SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	**December 31 2014**	December 31 2013
ASSETS			
Current assets			
Cash and cash equivalents		**$ 1,702,205**	$ 1,108,694
Restricted cash		**27,503**	54,616
Trade receivables		**1,254,360**	1,106,360
Contracts in progress		**836,593**	646,019
Inventories		**111,374**	–
Other current financial assets		**844,727**	760,813
Other current assets		**274,130**	239,263
Total current assets		**5,050,892**	3,915,765
Property and equipment:			
From E&C		**$ 246,098**	180,368
From ICI		**–**	5,132,027
ICI accounted for by the equity method	4	**362,336**	448,677
ICI accounted for by the cost method	4	**440,809**	426,868
Goodwill	5	**2,706,068**	576,929
Intangible assets related to Kentz acquisition	15	**301,071**	–
Deferred income tax asset		**395,987**	254,421
Non-current portion of receivables under service concession arrangements		**250,769**	300,758
Non-current financial assets		**157,463**	201,276
Other non-current assets		**99,848**	335,536
Total assets		**$ 10,011,341**	$ 11,772,625
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,372,489**	$ 2,145,755
Downpayments on contracts		**249,521**	226,028
Deferred revenues		**1,149,653**	981,584
Other current financial liabilities		**354,492**	411,228
Other current liabilities		**485,429**	153,894
Advances under contract financing arrangements		**319,321**	87,188
Current portion of provisions		**256,392**	159,661
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI		**7,750**	277,392
Total current liabilities		**5,195,047**	4,442,730
Long-term debt:			
Recourse		**348,932**	348,733
Non-recourse from ICI		**530,684**	3,536,912
Other non-current financial liabilities		**9,457**	125,044
Non-current portion of provisions		**341,268**	257,271
Other non-current liabilities		**3,702**	737,767
Deferred income tax liability		**265,541**	283,925
Total liabilities		**6,694,631**	9,732,382
Equity			
Share capital		**531,460**	497,130
Retained earnings		**2,785,067**	1,610,503
Other components of equity	11	**(10,897)**	(70,975)
Equity attributable to SNC-Lavalin shareholders		**3,305,630**	2,036,658
Non-controlling interests		**11,080**	3,585
Total equity		**3,316,710**	2,040,243
Total liabilities and equity		**$ 10,011,341**	$ 11,772,625

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

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

	2014						
	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)	Total	Non-controlling interests	Total equity
Balance at beginning of the year	**151,807**	**$ 497,130**	**$ 1,610,503**	**$ (70,975)**	**$ 2,036,658**	**$ 3,585**	**$ 2,040,243**
Net income	**–**	**–**	**1,333,344**	**–**	**1,333,344**	**1,243**	**1,334,587**
Other comprehensive income (loss)	**–**	**–**	**(8,752)**	**60,078**	**51,326**	**–**	**51,326**
Total comprehensive income	**–**	**–**	**1,324,592**	**60,078**	**1,384,670**	**1,243**	**1,385,913**
Dividends declared (Note 10)	**–**	**–**	**(146,182)**	**–**	**(146,182)**	**–**	**(146,182)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(375)**	**(375)**
Stock option compensation (Note 8A)	**–**	**–**	**3,567**	**–**	**3,567**	**–**	**3,567**
Shares issued under stock option plans	**658**	**34,330**	**(7,413)**	**–**	**26,917**	**–**	**26,917**
Additional non-controlling interests arising on acquisition of Kentz (Note 15)	**–**	**–**	**–**	**–**	**–**	**6,627**	**6,627**
Balance at end of the year	**152,465**	**$ 531,460**	**$ 2,785,067**	**$ (10,897)**	**$ 3,305,630**	**$ 11,080**	**$ 3,316,710**

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

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	**2014**	2013	**2014**	2013
Revenues by activity:					
Services		**$ 1,030,393**	$ 697,056	**$ 2,815,785**	$ 2,697,611
Packages		**1,244,289**	833,187	**3,205,472**	3,113,381
O&M		**342,636**	338,244	**1,313,419**	1,338,318
ICI accounted for by the full consolidation or cost methods		**157,737**	194,421	**732,640**	579,918
ICI accounted for by the equity method		**42,964**	61,433	**171,446**	183,930
		2,818,019	2,124,341	**8,238,762**	7,913,158
Direct cost of activities		**2,602,985**	1,727,056	**6,897,933**	6,797,331
Gross margin		**215,034**	397,285	**1,340,829**	1,115,827
Selling, general and administrative expenses		**242,048**	225,111	**841,415**	836,588
Restructuring costs and goodwill impairment	6A	**94,025**	55,215	**109,859**	123,464
Impairment of investments	6B	**28,461**	–	**28,461**	–
Acquisition-related costs and integration costs	15	**6,693**	–	**62,543**	–
Amortization of intangible assets related to Kentz acquisition [(1)]	15	**24,173**	–	**36,472**	–
Gain on disposals of ICI before taxes	4A	**(1,619,490)**	(72,996)	**(1,615,358)**	(72,996)
EBIT [(2)]		**1,439,124**	189,955	**1,877,437**	228,771
Financial expenses	7	**40,804**	43,494	**242,596**	163,548
Financial income	7	**(8,700)**	(2,977)	**(22,788)**	(12,869)
Earnings before income taxes		**1,407,020**	149,438	**1,657,629**	78,092
Income taxes		**260,043**	56,808	**323,042**	41,708
Net income		**$ 1,146,977**	$ 92,630	**$ 1,334,587**	$ 36,384
Net income attributable to:					
SNC-Lavalin shareholders		**$ 1,146,645**	$ 92,537	**$ 1,333,344**	$ 35,768
Non-controlling interests		**332**	93	**1,243**	616
Net income		**$ 1,146,977**	$ 92,630	**$ 1,334,587**	$ 36,384
Earnings per share (in $)					
Basic		**$ 7.52**	$ 0.61	**$ 8.76**	$ 0.24
Diluted		**$ 7.51**	$ 0.61	**$ 8.74**	$ 0.24
Weighted average number of outstanding shares (in thousands)	9				
Basic		**152,463**	151,721	**152,218**	151,497
Diluted		**152,629**	152,021	**152,605**	151,814

(1) See Note 2E for explanations relating to restrospective restatement.

(2) Earnings before interest and taxes ("EBIT")

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS)	**2014**			2013		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period [(1)]	**$ 1,146,645**	**$ 332**	**$ 1,146,977**	$ 92,537	$ 93	$ 92,630
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	**60,426**	**–**	**60,426**	3,463	–	3,463
Available-for-sale financial assets (Note 11)	**(1,395)**	**–**	**(1,395)**	621	–	621
Cash flow hedges (Note 11)	**15,152**	**–**	**15,152**	(4,510)	–	(4,510)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 11)	**(1,357)**	**–**	**(1,357)**	33,453	–	33,453
Income taxes (Note 11)	**(2,357)**	**–**	**(2,357)**	(11,532)	–	(11,532)
Total of items that will be reclassified subsequently to net income	**70,469**	**–**	**70,469**	21,495	–	21,495
Defined benefit pension plans and other post-employment benefits (Note 11)	**7,885**	**–**	**7,885**	(5,233)	–	(5,233)
Income taxes (Note 11)	**(2,675)**	**–**	**(2,675)**	1,485	–	1,485
Total of items that will not be reclassified subsequently to net income	**5,210**	**–**	**5,210**	(3,748)	–	(3,748)
Total other comprehensive income for the period	**75,679**	**–**	**75,679**	17,747	–	17,747
Total comprehensive income for the period	**$ 1,222,324**	**$ 332**	**$ 1,222,656**	$ 110,284	$ 93	$ 110,377

