2,102.6**	$	1,843.9	$	2,228.5

The O&M backlog at the end of September 2014 decreased compared to the end of December 2013, mainly due to normal fluctuations in the timing of long-term contracts. The decrease was partially offset by the addition in the third quarter of 2014, of a contract to deliver integrated real estate solutions projects on Infrastructure Ontario's behalf and its 26 ministry client.

7 – SEGMENTED INFORMATION

As mentioned in section 4, the Company revised its reportable segments to reflect the changes made to its internal reporting structure. SNC-Lavalin's reportable segments are now i) **REW**; ii) **Power**; iii) **Infrastructure**; and iv) **ICI**. The Company also provides additional information on certain sub-segments of its segments, notably on the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments of REW, as well as on the Infrastructure & Construction and O&M sub-segments of Infrastructure. In addition, as at September 30, 2014, the operations of Kentz were managed and reviewed as one component and are therefore being presented as a separate sub-segment of REW.

In 2014, the Company also changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by "segment earnings before interest and taxes" ("segment EBIT"). As such, the Company no longer calculates imputed interest, which was in the past allocated to segments other than ICI at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceeded current liabilities or vice versa. The Company also no longer includes net financial expenses and income taxes in its measure of profit or loss for the ICI segment. Therefore, since January 2014, the Company evaluates segment performance, using segment EBIT, which consists of gross margin less i) directly related selling, general and administrative expenses; ii) corporate selling, general and administrative expenses; and iii) non-controlling interests before taxes. Corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Restructuring costs, goodwill impairment, acquisition-related costs and integration costs are not allocated to the Company's segments.

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

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

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

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

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

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
BY SEGMENT	**2014**	2013(1)	**2014**	2013(1)
Resources, Environment and Water				
Mining & Metallurgy	**$ 247.0**	$ 434.5	**$ 710.5**	$ 1,301.9
Oil & Gas	**106.4**	144.0	**338.9**	371.2
Kentz	**341.7**	–	**341.7**	–
Environment & Water	**34.1**	36.0	**91.7**	107.7
	$ 729.2	$ 614.5	**$ 1,482.8**	$ 1,780.8
Power	**$ 269.1**	$ 350.0	**$ 874.1**	$ 1,141.8
Infrastructure				
Infrastructure & Construction	**$ 450.9**	$ 482.1	**$ 1,389.6**	$ 1,358.1
Operations & Maintenance	**311.6**	318.8	**970.8**	1,000.1
	$ 762.5	$ 801.0	**$ 2,360.4**	$ 2,358.2
ICI	**$ 243.3**	$ 179.7	**$ 703.4**	$ 508.0
Total	**$ 2,004.1**	$ 1,945.2	**$ 5,420.7**	$ 5,788.8

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

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

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
BY SEGMENT	**2014**	2013[(1)]	**2014**	2013[(1)]
Resources, Environment and Water				
Mining & Metallurgy	**$ 20.8**	$ 23.8	**$ 30.3**	$ 44.8
Oil & Gas	**(7.3)**	5.7	**(24.2)**	(75.4)
Kentz	**30.7**	–	**30.7**	–
Environment & Water	**(3.3)**	1.3	**(13.7)**	(2.8)
	$ 40.8	$ 30.8	**$ 23.1**	$ (33.3)
Power	**$ 12.8**	$ 4.0	**$ 49.0**	$ 73.1
Infrastructure				
Infrastructure & Construction	**$ (14.3)**	$ (130.3)	**$ (16.4)**	$ (228.1)
Operations & Maintenance	**10.0**	5.8	**36.5**	24.2
	$ (4.3)	$ (124.6)	**$ 20.1**	$ (203.8)
ICI	**$ 162.2**	$ 94.0	**$ 429.5**	$ 270.5
Total segment EBIT	**$ 211.5**	$ 4.2	**$ 521.7**	$ 106.4
Less: Restructuring costs and goodwill impairment	**$ (13.8)**	$ (68.2)	**$ (15.8)**	$ (68.2)
Acquisition-related costs and integration costs	**(30.0)**	–	**(55.9)**	–
Reversal of non-controlling interests before income taxes	**0.3**	0.3	**0.5**	0.6
EBIT	**$ 168.0**	$ (63.7)	**$ 450.6**	$ 38.8

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

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

7.1 – RESOURCES, ENVIRONMENT AND WATER

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

7.1.1 – MINING & METALLURGY

Mining & Metallurgy includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers and sulphur product.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013[(1)]	**2014**	2013[(1)]
Revenues from Mining & Metallurgy				
Services	**$ 143.6**	$ 205.4	**$ 451.0**	$ 721.1
Packages	**103.4**	229.1	**259.4**	580.8
Total	**$ 247.0**	$ 434.5	**$ 710.5**	$ 1,301.9
Sub-segment EBIT from Mining & Metallurgy	**$ 20.8**	$ 23.8	**$ 30.3**	$ 44.8
Sub-segment EBIT over revenues from Mining & Metallurgy (%)	**8.4%**	5.5%	**4.3%**	3.4%

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

Mining & Metallurgy revenues in the third quarter of 2014 decreased to $247.0 million, compared to $434.5 million for the corresponding period of 2013. **For the first nine months of 2014, revenues decreased to $710.5 million,** compared to $1,301.9 million for the first nine months of 2013, reflecting a lower level of Packages and Services activity, mainly attributable to a continued softening of the commodity markets and the completion or near completion of certain major projects.