YEAR ENDED DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS)	**2014**			2013		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income	**$ 1,333,344**	**$ 1,243**	**$ 1,334,587**	$ 35,768	$ 616	$ 36,384
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	**66,911**	**–**	**66,911**	912	–	912
Available-for-sale financial assets (Note 11)	**(3,722)**	**–**	**(3,722)**	(151)	–	(151)
Cash flow hedges (Note 11)	**7,965**	**–**	**7,965**	(5,032)	–	(5,032)
Share of other comprehensive income (loss) of investments accounted for		**–**				
by the equity method (Note 11)	**(15,643)**	**–**	**(15,643)**	53,339	–	53,339
Income taxes (Note 11)	**4,567**	**–**	**4,567**	(17,357)	–	(17,357)
Total of items that will be reclassified subsequently to net income	**60,078**	**–**	**60,078**	31,711	–	31,711
Defined benefit pension plans and other post-employment benefits (Note 11)	**(8,801)**	**–**	**(8,801)**	(2,241)	–	(2,241)
Income taxes (Note 11)	**49**	**–**	**49**	663	–	663
Total of items that will not be reclassified subsequently to net income	**(8,752)**	**–**	**(8,752)**	(1,578)	–	(1,578)
Total other comprehensive income	**51,326**	**–**	**51,326**	30,133	–	30,133
Total comprehensive income	**$ 1,384,670**	**$ 1,243**	**$ 1,385,913**	$ 65,901	$ 616	$ 66,517

(1) See Note 2E for explanations relating to restrospective restatement.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	**2014**	2013 [1]	**2014**	2013 [1]
Operating activities					
Net income for the period		**$ 1,146,977**	$ 92,630	**$ 1,334,587**	$ 36,384
Adjustments to reconcile net income to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other non-current assets:					
From E&C [2]		**49,450**	19,707	**113,722**	67,879
From ICI		**–**	42,993	**53,513**	133,074
Income taxes recognized in net income		**260,043**	56,808	**323,042**	41,708
Income taxes paid		**(69,870)**	(15,936)	**(133,768)**	(73,007)
Net financial expenses recognized in net income	7	**32,104**	40,517	**219,808**	150,679
Interest paid:					
From E&C		**(16,299)**	(1,323)	**(48,310)**	(24,337)
From ICI		**(32,823)**	(42,406)	**(172,873)**	(116,436)
Expense (recovery) recognized in respect of stock options	8A	**(345)**	75	**3,567**	8,260
Expense (recovery) recognized in respect of cash-settled share-based payment arrangements	8B	**(3,780)**	(1,640)	**13,550**	7,081
Income from ICI accounted for by the equity method		**(42,964)**	(61,433)	**(171,446)**	(183,930)
Dividends and distributions received from ICI accounted for by the equity method		**37,011**	42,714	**158,675**	158,870
Goodwill impairment	6A	**–**	8,000	**–**	56,500
Net change in provisions related to forecasted losses on certain contracts		**23,827**	(10,651)	**(21,907)**	29,600
Gain on disposals of ICI before taxes	4A	**(1,619,490)**	(72,996)	**(1,615,358)**	(72,996)
Remeasurement of a foreign exchange hedge	15	**–**	–	**34,697**	–
Impairment of investments	6B	**28,461**	–	**28,461**	–
Other		**66,662**	(33,898)	**46,222**	(15,856)
		(141,036)	63,161	**166,182**	203,473
Net change in non-cash working capital items	12	**576,569**	286,054	**97,961**	129,720
Net cash generated from operating activities		**435,533**	349,215	**264,143**	333,193
Investing activities					
Acquisition of property and equipment:					
From E&C		**(30,646)**	(22,600)	**(70,166)**	(55,520)
From ICI		**(365,920)**	(658,808)	**(1,522,364)**	(1,545,946)
Payments for ICI		**(9,154)**	(9,723)	**(133,135)**	(43,632)
Costs associated to a foreign exchange hedge	15	**–**	–	**(50,000)**	–
Recovery associated to a foreign exchange hedge	15	**–**	–	**15,303**	–
Acquisition of businesses	15	**–**	(372)	**(1,762,991)**	(1,925)
Change in restricted cash position	2B	**(5,791)**	(7,665)	**8,565**	(22,192)
Increase in receivables under service concession arrangements		**(56,762)**	(25,302)	**(147,388)**	(63,194)
Recovery of receivables under service concession arrangements		**86,870**	5,353	**141,212**	12,845
Increase in short-term and long-term investments		**(71,131)**	(47,546)	**(331,623)**	(114,157)
Decrease in short-term and long-term investments		**91,928**	73,120	**159,290**	85,294
Net cash inflow on disposals of ICI accounted for by the full consolidation method	4A	**3,075,649**	–	**3,148,415**	–
Net cash inflow on disposals of ICI accounted for by the equity method	4A	**104,898**	86,349	**104,898**	86,349
Payments for disposition-related costs on disposals of ICI	4A	**(60,287)**	–	**(60,287)**	–
Other		**(4,253)**	(3,520)	**1,226**	(8,844)
Net cash generated from (used for) investing activities		**2,755,401**	(610,714)	**(499,045)**	(1,670,922)
Financing activities					
Increase in recourse debt	15	**–**	–	**2,630,000**	–
Repayment of recourse debt	15	**(2,630,000)**	–	**(2,630,000)**	–
Increase in non-recourse debt from ICI		**251,527**	649,759	**1,657,827**	1,744,756
Repayment of recourse debt of Kentz		**-**	–	**(482,393)**	–
Repayment of non-recourse debt from ICI		**(274,258)**	(6,285)	**(427,519)**	(410,187)
Increase in advances under contract financing arrangements		**56,207**	58,727	**230,093**	159,463
Repayment of advances under contract financing arrangements		**–**	(103,305)	**–**	(117,137)
Proceeds from exercise of stock options		**75**	6,265	**26,917**	26,479
Dividends paid to SNC-Lavalin shareholders	10	**(36,591)**	(34,901)	**(146,182)**	(139,415)
Other		**(21,576)**	(22)	**(42,160)**	5,589
Net cash generated from (used for) financing activities		**(2,654,616)**	570,238	**816,583**	1,269,548
Increase from exchange differences on translating cash and cash equivalents		**10,679**	2,241	**11,830**	1,975
Net increase (decrease) in cash and cash equivalents		**546,997**	310,980	**593,511**	(66,206)
Cash and cash equivalents at beginning of period		**1,155,208**	797,714	**1,108,694**	1,174,900
Cash and cash equivalents at end of period		**$ 1,702,205**	$ 1,108,694	**$ 1,702,205**	$ 1,108,694

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

[2] See Note 2E for explanations relating to restrospective restatement.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

The Company provides engineering and construction and operations and maintenance expertise, which together are referred to as "E&C", through its network of offices in over 50 countries, and is currently working on projects around the world. SNC-Lavalin also makes select investments in infrastructure concessions that are complementary to its other activities and referred to as "ICI" in these financial statements.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

The Company's financial statements are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, ("IAS 34").

The IFRS accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2014 were consistently applied to all periods presented, except for the change in an accounting policy, as described in Note 2C.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company's annual audited consolidated financial statements for the year ended December 31, 2014 and remained unchanged for the three-month and twelve-month periods ended December 31, 2014.

The Company's financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for cash-settled share-based payment arrangements, which are measured at fair value; and ii) defined benefit liability, which is measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets. Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

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

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2014 annual audited consolidated financial statements.

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2015.

2. BASIS OF PREPARATION (CONTINUED)

B) CHANGE IN PRESENTATION

In the first quarter of 2014, the Company has made a retrospective change to the presentation of its statement of cash flows and comparative figures were reclassified for the change in restricted cash position, to provide details on this element. Therefore, the amounts of the change in restricted cash position of $7.7 million in the three-month period ended December 31, 2013 and of $22.2 million in the twelve-month period ended December 31, 2013 were reclassified from “Other” to “Change in restricted cash position” included in the investing activities in the statement of cash flows.

C) CHANGE IN AN ACCOUNTING POLICY

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

D) NEW ACCOUNTING POLICIES ADOPTED IN THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2014

Following the acquisition of Kentz Corporation Limited (“Kentz”) by the Company in 2014, as detailed in Note 15, the Company adopted two new accounting policies applicable to: i) the inventories of Kentz; and ii) the intangible assets related to Kentz acquisition.