Mining & Metallurgy sub-segment EBIT was $20.8 million in the third quarter of 2014, compared to $23.8 million in the corresponding period of 2013, mainly reflecting a lower volume of activity, partially offset by a higher gross margin-to-revenue ratio and lower selling, general and administrative expenses. **For the first nine months of 2014, Mining & Metallurgy sub-segment EBIT was $30.3 million,** compared to $44.8 million in the first nine months of 2013, mainly reflecting a lower volume of activity, partially offset by lower selling, general and administrative expenses as well as a higher gross margin-to-revenue ratio. The gross margin-to-revenue ratio in the first nine months of 2013 included a provision for costs of approximately $17 million following the receipt of a notice of suspension by the Company in March 2013 in connection with a major mining contract.

7.1.2 – OIL & GAS

Oil & Gas includes projects in the areas of bitumen production, heavy oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, specialty chemicals, biofuels, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture and utilization, transportation and storage, sustaining capital, pipelines, terminals and pump stations.

The information in the table below excludes revenues and sub-segment EBIT from Kentz, which are discussed in section 7.1.3.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013[1]	**2014**	2013[1]
Revenues from Oil & Gas				
Services	**$ 105.2**	$ 110.6	**$ 310.9**	$ 368.6
Packages	**1.2**	33.4	**28.0**	2.6
Total	**$ 106.4**	$ 144.0	**$ 338.9**	$ 371.2
Sub-segment EBIT from Oil & Gas	**$ (7.3)**	$ 5.7	**$ (24.2)**	$ (75.4)
Sub-segment EBIT over revenues from Oil & Gas (%)	**(6.8%)**	3.9%	**(7.1%)**	(20.3%)

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

Revenues from Oil & Gas decreased to $106.4 million in the third quarter of 2014, compared to $144.0 million for the third quarter of 2013, reflecting a lower level of Packages activity. **For the first nine months of 2014, revenues decreased to $338.9 million,** compared to $371.2 million for the first nine months of 2013. Revenues in the first nine months of 2013 were negatively impacted by a non-cash loss of $70.1 million recognized by the Company relating to a confirmation of a claim received in July of 2013 alleging late penalties under a fixed-price project in Algeria. Excluding this loss, revenues in the first nine months of 2014 would still have been lower, compared to the first nine months of 2013, due to a lower level of Services and Packages activity.

In the third quarter of 2014, Oil & Gas sub-segment EBIT was negative $7.3 million, compared to a sub-segment EBIT of $5.7 million in the third quarter of 2013, mainly due to a lower volume of Packages activity as well as a lower gross margin-to-revenue ratio. The gross margin in the third quarter of 2013 included a net favourable impact of $16.0 million attributable to a favourable final outcome on a fixed-price engineering, procurement and construction contract, partially offset by an unfavourable cost reforecast on a legacy fixed-price contract in Algeria.

For the first nine months of 2014, Oil & Gas sub-segment EBIT was negative $24.2 million, compared to a negative sub-segment EBIT of $75.4 million in the corresponding period of 2013. The negative sub-segment EBIT in the first nine months of 2014 was mainly due to an additional provision for loss recognized during the warranty period on a completed legacy Packages project. The negative sub-segment EBIT in the first nine months of 2013 was mainly attributable to an unfavourable cost reforecast in the third quarter of 2013, as well as a loss of $70.1 million recognized by the Company in the second quarter of 2013 relating to a confirmation of claim received in July of 2013 alleging late penalties, both related to the fixed-price project in Algeria mentioned above.

7.1.3 – KENTZ

Kentz, acquired on August 22, 2014, 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 the Oil & Gas industry, they also include certain projects in other industries such as Mining & Metallurgy, Power, and Infrastructure.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	**2014**	2013
Revenues from Kentz				
Services	**$ 219.0**	$ –	**$ 219.0**	$ –
Packages	**122.7**	$ –	**122.7**	$ –
Total	**$ 341.7**	$ –	**$ 341.7**	$ –
Sub-segment EBIT from Kentz	**$ 30.7**	$ –	**$ 30.7**	$ –
Sub-segment EBIT over revenues from Kentz (%)	**9.0%**	– %	**9.0%**	– %

Kentz revenues for the first nine months of 2014 amounted to $341.7 million. This represents only revenues recognized by the Company in the period from August 22, 2014 to September 30, 2014 and may not align with the longer term revenue patterns of Kentz's project portfolio. Approximately 60% of revenues for the period were generated from cost-plus reimbursable contracts, the remaining revenues being generated from fixed-price contracts.