E) RETROSPECTIVE RESTATEMENT OF FIGURES FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

In the fourth quarter of 2014, the Company has made a retrospective restatement to its income statement to reflect an increase of $12.3 million in the amortization of intangible assets related to Kentz acquisition for the nine-month period ended September 30, 2014 following the revised allocation of the purchase price of Kentz Corporation Limited, as detailed in Note 15.

F) INTERPRETATION AND AMENDMENTS ADOPTED IN THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 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 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.

G) STANDARDS AND AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments to the standards have been issued by the International Accounting Standards Board (“IASB”) and are applicable to the Company for its annual periods beginning on January 1, 2015 and thereafter, with an earlier application permitted:

- *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19, *Employee Benefits*) apply to contributions from employees or third parties to defined benefit plans, which objective is to simplify the accounting for contributions that are independent of the number of years of employee service.

2. BASIS OF PREPARATION (CONTINUED)

- Annual improvements to IFRS (2010-2012 Cycle), which include among others:
  - Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
  - Amendments to IFRS 13, *Fair Value Measurement*, 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 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.
- *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.
- Annual Improvements to IFRS (2012-2014 Cycle):
  - Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
  - Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.
  - Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
  - Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

3. SEGMENT DISCLOSURES

In the year ended December 31, 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. These sub-segments qualify as operating segments and they have been aggregated. These sub-segments have similar economic characteristics, and are similar in each of the following respects: the nature of the services, the methods used to deliver them and the employees' technical know-how which can sometimes be transferred from a project to another, and allows them to work in projects in various sub-segments.

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

REW includes the following:

- Mining & Metallurgy which includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers and sulphur product.
- Oil & Gas which includes projects in the upstream, midstream, downstream (and supporting infrastructure) sectors for major oil and gas and resources companies, supporting these clients operating across the asset lifecycle from front end evaluation through decommissioning (capital expenditures and operational expenditures). Consistent with the way the Company's performance is evaluated, the Oil & Gas sub-segment includes all projects of Kentz.
- Environment & Water which includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.

Power includes projects and services in: hydro, nuclear and thermal power generation; renewable power generation; energy from waste; and electrical transmission and distribution systems.

Infrastructure includes the following:

- Infrastructure & Construction which includes projects in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering and materials testing, as well as water infrastructure and treatment facilities.
- Operations & Maintenance which consists of providing operations, maintenance and logistics solutions for buildings, workforce lodges, light rail transit systems, bridges, power plants, oil and gas facilities, ships, highways and airports, spread across approximately 15 million square meters of real estate and 250,000 infrastructure sites.

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

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

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

3. SEGMENT DISCLOSURES (CONTINUED)

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

	FOURTH QUARTER				YEAR ENDED DECEMBER 31			
	2014		2013 [1]		2014		2013 [1]	
	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT
Resources, Environment and Water								
Mining & Metallurgy	**$ 261,285**	**$ (34,993)**	$ 317,882	$ 21,113	**$ 971,781**	**$ (4,681)**	$ 1,619,764	$ 65,926
Oil & Gas [3], [6]	**1,049,437**	**(24,209)**	184,622	19,730	**1,730,075**	**(17,756)**	555,798	(55,629)
Environment & Water	**44,010**	**(15,533)**	36,996	(7,721)	**135,692**	**(29,222)**	144,713	(10,473)
	1,354,732	**(74,735)**	539,500	33,122	**2,837,548**	**(51,659)**	2,320,275	(176)
Power	**476,164**	**5,760**	428,436	24,632	**1,350,312**	**54,773**	1,570,268	97,691
Infrastructure								
Infrastructure & Construction [4]	**443,788**	**(102,814)**	562,307	(48,607)	**1,833,399**	**(119,174)**	1,920,449	(276,661)
Operations & Maintenance	**342,635**	**3,906**	338,244	21,634	**1,313,418**	**40,381**	1,338,318	45,869
	786,423	**(98,908)**	900,551	(26,973)	**3,146,817**	**(78,793)**	3,258,767	(230,792)
ICI [6]	**200,700**	**1,730,947**	255,854	214,256	**904,085**	**2,160,489**	763,848	484,743
	$ 2,818,019	**1,563,064**	$ 2,124,341	245,037	**$ 8,238,762**	**2,084,810**	$ 7,913,158	351,466
Reversal of non-controlling interests before income taxes included above		**951**		133		**1,501**		769
Restructuring costs and goodwill impairment (Note 6A) [5]		**(94,025)**		(55,215)		**(109,859)**		(123,464)
Amortization of intangible assets related to Kentz acquisition (Note 15) [2]		**(24,173)**		–		**(36,472)**		–
Acquisition costs and integration costs (Note 15)		**(6,693)**		–		**(62,543)**		–
EBIT		**1,439,124**		189,955		**1,877,437**		228,771
Net financial expenses (Note 7)		**32,104**		40,517		**219,808**		150,679
Income before income taxes		**1,407,020**		149,438		**1,657,629**		78,092
Income taxes		**260,043**		56,808		**323,042**		41,708
Net income for the period		**$ 1,146,977**		$ 92,630		**$ 1,334,587**		$ 36,384
Net income attributable to:								
SNC-Lavalin shareholders		**$ 1,146,645**		$ 92,537		**$ 1,333,344**		$ 35,768
Non-controlling interests		**332**		93		**1,243**		616
Net income for the period		**$ 1,146,977**		$ 92,630		**$ 1,334,587**		$ 36,384

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

(2) See Note 2E for explanations relating to restrospective restatement.

(3) In 2013, the negative sub-segment EBIT of $55.6 million resulted mainly from an unfavourable cost reforecast and from a non-cash loss of $70.1 million relating to a confirmation of claim received alleging late penalties, both for a legacy fixed-price project in Algeria.

(4) In 2014, the negative sub-segment EBIT of $119.2 million was mainly due to legacy fixed-price contracts negatively impacting gross margin by a net amount of $112.4 million, mainly due to an additional loss and unfavourable cost reforecasts on certain major hospital projects. Further explaining the negative sub-segment EBIT in 2014 were additional costs on a mass transit project in Canada in the fourth quarter of 2014. In 2013, the negative sub-segment EBIT of $276.7 million was mainly due to: i) unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, ii) a risk provision for $47.0 million recorded by the Company following an unexpected attempt to draw this amount under letters of credit previously issued in favour of a client on a Libyan project, as well as iii) approximately $32 million from additional costs on a major hospital project.

(5) In 2013, goodwill impairment for the "Services and Packages-Europe" and "Services and Packages-Brazil" cash-generating units related to the Infrastructure & Environment, Power, Oil & Gas and Other Industries reportable segments at that time. The EBIT by reportable segment presented above excludes the amount of restructuring costs and goodwill impairment.

(6) In 2014, impairment of investments related to two investments accounted for by the equity method, one in the ICI segment and one in Oil & Gas sub-segment. In 2014, the amount of impairment losses recognized is $19.1 million in the ICI segment and $9.4 million in the Oil & Gas sub-segment (see Note 6B).

3. SEGMENT DISCLOSURES (CONTINUED)

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2014	2013	**2014**	2013
Supplementary information:				
Net loss attributable to SNC-Lavalin shareholders from E&C [1]	**$ (255,569)**	$ (31,297)	**$ (300,515)**	$ (245,783)
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	**34,387**	41,936	**122,452**	114,065
From AltaLink	**48,780**	39,310	**175,552**	91,779
From other ICI:				
From a net gain on disposal of Astoria II (Note 4A)	**–**	36,169	**–**	36,169
From a net loss on disposal of Ovation (Note 4A)	**–**	–	**(3,126)**	–
From a net gain on disposal of Astoria (Note 4A)	**16,664**	–	**16,664**	–
From a net gain on disposal of AltaLink (Note 4A)	**1,320,658**	–	**1,320,658**	–
Excluding the net gains (loss) listed above [2]	**(18,275)**	6,419	**1,659**	39,538
Net income attributable to SNC-Lavalin shareholders for the period	**$ 1,146,645**	$ 92,537	**$ 1,333,344**	$ 35,768

(1) See Note 2E for explanations relating to restrospective restatement.