In particular, Services revenues were mainly from the ongoing work in Australasia, as well as continued Services revenues across the Americas, Middle East and Africa. The Middle East region contributed significantly through ongoing projects to Packages and revenues from Valerus were strong, primarily from clients in North America, with revenues also from Latin America.

Kentz sub-segment EBIT was $30.7 million for the first nine months of 2014. Kentz's portfolio includes a balanced mix of Services and Packages contracts. High margins are generated in a number of the high margin specialist field services Kentz provides.

It should be noted that measuring sub-segment EBIT over a 5-week period might not be representative of the performance of the sub-segment over a complete reporting period.

7.1.4 – ENVIRONMENT & WATER

Environment & Water includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013[(1)]	**2014**	2013[(1)]
Revenues from Environment & Water Services	**$ 34.1**	$ 36.0	**$ 91.7**	$ 107.7
Total	**$ 34.1**	$ 36.0	**$ 91.7**	$ 107.7
Sub-segment EBIT from Environment & Water	**$ (3.3)**	$ 1.3	**$ (13.7)**	$ (2.8)
Sub-segment EBIT over revenues from Environment & Water (%)	**(9.7%)**	3.6%	**(14.9%)**	(2.6%)

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

Environment & Water revenues decreased to $34.1 million in the third quarter of 2014, compared to $36.0 million for the corresponding quarter of 2013. **For the first nine months of 2014, revenues decreased to $91.7 million,** compared to $107.7 million for the first nine months of 2013, reflecting a lower level of activity.

Environment & Water sub-segment EBIT was negative $3.3 million for the third quarter of 2014, compared to a sub-segment EBIT of $1.3 million in the corresponding period of 2013 mainly due to a lower gross margin-to-revenue ratio resulting in insufficient gross margin generated to cover selling, general and administrative expenses. **For the first nine months of 2014, Environment & Water sub-segment EBIT was negative $13.7 million,** compared to a negative sub-segment EBIT of $2.8 million in the first nine months of 2013, mainly due to a lower gross margin-to-revenue ratio combined with a lower volume of activity.

The Company has strengthened management of its Environment & Water sub-segment in 2014 in order to enhance its ability to deliver a positive contribution.

7.2 – POWER

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

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013[1]	**2014**	2013[1]
Revenues from Power				
Services	**$ 84.9**	$ 97.6	**$ 282.9**	$ 306.1
Packages	**184.2**	252.4	**591.3**	835.8
Total	**$ 269.1**	$ 350.0	**$ 874.1**	$ 1,141.8
Segment EBIT from Power	**$ 12.8**	$ 4.0	**$ 49.0**	$ 73.1
Segment EBIT over revenues from Power (%)	**4.8%**	1.1%	**5.6%**	6.4%

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

Power revenues decreased to $269.1 million in the third quarter of 2014, compared to $350.0 million for the third quarter of 2013. **For the first nine months of 2014, revenues decreased to $874.1 million,** compared to $1,141.8 million for the corresponding period of 2013, principally reflecting a lower level of Packages activity, mainly due to certain major projects nearing completion.

For the third quarter of 2014, Power segment EBIT was $12.8 million, compared to $4.0 million in the corresponding quarter of 2013, mainly reflecting a higher gross margin-to-revenue ratio, partially offset by a lower volume of activity. The gross margin-to-revenue ratio in the third quarter of 2014 was negatively impacted by an unfavourable cost reforecast on an unprofitable legacy fixed-price contract in North Africa and additional reserves, for a total amount of $23.6 million, while the third quarter of 2013 gross margin-to-revenue ratio included an adverse impact of $39.2 million from unfavourable cost reforecasts on certain major contracts, including the North African project mentioned above.

For the first nine months of 2014, Power segment EBIT was $49.0 million, compared to $73.1 million in the corresponding period of 2013, mainly reflecting a lower volume of activity, principally in Packages, partially offset by a higher gross margin-to-revenue ratio, mainly reflecting the items explained above, combined with lower selling, general and administrative expenses.

7.3 – INFRASTRUCTURE

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

7.3.1 – INFRASTRUCTURE & CONSTRUCTION

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

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013[(1)]	**2014**	2013[(1)]
Revenues from Infrastructure & Construction				
Services	**$ 136.4**	$ 177.2	**$ 429.8**	$ 497.1
Packages	**314.5**	304.9	**959.8**	861.0
Total	**$ 450.9**	$ 482.1	**$ 1,389.6**	$ 1,358.1
Sub-segment EBIT from Infrastructure & Construction	**$ (14.3)**	$ (130.3)	**$ (16.4)**	$ (228.1)
Sub-segment EBIT over revenues from Infrastructure & Construction (%)	**(3.2%)**	(27.0%)	**(1.2%)**	(16.8%)

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

Infrastructure & Construction revenues for the third quarter 2014 decreased to $450.9 million, compared to $482.1 million for the corresponding period of 2013, mainly reflecting a lower level of Services activity. **For the first nine months of 2014, revenues were $1,389.6 million, in line** with the first nine months of 2013, reflecting a higher level of Packages activity, offset by a lower level of Services activity.

For the third quarter of 2014, Infrastructure & Construction sub-segment EBIT was negative $14.3 million, compared to a negative sub-segment EBIT of $130.3 million in the corresponding quarter of 2013, mainly reflecting a higher gross margin-to-revenue ratio, partially offset by higher selling, general and administrative expenses. The third quarter of 2014 negative sub-segment EBIT was mainly attributable to a net negative impact on gross margin of $13.1 million from the combination of an additional loss on a major hospital project and of a favourable outcome on certain claims.

The third quarter of 2013 negative sub-segment EBIT was mainly attributable to unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, recorded by the Company in the third quarter of 2013. These cost reforecasts had a total adverse impact of $142.3 million on gross margin.

For the first nine months of 2014, Infrastructure & Construction sub-segment EBIT was negative $16.4 million, compared to a negative sub-segment EBIT of $228.1 million in the first nine months of 2013, mainly reflecting a higher gross margin-to-revenue ratio which, in addition to the items explained in the third quarter of 2014 analysis above, was explained mainly by: i) letters of credit on which a draw was attempted in 2013 matured in the first quarter of 2014 which led the Company to reverse a risk provision recorded in the second quarter of 2013 for an amount of $47.0 million on a Libyan project; ii) partially offset by a risk provision recorded in the first quarter of 2014 covering in full the cash held in Libya caused by the increasing risk on the availability of such funds as difficult conditions in the country have worsened during the first quarter of 2014; and iii) approximately $32 million recognized from additional costs on a major hospital project in the first quarter of 2013. The two first elements above on Libya had a net favourable impact of $35.3 million on gross margin in 2014.

7.3.2 – O&M

Operations & Maintenance consists of providing operations, maintenance and logistics solutions for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, telecommunications infrastructure, highways, bridges, light rail transit systems, airports, ships, oil and gas facilities, and camps for construction operations and the military.

(IN MILLIONS OF CA$)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013[(1)]	**2014**	2013[(1)]
Revenues from O&M	**$ 311.6**	$ 318.8	**$ 970.8**	$ 1,000.1
Sub-segment EBIT from O&M	**$ 10.0**	$ 5.8	**$ 36.5**	$ 24.2
Sub-segment EBIT over revenues from O&M (%)	**3.2%**	1.8%	**3.8%**	2.4%

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

O&M revenues in the third quarter of 2014 were $311.6 million, in line with the corresponding period of 2013. **For the first nine months of 2014, revenues were $970.8 million, in line** with the corresponding period of 2013.

O&M sub-segment EBIT was $10.0 million in the third quarter of 2014, compared to $5.8 million in the third quarter of 2013, mainly reflecting a higher gross margin-to-revenue ratio. **For the first nine months of 2014, O&M sub-segment EBIT was $36.5 million,** compared to $24.2 million in the corresponding period of 2013, mainly reflecting a higher gross margin-to-revenue ratio, mainly attributable to achieved costs reduction on certain projects.

7.4 – ICI

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

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

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 AltaLink Holdings, L.P. ("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.

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. As at September 30, 2014, the net assets of the disposal group classified as held for sale amounted to $2.0 billion. Based on IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* requirements, when presenting the disposal group classified as held for sale, intragroup balances are eliminated and all assets and all liabilities to be transferred in the sale are included as part of the disposal group. In the past, the Company provided the net book value of its investment in AltaLink. Such net book value included intragroup trade payables and net liabilities related to the financing of the Company's equity contributions in AHLP, but excluded deferred income taxes. Using this basis of calculation, the net book value of the Company's investment in AltaLink amounted to $1.2 billion as at September 30, 2014.

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

ASTORIA PROJECT PARTNERS LLC ("ASTORIA")

On August 11, 2014, the Company 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 to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2014, since all closing conditions have been met by the parties.

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, Industrial Alliance, until 2038.

This transaction, for a total consideration of $77.6 million subject to final adjustments, resulted in the recognition of a net loss before taxes of $4.1 million (net loss after taxes of $3.1 million) in the consolidated income statement for the three-month period ended September 30, 2014 from the disposal of this ICI. The net loss was attributable to $5.5 million of cumulative loss (before taxes) on cash flow hedges reclassified from equity on loss of control of the ICI.