(2) For the year ended December 31, 2013, uncertainties on dividend collection from one of the Company's ICI accounted for by the equity method were resolved, positively impacting net income from other ICI. In 2014, the impairment loss of $19.1 million recognized in the ICI segment negatively impacted net income from other ICI (see note 6B).

4. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

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

SNC-Lavalin's infrastructure concession investments are accounted for as follows:

Accounting method

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

Accounting model

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

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

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

A) ADDITIONS OF ICI AND DECREASES IN OWNERSHIP INTERESTS IN ICI

I) IN THE YEAR ENDED DECEMBER 31, 2014

INPOWER BC GENERAL PARTNERSHIP

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

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

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

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 until 2038.

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

Net loss on disposal of Ovation

YEAR ENDED DECEMBER 31		2014
Consideration received	$	77,600
Net assets disposed of [1]		(76,257)
Cumulative loss on cash flow hedges reclassified from equity on loss of control of Ovation		(5,475)
Loss on disposal of Ovation		**(4,132)**
Income taxes		1,006
Net loss on disposal of Ovation	**$**	**(3,126)**

[1] On September 30, 2014, net assets disposed of mainly included cash and cash equivalents of $2.8 million and receivables under a service concession arrangement of $74.1 million.

Net cash inflow on disposal of Ovation

YEAR ENDED DECEMBER 31		2014
Consideration received in cash	$	77,600
Less: cash and cash equivalents balances disposed of		(2,834)
Net cash flow inflow on disposal of Ovation	**$**	**74,766**

ASTORIA PROJECT PARTNERS LLC ("ASTORIA")

On October 15, 2014, SNC-Lavalin announced that it sold 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. The total cash consideration received amounted to US$93.5 million (CA$104.9 million).

Net gain on disposal of Astoria

YEAR ENDED DECEMBER 31		2014
Consideration received	$	104,898
Carrying amount of the investment on loss of significant influence		(45,659)
Cumulative exchange gain on translating foreign operations reclassified from equity on loss of significant influence		4,557
Disposition-related costs and other		(2,745)
Gain on disposal of Astoria		**61,051**
Income taxes		(44,387)
Net gain on disposal of Astoria	**$**	**16,664**

ALTALINK HOLDINGS, L.P. ("AHLP" OR "ALTALINK")

On December 1, 2014, SNC-Lavalin sold its 100% ownership interest in AHLP, the parent company of AltaLink, L.P., the owner and operator of transmission lines and substations subject to rate regulation in Alberta, to Berkshire Hathaway Energy. The total cash consideration received amounted to $3.1 billion.

Net gain on disposal of AHLP

YEAR ENDED DECEMBER 31		2014
Consideration received	$	3,090,939
Net assets disposed of		(1,418,132)
Cumulative loss on cash flow hedges reclassified from equity on loss of control of AHLP		(3,731)
Disposition-related costs and other		(110,637)
Gain on disposal of AHLP		**1,558,439**
Income taxes		(237,781)
Net gain on disposal of AHLP	**$**	**1,320,658**

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

Net cash inflow on disposal of AHLP

YEAR ENDED DECEMBER 31	2014
Consideration received in cash	$ 3,090,939
Less: cash and cash equivalents balances disposed of	(17,290)
Net cash flow inflow on disposal of AHLP	**$ 3,073,649**

On December 1, 2014, major classes of assets and liabilities of AHLP disposed of were as follows:

	DECEMBER 1 2014
Cash and cash equivalents	$ 17,290
Restricted cash	2,419
Trade receivables, other current financial assets and other current assets	177,375
Property and equipment	6,835,472
Goodwill	203,786
Non-current financial assets	171,834
Other non-current assets	252,195
Assets disposed of	7,660,371
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	688,362
Non-recourse short-term debt and current portion of non-recourse long-term debt	289,127
Non-recourse long-term debt	4,221,770
Other non-current financial liabilities	66,619
Provisions and other non-current liabilities	976,361
Liabilities disposed of	6,242,239
Net assets disposed of	**$ 1,418,132**

Gain on disposals of ICI before taxes

Following the dispositions of Ovation, Astoria and AHLP in the year ended December 31, 2014, the gain on disposals of ICI before taxes presented in the Company’s consolidated income statement is as follows:

YEAR ENDED DECEMBER 31	2014
Loss on disposal of Ovation	$ (4,132)
Gain on disposal of Astoria	61,051
Gain on disposal of AHLP	1,558,439
Gain on disposals of ICI before taxes	**$ 1,615,358**

Net cash inflows on disposals of ICI

Following the dispositions of Ovation, Astoria and AHLP in the year ended December 31, 2014, the net cash inflows on disposals of ICI presented in the Company’s consolidated statement of cash flows are as follows:

YEAR ENDED DECEMBER 31	2014
Net cash inflow on disposal of Ovation	$ 74,766
Net cash inflow on disposal of AHLP	3,073,649
Net cash inflow on disposals of ICI accounted for by the full consolidation method	**$ 3,148,415**
Net cash inflow on disposal of Astoria	$ 104,898
Net cash inflow on disposal of an ICI accounted for by the equity method	**$ 104,898**

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

II) IN THE YEAR ENDED DECEMBER 31, 2013

RIDEAU TRANSIT GROUP PARTNERSHIP

In February 2013, the Company announced that the Rideau Transit Group Partnership, a consortium of which SNC-Lavalin is a partner at 40%, has finalized an agreement with the City of Ottawa to design, build, finance and maintain the Confederation Line, the city's first-ever light rail transit system. The Rideau Transit Group Partnership will be responsible for the construction of 12.5 km of guideway, 10 above-ground stations, three underground stations and a 2.5-km tunnel beneath the downtown core. The consortium will also widen a portion of Highway 417, supply the light rail transit vehicles, build a maintenance and storage facility, and provide ongoing maintenance of the system for a 30-year period. The Company committed to invest in this ICI an amount of $30 million in equity.

SNC-Lavalin's investment in the Rideau Transit Group Partnership is accounted for by the equity method.

ASTORIA PROJECT PARTNER II LLC ("ASTORIA II")

In December 2013, SNC-Lavalin announced that it has reached financial close on the sale of 66% of its ownership interest in Astoria II, the owner of the legal entity that owns and operates the Astoria II power plant in New York City, for an agreed price of US$82.4 million (CA$87.6 million), resulting in net cash proceeds of $86.3 million after certain adjustments. Prior to financial close, SNC-Lavalin had an 18.5% ownership interest in Astoria II. The Company accounts for the remaining ownership interest of 6.2% as an available-for-sale financial asset. This transaction resulted in the recognition of a gain before taxes of $73.0 million (gain net of taxes of $36.2 million) in the consolidated income statement for the three-month period ended December 31, 2013 from the partial disposal of this ICI, including the gain on remeasurement at fair value of the Company's remaining ownership interest upon the loss of significant influence on this ICI.

B) NET BOOK VALUE OF ICI

The Company's consolidated statement of financial position includes the following net assets from its fully consolidated ICI and net book value from its ICI accounted for by the equity and cost methods:

	DECEMBER 31 2014	DECEMBER 31 2013
Net assets from ICI accounted for by the full consolidation method [1]	**$ 9,658**	$ 1,132,350
Net book value of ICI accounted for by the equity method [2]	**362,336**	448,677
Net book value of ICI accounted for by the cost method	**440,809**	426,868
Total net book value of ICI	**$ 812,803**	$ 2,007,895

(1) As at December 31, 2014, the net assets related to AltaLink totalled $nil (2013: $1,019.5 million).

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

5. GOODWILL

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

YEAR ENDED DECEMBER 31		2014
Balance at January 1, 2014	$	576,929
Goodwill arising from the acquisition of Kentz completed in the year (Note 15)		2,206,856
Goodwill derecognized on disposal of AltaLink (Note 4A)		(203,786)
Net foreign currency exchange differences		126,069
Balance at December 31, 2014	**$**	**2,706,068**

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

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

CGU OR GROUP OF CGU		DECEMBER 31 2014		DECEMBER 31 2013
AltaLink	**$**	**–**	$	203,786
REW		**130,585**		–
Power		**67,424**		–
Infrastructure		**172,537**		–
Kentz [(1)]		**2,335,522**		–
Services and Packages - Europe		**–**		94,732
Services and Packages - Brazil		**–**		55,740
Services and Packages - Other		**–**		197,586
O&M		**–**		25,085
	$	**2,706,068**	$	576,929

(1) The goodwill acquired by SNC-Lavalin related to its acquisition of Kentz (see Note 15) of $2,335.5 million has not been allocated to a CGU due to the fact that the purchase price allocation was still preliminary as at December 31, 2014.

6. RESTRUCTURING COSTS, GOODWILL IMPAIRMENT AND IMPAIRMENT OF INVESTMENTS

	FOURTH QUARTER				YEAR ENDED DECEMBER 31			
		2014		2013		**2014**		2013
Restructuring costs	**$**	**94,025**	$	47,215	**$**	**109,859**	$	66,964
Goodwill impairment		**–**		8,000		**–**		56,500
Restructuring costs and goodwill impairment	**$**	**94,025**	$	55,215	**$**	**109,859**	$	123,464
Impairment of investments	**$**	**28,461**	$	–	**$**	**28,461**	$	–

A) RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

RESTRUCTURING COSTS

In 2014, the Company continued to restructure certain of its activities and, in November 2014, 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 and to build a global Tier-1 engineering and construction firm. A total of $109.9 million of restructuring costs were incurred in 2014 (fourth quarter of 2014: $94.0 million).

In 2013, the Company incurred $67.0 million of restructuring costs as part of the reorganization of certain of its activities (fourth quarter of 2013: $47.2 million).

The restructuring costs recognized in 2014 and 2013 were mainly for severances, the disposal of certain activities and closure of certain offices.

6. RESTRUCTURING COSTS, GOODWILL IMPAIRMENT AND IMPAIRMENT OF INVESTMENTS (CONTINUED)

GOODWILL IMPAIRMENT

The reorganization, the lack of profitability on certain activities and a decrease in the overall level of activities in the "Services and Packages – Europe" and in the "Services and Packages – Brazil" cash-generating units resulted in a goodwill impairment of $48.5 million and $8.0 million, respectively, in 2013. The recoverable amounts of the "Services and Packages – Europe" and of the "Services and Packages – Brazil" cash-generating units correspond to their value in use and amounted to $154.7 million and $94.2 million, respectively, at the date of the impairment test. In 2013, the amount of goodwill impairment was calculated using a discounted cash flow model, which is based on key assumptions such as future cash flows and discount rates ranging between 14.0% and 14.9%.

B) **IMPAIRMENT OF INVESTMENTS**

During the fourth quarter and the year ended December 31, 2014, SNC-Lavalin recognized impairment losses on two of its investments accounted for by the equity method, one included in the ICI segment and one included in the Oil & Gas sub-segment, for a combined amount of $28.5 million. The events and circumstances that led to the recognition of impairment losses are mainly the deterioration of the expected return on these investments, in part due to a deteriorating economic environment of their respective country. The combined recoverable amount of the Company's investments was $3.3 million as at December 31, 2014, while the combined remaining cumulative exchange losses on translating foreign operations amounted to $17.5 million at the same date. The recoverable amounts were determined based on their value in use. The discount rates used in current estimates of value in use were 19.0% for the investment in the ICI segment and 16.4% for the investment in the Oil & Gas sub-segment.

7. NET FINANCIAL EXPENSES

THREE MONTHS ENDED DECEMBER 31	2014			2013 [1]		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Financial income	**$ (1,793)**	**$ (6,907)**	**$ (8,700)**	$ (728)	$ (2,249)	$ (2,977)
Interest on debt:						
Recourse [2]	**34,889**	**–**	**34,889**	5,463	–	5,463
Non-recourse:						
AltaLink	**–**	**35,280**	**35,280**	–	37,318	37,318
Other	**–**	**7,225**	**7,225**	–	1,070	1,070
Net foreign exchange losses (gains)	**(30,173)**	**(6,807)**	**(36,980)**	7,116	(5,904)	1,212
Other	**1,469**	**(1,079)**	**390**	(9,174)	7,605	(1,569)
Financial expenses	**6,185**	**34,619**	**40,804**	3,405	40,089	43,494
Net financial expenses	**$ 4,392**	**$ 27,712**	**$ 32,104**	$ 2,677	$ 37,840	$ 40,517

(1) In the fourth quarter of 2014, the Company has made a retrospective change to the presentation of its net financial expenses note to the consolidated financial statements and comparative figures were reclassified for the net foreign exchange losses (gains), to provide details on this element.

(2) In the fourth quarter of 2014, financial expenses included $24.9 million of financing costs related to the acquisition of Kentz by the Company (2013: $nil).

7. FINANCIAL EXPENSES (CONTINUED)

YEAR ENDED DECEMBER 31		**2014**				2013 (1)					
		FROM E&C		FROM ICI		TOTAL		FROM E&C		FROM ICI	TOTAL
Financial income	$	**(6,620)**	$	**(16,168)**	$	**(22,788)**	$	(6,593)	$	(6,276)	$ (12,869)
Interest on debt:											
Recourse (2)		**59,222**		**–**		**59,222**		21,852		–	21,852
Non-recourse:											
AltaLink		**–**		**178,173**		**178,173**		–		124,918	124,918
Other		**–**		**25,128**		**25,128**		–		7,562	7,562
Net foreign exchange losses (gains)		**(28,710)**		**(9,174)**		**(37,884)**		6,654		(4,857)	1,797
Other		**15,044**		**2,913**		**17,957**		(2,420)		9,839	7,419
Financial expenses		**45,556**		**197,040**		**242,596**		26,086		137,462	163,548
Net financial expenses	$	**38,936**	$	**180,872**	$	**219,808**	$	19,493	$	131,186	$ 150,679

(1) In the year ended December 31, 2014, the Company has made a retrospective change to the presentation of its net financial expenses note to the consolidated financial statements and comparative figures were reclassified for the net foreign exchange losses (gains), to provide details on this element.

(2) In the year ended December 31, 2014, financial expenses included $37.4 million of financing costs related to the acquisition of Kentz by the Company (2013: $nil).

8. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The reversal of the stock option compensation cost recorded in the fourth quarter of 2014 was $0.3 million (2013: stock option compensation cost of $0.1 million). The stock option compensation cost recorded in the year ended December 31, 2014 was $3.6 million (2013: $8.3 million). The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2014	2013	**2014**	2013
Risk-free interest rate	**–**	–	**–**	1.15%
Expected stock price volatility	**–**	–	**–**	30.26%
Expected option life	**–**	–	**–**	4.5 years
Expected dividend yield	**–**	–	**–**	2.00%

For the fourth quarters of 2014 and 2013 and for the year ended December 31, 2014, no stock options were granted to employees under the Company's 2013 Stock Option Plan. For the year ended December 31, 2013, 1,246,800 stock options were granted to employees under the Company's 2013 Stock Option Plan with a weighted average fair value of $9.28 per stock option.

As at December 31, 2014, 3,179,369 stock options were outstanding (2013: 4,438,529 stock options), while 2,865,402 stock options remained available for future grants under the Company's 2013 Stock Option Plan (2013: 2,329,416 stock options).

B) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

As at December 31, 2013, the Company had three cash-settled share-based payment compensation plans for executives, namely 2009 PSU plan, 2009 DSU plan, and RSU plan. In addition, in the first quarter of 2014, the Company introduced the 2014 Performance Share Unit plan ("2014 PSU plan") in favour of certain of its key employees. The 2014 PSU plan is similar to the 2009 PSU plan with the exception that, among other things, i) the units vest in full at the end of the second calendar year following the calendar year during which the grant was made; and ii) in the event of death or retirement of a participant before the end of the vesting period, the units vest on a *pro rata* basis.