7.4.1 – NET BOOK VALUE OF ICI

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

(IN MILLIONS OF CA$)		September 30 2014		December 31 2013
ICI accounted for by the full consolidation method (1)	**$**	**(12.8)**	$	1,132.4
ICI accounted for by the equity method (2)		**400.0**		448.7
ICI accounted for by the cost method		**432.4**		426.9
Total net book value of ICI	**$**	**819.6**	$	2,007.9

(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 to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2014).
(2) 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 to the unaudited interim condensed consolidated financial statements for the third quarter of 2014).

As at September 30, 2014, the Company estimated that the fair value of its ICI portfolio was much higher than its net book value, with the Company's investment in Highway 407 and AltaLink having the highest estimated fair values of its ICI portfolio. As at September 30, 2014, the net book value of the Company's investment in Highway 407 was $nil and the net book value of its investment in AltaLink was $1.2 billion, as explained in section 7.4.

7.4.2 – EBIT OF THE ICI SEGMENT

(IN MILLIONS OF CA$)	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
		2014		2013(1)		**2014**		2013(1)
Revenues from ICI	**$**	**243.3**	$	179.7	**$**	**703.4**	$	508.0
EBIT:								
From Highway 407	**$**	**29.4**	$	33.5	**$**	**88.1**	$	72.1
From AltaLink		**130.2**		58.3		**312.1**		157.9
From other ICI (2)		**2.7**		2.1		**29.4**		40.4
Segment EBIT from ICI	**$**	**162.2**	$	94.0	**$**	**429.5**	$	270.5

(1) Comparative figures have been restated to reflect changes made to segment reporting structure and measure of profit and loss for the Company's reportable segments.
(2) EBIT from other ICI is net of divisional and allocated corporate selling, general and administrative expenses, as well as from selling, general and administrative expenses from all other ICI accounted for by the full consolidation method.

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

The ICI segment EBIT amounted to $162.2 million in the third quarter of 2014, compared to $94.0 million for the same period last year, mainly due to a higher contribution from AltaLink, and the Company ceasing to depreciate and amortize AHLP's non-current assets starting May 1st, 2014, resulting from the classification of AHLP's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date.

The ICI segment EBIT increased to $429.5 million for the first nine months of 2014, compared to $270.5 million for the corresponding period of 2013, mainly due to a higher contribution from AltaLink, and the Company ceasing to depreciate and amortize AHLP's non-current assets starting May 1st, 2014, as explained above, as well as higher dividends received from Highway 407, partially offset by a lower contribution from SKH. The contribution from SKH was lower in the first nine months of 2014, compared to the first nine months of 2013, as the latter included the positive impact of the resolution of uncertainties on the collection of past dividends during that period.

8 – LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

8.1 – CASH NET OF RECOURSE DEBT (NET RECOURSE DEBT)

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

(IN MILLIONS OF CA$)		**September 30 2014**		December 31 2013
Cash and cash equivalents	**$**	**1,143.6**	$	1,108.7
Less:				
Cash and cash equivalents of ICI accounted for by the full consolidation method		**11.7**		17.8
Recourse debt:				
Acquisition Facility		**2,538.6**		-
Facility		**67.4**		-
Debentures		**348.9**		348.7
Cash net of recourse debt (net recourse debt)	**$**	**(1,822.9)**	$	742.2

The net recourse debt at September 30, 2014 was $1,822.9 million, compared to cash net of recourse debt of $742.2 million at December 31, 2013, mainly due to additional financing for the acquisition of Kentz.

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

8.2 – CASH FLOW ANALYSIS

NINE MONTHS ENDED SEPTEMBER 30 (IN MILLIONS OF CA$)		**2014**		2013
Cash flows generated from (used for):				
Operating activities	**$**	**(171.4)**	$	(16.0)
Investing activities		**(3,254.4)**		(1,060.2)
Financing activities		**3,471.2**		699.3
Increase (decrease) in exchange differences on translating cash and cash equivalents		**1.2**		(0.3)
Net increase (decrease) in cash and cash equivalents		**46.5**		(377.2)
Cash and cash equivalents at beginning of period		**1,108.7**		1,174.9
Cash and cash equivalents at end of period	**$**	**1,155.2**	$	797.7
Less: Cash and cash equivalents included in the disposal group classified as held for sale		**(11.6)**		–
Cash and cash equivalents at end of period as presented on the consolidated statement of financial position	**$**	**1,143.6**	$	797.7

Cash and cash equivalents were $1,155.2 million at September 30, 2014, compared to $797.7 million at September 30, 2013, as discussed further below.

8.2.1 – CASH FLOWS RELATED TO OPERATING ACTIVITIES

Cash used for operating activities was $171.4 million for the first nine months of 2014, compared to $16.0 million for the corresponding period of 2013. The major elements impacting operating activities were as follows:

> Net cash generated from operating activities before net change in non-cash working capital items, totalled $307.2 million in the first nine months of 2014, compared to $140.3 million in the corresponding period of 2013, mainly reflecting a net income of $196.5 million in the first nine months of 2014, compared to a net loss of $56.2 million in the first nine months of 2013;

> Cash used from the net change in non-cash working capital items totalled $478.6 million in the first nine months of 2014, compared to $156.3 million in the corresponding period of 2013, reflecting working capital requirements on certain major projects.

8.2.2 – CASH FLOWS RELATED TO INVESTING ACTIVITIES

Cash used for investing activities was $3,254.4 million for the first nine months of 2014, compared to $1,060.2 million for the corresponding period of 2013. The major investing activities were as follows:

> Net cash used for the acquisition of Kentz amounted to $1,763.0 million in the first nine months of 2014, as described in Note 15 to the unaudited interim condensed consolidated financial statements for the third quarter of 2014. The difference between the purchase price of $2,073.6 million and the net cash used for the acquisition of Kentz represents cash and cash equivalents held by Kentz at the date of acquisition;

> Net cash inflow on disposal of an ICI of $72.8 million, resulting from the sale of the Company's 100% ownership interest in Ovation as described in Note 4A to the unaudited interim condensed consolidated financial statements for the third quarter of 2014;

> The acquisition of property and equipment from ICI used a total cash outflow of $1,156.4 million in the first nine months of 2014, compared to $887.1 million for the corresponding period of 2013, both due to AltaLink, mainly relating to capital expenditures to reinforce and expand the transmission system;

> The acquisition of property and equipment from E&C activities amounted to a total cash outflow of $39.5 million in the first nine months of 2014, compared to $32.9 million for the corresponding period of 2013;

> Payments for ICI amounted to $124.0 million in the first nine months of 2014, reflecting payments for Groupe immobilier santé McGill and Ambatovy Nickel Project, compared to $33.9 million in the corresponding period of 2013, which primarily reflected payments for Ambatovy Nickel Project and Chinook Roads Partnership;

> Costs net of recovery of $34.7 million associated to a foreign exchange hedge in the first nine months of 2014, as described in Note 15 to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2014, compared to $nil for the corresponding period of 2013;

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

8.2.3 – CASH FLOWS RELATED TO FINANCING ACTIVITIES

Cash generated from financing activities was $3,471.2 million in the first nine months of 2014, compared to $699.3 million for the corresponding period of 2013. The major financing activities were as follows:

> An increase of $2,630.0 million in recourse debt, related to the acquisition of Kentz, to finance the purchase price of the Acquisition, as described in section 8.3, as well as for repayment of $482.4 million of recourse debt of Kentz;

> The increase in non-recourse debt from ICI amounted to $1,406.3 million in the first nine months of 2014, primarily relating to AltaLink Holdings, L.P. and other related holding entities as well as to InPower BC General Partnership, compared to $1,095.0 million for the corresponding period of 2013, which primarily related to AltaLink and Rainbow Hospital Partnership. The repayment of non-recourse debt from ICI amounted to $153.3 million in the first nine months of 2014, compared to $403.9 million for the corresponding period of 2013, primarily relating to AltaLink. The net increase from AltaLink included $193.8 million from a

$350.0 million credit facility used to finance equity injections in AltaLink, L.P. of which $11.9 million was held in cash and cash equivalents at September 30, 2014;

> An increase in advances under contract financing arrangements of $173.9 million in the first nine months of 2014, compared to $100.7 million in the corresponding period of 2013;

> The issuance of shares pursuant to the exercise of stock options generated $26.8 million of cash in the first nine months of 2014 (655,835 stock options at an average price of $40.93), compared to $20.2 million in the first nine months of 2013 (547,881 stock options at an average price of $36.90). As at October 27, 2014, there were 3,288,369 stock options outstanding. At that same date, there were 152,462,518 common shares issued and outstanding;

> During the first nine months of 2014 and 2013, the Company paid dividends totalling $109.6 million and $104.5 million, respectively.

8.3 – RECOURSE DEBT

To finance the acquisition of Kentz, the Company 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:

(IN MILLIONS OF CA$)	**September 30 2014**	December 31 2013
Acquisition Facility	**$ 2,550.0**	$ -
Facility	**80.0**	-
Total	**2,630.0**	-
Net unamortized deferred financing costs	**(24.0)**	-
Recourse short-term debt	**$ 2,606.0**	$ -

The use of funds from these facilities is summarized in the table below:

NINE MONTHS ENDED SEPTEMBER 30 (IN MILLIONS OF CA$)	
Increase in recourse short-term debt	**$ 2,630.0**
Main use of funds from recourse short-term debt:	
Purchase price of Kentz	**$ (2,073.6)**
Repayment of a portion of recourse debt of Kentz	**(482.4)**
Acquisition-related costs	**(52.8)**
Excess of financing over main use of funds listed above	**$ 21.2**

As discussed above, upon closing of the sale of AltaLink, a mandatory prepayment will be made on the outstanding balance of the Acquisition Facility. Assuming the transaction closes in the fourth quarter of 2014, the Company expects that an estimated $2.9 billion, representing proceeds from the sale of AltaLink, net of related income taxes payable and transaction costs, will be used for i) repayment of the $2.6 billion outstanding balance of the Acquisition Facility; and ii) repayment of the $350 million non-recourse debt related to the financing of the Company's equity contributions in AHLP.

8.4 – DIVIDENDS DECLARED

On March 6, 2014, May 8, 2014, August 8, 2014 and November 6, 2014 the Board of Directors declared a quarterly cash dividend of $0.24 per share, payable April 3, 2014, June 5, 2014, September 5, 2014 and December 4, 2014, respectively, representing an increase of 4.3% compared to the corresponding quarterly dividends paid in 2013 of $0.23 per share.

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

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

ROASE was 13.4% for the 12-month period ended September 30, 2014, compared to 1.7% for the same period last year.

8.6 – FINANCIAL INSTRUMENTS

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 29 to the Company's 2013 annual audited consolidated financial statements and in Note 14 to its unaudited interim condensed consolidated financial statements for the third quarter of 2014. In the first nine months of 2014, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments except for entering into a foreign exchange hedge for the foreign exchange exposure of the Acquisition, as described in Note 15 to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2014. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

9 – RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its ICI. Investments in which SNC-Lavalin has significant influence or joint control, which are accounted for by the equity method, are considered related parties.

Consistent with IFRS, intragroup profits generated from revenues with ICI accounted for by the equity or full consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the ICI. Profits generated from transactions with ICI accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink	Full consolidation method / 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 1st, 2014, AltaLink was classified as an ICI accounted for by the full consolidation method. From May 1st, 2014, AltaLink is presented as a disposal group classified as held for sale (see Note 4A to the unaudited interim condensed consolidated financial statements for the third quarter of 2014).

(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 to the unaudited interim condensed consolidated financial statements for the third quarter of 2014).

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.

10 – ACCOUNTING POLICIES AND CHANGES

The Company established its accounting policies and methods used in the preparation of its unaudited interim condensed consolidated financial statements for the third quarter of 2014 in accordance with IAS 34, *Interim Financial Reporting*. See Note 2 to the Company's 2013 annual audited consolidated financial statements for more information about the significant accounting policies used to prepare the financial statements, as they remain unchanged for the third quarter of 2014, except for accounting policies affected by the interpretation and amendments adopted in 2014, as described in section 10.1 below. Furthermore, as described in Note 2C to the Company's unaudited interim condensed consolidated financial statements, in the first quarter of 2014, the Company revised its reportable segments to reflect the changes made to its internal reporting structure and changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by segment EBIT as detailed in sections 4 and 7.

The key judgments, assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements and notes, were disclosed in the Company's 2013 annual audited consolidated financial statements and remain unchanged for the third quarter of 2014, except for judgments, assumptions and estimates relating to the acquisition of Kentz by the Company in the three-month period ended September 30, 2014, as indicated in Note 15 to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2014.

10.1 – INTERPRETATION AND AMENDMENTS ADOPTED IN 2014

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

> IFRIC Interpretation 21, *Levies*, ("IFRIC 21") considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements.

> *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36, *Impairment of Assets*) address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

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

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.

10.2 – 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.

> 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.

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.

11 – RISKS AND UNCERTAINTIES

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

Addition of new risk factors:

The Company may be unable to successfully integrate the businesses of SNC-Lavalin and Kentz and realize the anticipated benefits of the Acquisition.

The integration of the businesses of SNC-Lavalin and Kentz will require the dedication of substantial effort, time and resources on the part of management which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that management will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Acquisition. The extent to which synergies are realized and the timing of such cannot be assured. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits of the Company. Any inability of management to successfully integrate the operations of SNC-Lavalin and Kentz, including, but not limited to, information technologies and financial reporting systems, could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company's indebtedness following completion of the Acquisition is substantial. This indebtedness could have adverse consequences for the Company, including reducing funds available for other business purposes.

The Company's degree of leverage as a result of the financing required to complete the Acquisition could have adverse consequences for the Company. While the Company expects to make a mandatory prepayment on the outstanding balance of borrowings under the Acquisition Facility upon the receipt of net proceeds of the previously announced AltaLink sale, the AltaLink sale closing is subject to the receipt of required regulatory approvals and the satisfaction of certain closing conditions. There is no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The adverse consequences of this level of indebtedness may include: limiting SNC-Lavalin's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; restricting the Company's flexibility and discretion to operate its business; limiting the ability to declare dividends; having to dedicate a portion of cash flows from operations to the payment of interest on its existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; placing the Company at a competitive disadvantage compared to its competitors that have less indebtedness; making the Company more vulnerable in a downturn in general economic conditions; and making the Company unable to make expenditures that are important to its growth and strategic plan.