As at December 31, 2014 and 2013, the Company also had a cash-settled share-based payment compensation plan, DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc.

8. SHARE-BASED PAYMENTS (CONTINUED)

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2014 and 2013:

YEAR ENDED DECEMBER 31	**2014**		2013	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)
2014 PSU plan	**237,965**	**$ 47.04**	–	$ –
2009 PSU plan [(1)]	**–**	**$ –**	71,564	$ 42.68
2009 DSU plan	**63,651**	**$ 46.91**	58,650	$ 43.01
RSU plan	**377,538**	**$ 46.70**	325,621	$ 41.64
DSU plan	**28,270**	**$ 49.96**	40,419	$ 41.71

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

The reversal of the compensation expense recorded in the fourth quarter ended December 31, 2014 relating to cash-settled share-based payment arrangements was $3.8 million (2013: $1.6 million). The compensation expense recorded in the year ended December 31, 2014 related to cash-settled share-based payment arrangements was $13.6 million (2013: $7.1 million).

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the fourth quarters and the years ended December 31, 2014 and 2013 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2014	2013	**2014**	2013
Weighted average number of outstanding shares - basic	**152,463**	151,721	**152,218**	151,497
Dilutive effect of stock options	**166**	300	**387**	317
Weighted average number of outstanding shares - diluted	**152,629**	152,021	**152,605**	151,814

In the fourth quarter and the year ended December 31, 2014, 1,369,512 outstanding stock options (2013: 2,985,434 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

10. DIVIDENDS

During the year ended December 31, 2014, the Company recognized as distributions to its equity shareholders dividends of $146.2 million or $0.96 per share (2013: $139.4 million or $0.92 per share).

YEAR ENDED DECEMBER 31	**2014**	2013
Dividends payable at January 1	**$ –**	$ –
Dividends declared during the year ended December 31	**146,182**	139,415
Dividends paid during the year ended December 31	**(146,182)**	(139,415)
Dividends payable at December 31	**$ –**	**$ –**

11. OTHER COMPONENTS OF EQUITY

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

		DECEMBER 31 2014		DECEMBER 31 2013
Exchange differences on translating foreign operations	$	19,848	$	(47,063)
Available-for-sale financial assets		645		2,605
Cash flow hedges		4,244		(2,375)
Share of other comprehensive loss of investments accounted for by the equity method		(35,634)		(24,142)
Other components of equity	$	(10,897)	$	(70,975)

- Exchange differences on translating foreign operations component represents exchange differences relating to the translation from the functional currencies of the Company's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.
- Available-for-sale financial assets component arises upon the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. When a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's share of the other comprehensive income (loss) from its investments accounted for by the equity method.

11. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the fourth quarters and the years ended December 31, 2014 and 2013:

	FOURTH QUARTER 2014	FOURTH QUARTER 2013	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ (40,578)**	$ (50,526)	**$ (47,063)**	$ (47,975)
Current period gains	**59,378**	4,379	**65,863**	1,828
Reclassification to net income	**1,048**	(916)	**1,048**	(916)
Balance at end of period	**19,848**	(47,063)	**19,848**	(47,063)
Available-for-sale financial assets:				
Balance at beginning of period	**1,508**	2,069	**2,605**	2,558
Current period gains (losses)	**(444)**	918	**(1,858)**	574
Income taxes relating to current period gains (losses)	**404**	(124)	**1,511**	76
Reclassification to net income	**(951)**	(297)	**(1,864)**	(725)
Income taxes relating to amounts reclassified to net income	**128**	39	**251**	122
Balance at end of period	**645**	2,605	**645**	2,605
Cash flow hedges:				
Balance at beginning of period	**(7,812)**	(705)	**(2,375)**	395
Current period losses	**(6,815)**	(10,800)	**(21,331)**	(13,315)
Income tax relating to current period losses	**1,626**	3,379	**5,354**	2,858
Reclassification to net income	**21,967**	6,290	**29,296**	8,283
Income taxes relating to amounts reclassified to net income	**(4,722)**	(539)	**(6,700)**	(596)
Balance at end of period	**4,244**	(2,375)	**4,244**	(2,375)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(34,484)**	(43,308)	**(24,142)**	(57,664)
Current period share	**(3,530)**	783	**(27,292)**	12,736
Income taxes relating to current period share	**813**	62	**7,299**	(3,353)
Reclassification to net income	**2,173**	32,670	**11,649**	40,603
Income taxes relating to amounts reclassified to net income	**(606)**	(14,349)	**(3,148)**	(16,464)
Balance at end of period	**(35,634)**	(24,142)	**(35,634)**	(24,142)
Other components of equity	**$ (10,897)**	$ (70,975)	**$ (10,897)**	$ (70,975)

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the fourth quarters and the years ended December 31, 2014 and 2013:

THREE MONTHS ENDED DECEMBER 31		**2014**			2013	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (41,063)**	**$ 9,078**	**$ (31,985)**	$ (19,144)	$ 4,869	$ (14,275)
Gains (losses) recognized during the period	**7,885**	**(2,675)**	**5,210**	(5,233)	1,485	(3,748)
Cumulative amount at end of period	**$ (33,178)**	**$ 6,403**	**$ (26,775)**	$ (24,377)	$ 6,354	$ (18,023)

YEAR ENDED DECEMBER 31		**2014**			2013	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ (24,377)**	**$ 6,354**	**$ (18,023)**	$ (22,136)	$ 5,691	$ (16,445)
Gains (losses) recognized during the year	**(8,801)**	**49**	**(8,752)**	(2,241)	663	(1,578)
Cumulative amount at December 31	**$ (33,178)**	**$ 6,403**	**$ (26,775)**	$ (24,377)	$ 6,354	$ (18,023)

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2014	2013	**2014**	2013
Decrease in trade receivables	**$ 304,009**	$ 248	**$ 288,398**	$ 40,011
Decrease in contracts in progress	**65,266**	186,311	**73,704**	119,477
Increase (decrease) in other current financial assets	**181,483**	(68,891)	**151,482**	(256,865)
Increase in other current assets	**(22,787)**	(44,194)	**(5,234)**	(29,944)
Increase (decrease) in trade payables	**56,202**	210,929	**(480,769)**	327,833
Increase (decrease) in downpayments on contracts	**29,148**	(61,364)	**20,811**	(119,357)
Increase (decrease) in deferred revenues	**(11,131)**	62,629	**21,427**	(18,142)
Increase (decrease) in other current financial liabilities	**10,182**	(4,242)	**57,706**	66,467
Increase (decrease) in other current liabilities	**(35,803)**	4,628	**(29,564)**	240
Net change in non-cash working capital items	**$ 576,569**	$ 286,054	**$ 97,961**	$ 129,720

13. RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink [(1)]	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by AltaLink via legislation applied by an independent governmental regulatory body.
ICI accounted for under IFRIC 12	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
	Equity method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
Others	Equity method	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.
	Cost method	Not eliminated, in accordance with IFRS.

(1) Up until December 1, 2014, which is the effective disposal date of AltaLink (see Note 4A), AltaLink was a subsidiary of the Company.

For the fourth quarter and the year ended December 31, 2014, SNC-Lavalin recognized revenues of $144.6 million (2013: $209.5 million) and $607.8 million (2013: $734.8 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 $43.0 million for the fourth quarter of 2014 (2013: $61.4 million) and $171.4 million for the year ended December 31, 2014 (2013: $183.9 million), respectively. Intragroup revenues generated from transactions with AltaLink, which amounted to $289.0 million in the period from October 1, 2014 to December 1, 2014 (fourth quarter of 2013: $373.4 million) and $1,290.7 million in the period from January 1, 2014 to December 1, 2014 (year ended December 31, 2013: $1,529.9 million), were eliminated upon consolidation, while profits from those transactions were not eliminated. Following the disposal of AltaLink, revenues generated from transactions with AltaLink that were realized after December 1, 2014 were recognized by the Company in its consolidated income statement.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

SNC-Lavalin's trade receivables from ICI accounted for by the equity method amounted to $60.7 million as at December 31, 2014 (2013: $35.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $96.4 million as at December 31, 2014 (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 December 31, 2014 (2013: $155.2 million).

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

14. FINANCIAL INSTRUMENTS

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

AT DECEMBER 31	2014					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [(1)]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 1,702,205**	**$ –**	**$ –**	**$ –**	**$ 1,702,205**	**$ 1,702,205**
Restricted cash	**27,503**	**–**	**–**	**–**	**27,503**	**27,503**
Trade receivables	**–**	**–**	**1,254,360**	**–**	**1,254,360**	**1,254,360**
Other current financial assets	**53,624**	**–**	**787,329**	**3,774**	**844,727**	**844,727**
ICI accounted for by the cost method [(2)]	**–**	**347,494**	**93,315**	**–**	**440,809**	**See [(2)]**
Non-current potion of receivables under service concession arrangements [(3)]	**–**	**–**	**250,769**	**–**	**250,769**	**275,720**
Non-current financial assets [(3)]	**11,381**	**8,585**	**137,497**	**–**	**157,463**	**157,463**
Total	**$ 1,794,713**	**$ 356,079**	**$ 2,523,270**	**$ 3,774**	**$ 4,677,836**	

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

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

(2) These available-for-sale financial assets represent mainly equity instruments that do not have a quoted market price in an active market.

(3) For non-current portion of receivables under service concession arrangements and most of the non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

14. FINANCIAL INSTRUMENTS (CONTINUED)

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

AT DECEMBER 31	2014			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,372,489	$ 2,372,489	$ 2,372,489
Downpayments on contracts	–	249,521	249,521	249,521
Other current financial liabilities	24,070	330,422	354,492	354,492
Advances under contract financing arrangements (1)	–	319,321	319,321	325,988
Provisions	–	65,587	65,587	65,587
Short-term debt and long-term debt (2)	–	887,366	887,366	999,925
Other non-current financial liabilities	3,187	6,270	9,457	9,457
Total	$ 27,257	$ 4,230,976	$ 4,258,233	

AT DECEMBER 31	2013			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,145,755	$ 2,145,755	$ 2,145,755
Downpayments on contracts	–	226,028	226,028	226,028
Other current financial liabilities	14,902	396,326	411,228	411,228
Advances under contract financing arrangements (1)	–	87,188	87,188	93,534
Provisions	–	22,723	22,723	22,723
Short-term debt and long-term debt (2)	–	4,163,037	4,163,037	4,274,644
Other non-current financial liabilities	2,016	123,028	125,044	125,044
Total	$ 16,918	$ 7,164,085	$ 7,181,003	

(1) The fair value of the advances under contract financing arrangements was determined using the market approach, which uses prices and other relevant information generated by market transactions involving similar or comparable liabilities.

(2) The fair value of short-term debt and long-term debt classified in the "other financial liabilities" category was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the ICI, depending on which entity has issued the debt instrument, for debt with the same terms and conditions.

For the years ended December 31, 2014 and 2013, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

15. KENTZ CORPORATION LIMITED ("KENTZ")

On August 22, 2014, the Company completed its acquisition of Kentz, a leading global engineering specialist which provides high-quality engineering, procurement and construction, construction management and technical support services to clients in the oil and gas sector. Kentz includes Valerus Field Solutions, a US-based integrated oil and gas surface facility solutions provider, acquired by Kentz on January 3, 2014.

To finance this acquisition, SNC-Lavalin entered in June 2014 into a recourse non-revolving acquisition credit agreement (the "Acquisition Facility") for an aggregate amount of $2,750 million comprised of the following: i) an asset sale bridge facility of $2,550 million, maturing the latest in December 2015; and ii) a term facility of $200 million, maturing the latest in June 2016. Amounts drawn under the asset sale bridge facility and term facility bore interest at variable rates plus an applicable margin. Under the terms of the Acquisition Facility, SNC-Lavalin had 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 was to be used solely to fund the acquisition of Kentz and its related indebtedness, fees and expenses.

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

The Acquisition Facility was 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 was subject to customary accelerated repayment terms.

In August 2014, in connection with the acquisition of Kentz, the unsecured recourse revolving credit facility (the "Facility") entered into by the Company in December 2013 was amended to: i) increase the committed amount from $3,500 million to $4,250 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of $1,800 million applicable to financial letters of credit and cash draws but not to performance letters of credit; and ii) extend the maturity of the Facility from December 2016 to August 2017, with an annual extension option for a one-year period upon lenders' approval.

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, the Company used a portion of its Facility to finance the acquisition of Kentz.

In December 2014, following the disposition of AltaLink, the Company repaid in full the outstanding balance of the Acquisition Facility, which was cancelled at the same time.

The following table details a reconciliation of the funds used for the acquisition of Kentz as follows:

	ACQUISITION FACILITY	FACILITY	TOTAL
Balance as at January 1, 2014	$ –	$ –	$ –
Amounts drawn	2,550,000	80,000	2,630,000
Amounts repaid	(2,550,000)	(80,000)	(2,630,000)
Balance as at December 31, 2014	**$ –**	**$ –**	**$ –**

In June 2014, in relation with the agreement to acquire Kentz, SNC-Lavalin entered into a foreign exchange hedge to hedge the foreign exchange exposure of the transaction. This hedge was classified as a derivative used for cash flow hedges and was measured at its fair value with gains and losses arising from periodic remeasurements and not qualifying for hedge accounting being recognized in net income and included in "Acquisition-related costs and integration costs" in the Company's consolidated income statement. For the fourth quarter of 2014 and the year ended December 31, 2014, the acquisition-related costs and integration costs were as follows:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2014	2013	**2014**	2013
Remeasurement of a foreign exchange hedge	**$ –**	$ –	**$ 34,697**	$ –
Professional fees and other related costs	**6,693**	–	**27,846**	–
Acquisition-related costs and integration costs	**$ 6,693**	$ –	**$ 62,543**	$ –

Acquisition-related costs amounted to $nil in the three-month period ended December 31, 2014 and $52.8 million in the year ended December 31, 2014. Integration costs amounted to $6.7 million in the three-month period ended December 31, 2014 and $9.7 million in the year ended December 31, 2014.

15. KENTZ CORPORATION LIMITED (“KENTZ”) (CONTINUED)

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

The purchase price for this business acquisition was $2.1 billion. The preliminary allocation of purchase price and the total cash consideration paid are shown below. During the three-month period ended December 31, 2014, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

AUGUST 22, 2014	PRELIMINARY ALLOCATION OF PURCHASE PRICE	NOTE	ADJUSTMENTS [1]	REVISED ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$ 310,605		$ –	$ 310,605
Trade receivables	479,590	A	(93,837)	385,753
Contracts in progress	189,405	A	38,655	228,060
Other current assets	210,130	A	7,054	217,184
Other non-current assets	110,840	A	10,656	121,496
Intangible assets related to Kentz acquisition [2]	–	B	319,951	319,951
Trade payables and other current liabilities	(885,960)	C	(222,586)	(1,108,546)
Short-term debt	(495,175)		–	(495,175)
Non-current liabilities and non-controlling interests	(104,272)	D	(8,316)	(112,588)
Net identifiable liabilities of business acquired	(184,837)		51,577	(133,260)
Goodwill and other intangible assets [2], [3]	2,258,433		(51,577)	2,206,856
Total purchase price	$ 2,073,596		$ –	$ 2,073,596

[1] Adjustments include presentation reclassifications.

[2] The goodwill amount determined according to the preliminary allocation of purchase price included identifiable intangible assets, which are now presented separately under “Intangible assets related to Kentz acquisition” in the revised allocation of purchase price.

[3] Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks. The total amount of goodwill that is expected to be deductible for tax purposes is $397.1 million.