In addition, the instruments governing the Company's debt contain financial and other restrictive covenants, which limit operating flexibility and could prevent the Company from taking advantage of business opportunities. Failure to comply with these covenants may result in an event of default. If such event of default is not cured or waived, the Company may suffer adverse effects on its business, results of operations or financial condition, including acceleration of its debt repayment.

Revision to existing risk factors:

The following paragraph replaces the paragraph entitled "Other Investigations" contained in the risk "The Company is subject to ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant, which, in turn, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business" described in the Company's 2013 Financial Report under "Management's Discussion and Analysis":

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 following paragraph was added to the risk "The outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation" described in the Company's 2013 Financial Report under "Management's Discussion and Analysis":

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.

12 – QUARTERLY INFORMATION AND RESTATED 2013 QUARTERLY SEGMENTED INFORMATION

12.1 – QUARTERLY INFORMATION

(IN MILLIONS OF CA$, EXCEPT EARNINGS (LOSS) PER SHARE AND DIVIDENDS PER SHARE)	2014			2013				2012
	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER
Revenues	**$ 2,004.1**	$ 1,696.5	$ 1,720.1	$ 2,124.3	$ 1,945.2	$ 1,943.4	$ 1,900.3	$ 2,421.5
EBIT	**$ 168.0**	$ 113.7	$ 168.9	$ 190.0	$ (63.7)	$ 3.1	$ 99.4	$ 138.6
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ (20.0)**	$ (46.9)	$ 30.8	$ (31.3)	$ (128.4)	$ (104.7)	$ 18.6	$ 23.4
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:								
From Highway 407	**29.4**	29.4	29.4	41.9	33.5	21.8	16.8	56.6
From AltaLink	**58.9**	44.7	23.2	39.3	21.3	17.5	13.7	16.7
From other ICI	**0.7**	4.9	11.2	42.6	0.8	27.7	4.6	(2.9)
Net income (loss) attributable to SNC-Lavalin shareholders	**69.0**	32.1	94.6	92.5	(72.7)	(37.7)	53.6	93.8
Net income attributable to non-controlling interests	**0.7**	0.1	0.1	0.1	0.3	0.2	0.1	0.1
Net income (loss)	**$ 69.7**	$ 32.1	$ 94.7	$ 92.6	$ (72.5)	$ (37.5)	$ 53.7	$ 93.9
Basic earnings (loss) per share ($)	**$ 0.45**	$ 0.21	$ 0.62	$ 0.61	$ (0.48)	$ (0.25)	$ 0.35	$ 0.62
Diluted earnings (loss) per share ($)	**$ 0.45**	$ 0.21	$ 0.62	$ 0.61	$ (0.48)	$ (0.25)	$ 0.35	$ 0.62
Dividends declared per share ($)	**$ 0.24**	$ 0.24	$ 0.24	$ 0.24	$ 0.23	$ 0.23	$ 0.23	$ 0.23

12.2 – RESTATED 2013 QUARTERLY SEGMENTED INFORMATION

As disclosed in section 7, the Company revised its reportable segments to reflect the changes made to its internal reporting structure and changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by segment EBIT. The tables below summarize the restated quarterly revenues, EBIT and revenue backlog by segment for the year ended December 31, 2013.

2013 Restated Segment Revenues by Quarter

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

2013 Restated Segment EBIT by Quarter

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

2013 Restated Revenue Backlog by Quarter

AT SEPTEMBER 30
(IN MILLIONS OF CA$)

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

AT JUNE 30
(IN MILLIONS OF CA$)

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

AT MARCH 31
(IN MILLIONS OF CA$)

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

13 – CONTROLS AND PROCEDURES

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

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

> Material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and

> Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2014 and ended on September 30, 2014, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, other than changes resulting from the acquisition of Kentz described below.

The Company completed its Acquisition on August 22, 2014. As a result, management's assessment and conclusion on the design of disclosure controls and procedures, and internal control over financial reporting, excludes the controls, policies and procedures of Kentz. Kentz represents 17.1% of revenues, 27.0% of net income attributable to SNC-Lavalin shareholders and 21.7% of total assets of the consolidated figures reported in the unaudited interim condensed consolidated financial statements for the third quarter of 2014. Note 15 to the unaudited interim condensed consolidated financial statements for the third quarter of 2014 presents summary financial information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about the Acquisition and Kentz's business impact on the consolidated results of the Company.

14 – EVENTS AFTER THE REPORTING PERIOD

14.1 – 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.

14.2 – 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.