The total purchase price related to the acquisition of Kentz included in the consolidated statement of cash flows is as follows:

YEAR ENDED DECEMBER 31	2014
Total purchase price as per above	$ 2,073,596
Less: Cash and cash equivalents at acquisition as per above	310,605
Total purchase price, net of cash and cash equivalents at acquisition, included in the consolidated statement of cash flows	$ 1,762,991

The above presents management’s preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Kentz, it is not practical to definitely allocate the purchase price as at December 31, 2014. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period, which cannot exceed one year from the acquisition date. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect new information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

The main adjustments made to the preliminary allocation of purchase price are as follows:

A. Project-related assets

The Company adjusted the initial value of project-related assets, such as trade receivables and contracts in progress, to reflect new information obtained about facts and circumstances that existed at the date of acquisition related to these projects.

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

B. Intangible assets

The Company has determined the fair value of identifiable intangible assets acquired, which are further described below.

C. Trade payables and other current liabilities

The Company adjusted the initial value allocated to certain trade payables and other current liabilities, mainly on project-related liabilities and on the short-term portion of certain provisions existing at the date of acquisition.

D. Non-current liabilities and non-controlling interests

This adjustment mainly represents the impact on deferred income tax liability from adjustments discussed above, as well as adjustments made to the fair value of certain provisions existing at the date of acquisition.

On August 22, 2014, SNC-Lavalin completed its acquisition of Kentz which resulted in recognition of intangible assets by the Company.

The following table details a reconciliation of the carrying amount of intangible assets related to Kentz acquisition:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2014	$ –	$ –	$ –	$ –
Acquisitions through a business combination	102,680	192,837	24,434	319,951
Effect of foreign currency exchange differences	5,913	11,104	1,407	18,424
Balance as at December 31, 2014	$ 108,593	$ 203,941	$ 25,841	$ 338,375
Accumulated depreciation				
Balance as at January 1, 2014	–	–	–	–
Depreciation expense	24,427	10,230	1,815	36,472
Effect of foreign currency exchange differences	557	234	41	832
Balance as at December 31, 2014	$ 24,984	$ 10,464	$ 1,856	$ 37,304
Net book value:				
As at December 31, 2014	$ 83,609	$ 193,477	$ 23,985	$ 301,071

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

SNC-Lavalin's consolidated revenues, segment EBIT and net income attributable to SNC-Lavalin shareholders for the fourth quarter of 2014 included approximately $936.9 million, $80.1 million and $56.9 million, respectively, from the business acquisition of Kentz completed by SNC-Lavalin in the year ended December 31, 2014. SNC-Lavalin's consolidated revenues, EBIT and net income attributable to SNC-Lavalin shareholders for the year ended December 31, 2014 included approximately $1,278.6 million, $110.8 million and $75.5 million, respectively, from the business acquisition of Kentz completed by SNC-Lavalin in the year ended December 31, 2014. Had the acquisition of Kentz and related financing occurred on January 1, 2014, SNC-Lavalin unaudited pro forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately $9,978.0 million and $1,255.9 million, respectively. These unaudited pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin's acquisition date and should not be viewed as indicative of SNC-Lavalin's consolidated future performance.

16. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

In February 2012, the Board of Directors initiated an independent investigation (the "Independent Review"), led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements) to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by law enforcement and securities regulatory authorities remain ongoing in connection with this information, which are described in greater detail below. The Company also continues to review compliance matters (including matters beyond the scope of the Independent Review), including to assess whether amounts may, directly or indirectly, have been improperly paid to persons owing fiduciary duties to the Company, and as additional information, if any, arises as a result thereof, the Company will continue to investigate and review such information as it has in the past.

Charges and RCMP Investigations

On February 19, 2015, the Royal Canadian Mounted Police (the "RCMP") and the Public Prosecution Service of Canada laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under section 380 of the Criminal Code and one count of corruption under Section 3(1)(b) of the CFPOA (the "Charges"). These Charges follow the RCMP's formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation, referred to as Project Assistance by the RCMP, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company's customers or other third parties as a result of the Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

The RCMP is also conducting a formal investigation into whether improper payments were made or offered to government officials in Bangladesh to influence the award of a proposed construction supervision consulting contract to a subsidiary of the Company in violation of the CFPOA and its involvement in projects in certain North African countries (the "RCMP Investigation"). This investigation has led to criminal charges being laid against three former employees of a subsidiary of the Company pursuant to the anti-bribery provisions of the CFPOA. Although, to date, the Company has not been charged in connection with the subject matter of this RCMP Investigation, it may result in criminal charges being laid against the Company and/or certain of its subsidiaries under the CFPOA and could result in a conviction on one or more of such charges.

The Charges and the RCMP Investigation and potential outcomes thereof, and any negative publicity associated therewith, could adversely affect the Company's business, results of operations and reputation and could subject the Company to sanctions, fines and other penalties, some of which may be significant. In addition, potential consequences of the Charges and/or the RCMP Investigation could include, in respect of the Company or one or more of its subsidiaries, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain governments (such as the Government of Canada and/or Canadian provincial governments) or by certain administrative organizations under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue (and an even larger percentage of its annual Canadian revenue) from government and government-related contracts. As a result, suspension, prohibition or debarment, whether discretionary or mandatory, from participating in certain government and government-related contracts (in Canada, Canadian provinces or elsewhere) would have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

16. CONTINGENT LIABILITIES (CONTINUED)

AMF Investigation; AMF Certification under the Quebec Public Contracts Act

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

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

World Bank Settlement

On April 17, 2013, the Company announced a settlement in connection with the previously announced investigations by the World Bank Group relating to the project in Bangladesh referred to above and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully. According to the terms of the World Bank Settlement, certain of the Company's other affiliates continue to be eligible to bid on and be awarded World Bank Group-financed projects as long as they comply with all of the terms and conditions imposed upon them under the terms of the World Bank Settlement, including an obligation not to evade the sanction imposed. The World Bank Settlement also requires that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement does not include a financial penalty. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

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 the Swiss proceedings and is entitled to recover certain amounts of money in connection therewith.

The Company is currently unable to determine when any of the above investigations will be completed, whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. While the Company continues to cooperate and communicate with authorities in connection with all ongoing investigations as noted above, if regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties including temporary or permanent, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain administrative organizations (such as those provided for in the World Bank Settlement) or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

The outcomes of the above investigations or the Charges could also result in, among other things, (i) covenant defaults under various project contracts, (ii) third party claims, which may include claims for special, indirect, derivative or consequential damages, or (iii) adverse consequences on the Company's ability to secure or continue its own financing, or to continue or secure financing for current or future projects, any of which could materially adversely affect the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities. In addition, the Charges, these investigations and outcomes of these investigations or Charges (including the World Bank Settlement) and any negative publicity associated therewith, could damage SNC-Lavalin's reputation and ability to do business.

16. CONTINGENT LIABILITIES (CONTINUED)

Finally, the findings and outcomes of the Charges or these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described below).

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

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

B) CLASS ACTION LAWSUITS

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

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

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

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

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

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation. While SNC-Lavalin has directors' and officers' liability insurance insuring individuals against liability for acts or omissions in their capacities as directors and officers, the Company does not maintain any other insurance in connection with the Actions. The amount of coverage under the directors' and officers' policy is limited and such coverage may be an insignificant portion of any amounts the Company is required or determines to pay in connection with the Actions. In the event the Company is required or determines to pay amounts in connection with these lawsuits or other litigation, such amounts could be significant and may have a material adverse impact on SNC-Lavalin's liquidity and financial results.

16. CONTINGENT LIABILITIES (CONTINUED)

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the defendants, on an *in solidum* basis. SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and apportionment of liability. Based on the current judgment, 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. In addition to the Appeal of the decision, recourses in warranty have been filed against another party, which may result in reduction of SNC-Lavalin's share of the damages.

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 judgment on this matter.

The Company is a party to other claims and litigation arising in the normal course of operations, including by clients, subcontractors, and vendors presenting claims for, amongst other things, recovery of costs related to certain projects. Due to the inherent uncertainties of litigation and-or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of any potential losses, if any. With respect to claims or litigation arising in the normal course of operations which are at a more advanced stage and which permit a better assessment of potential outcome, the Company does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations.