



**SNC • LAVALIN**

**Q2**

**Interim Condensed Consolidated  
Financial Statements** (unaudited)

As at and for the six-month periods ended  
June 30, 2015 and 2014

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

(IN THOUSANDS OF CANADIAN DOLLARS)

		December 31 2014 (Revised) (Note 16)
	Note	June 30 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents		\$ 934,480
Restricted cash		31,593
Trade receivables		1,176,816
Contracts in progress		879,873
Inventories		151,385
Other current financial assets		929,640
Other current assets		300,099
<b>Total current assets</b>		<b>4,403,886</b>
Property and equipment		248,541
ICI accounted for by the equity method	4	403,148
ICI accounted for by the cost method	4	453,798
Goodwill		2,946,448
Intangible assets related to Kentz acquisition		278,196
Deferred income tax asset		418,640
Non-current portion of receivables under service concession arrangements		270,959
Non-current financial assets		99,451
Other non-current assets		95,319
<b>Total assets</b>		<b>\$ 9,618,386</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade payables		\$ 2,037,489
Downpayments on contracts		202,060
Deferred revenues		986,815
Other current financial liabilities		340,281
Other current liabilities		244,893
Advances under contract financing arrangements		395,727
Current portion of provisions		278,841
Short-term debt and current portion of long-term debt:		
Recourse	14	224,060
Non-recourse from ICI		18,980
<b>Total current liabilities</b>		<b>4,729,146</b>
Long-term debt:		
Recourse		349,036
Non-recourse from ICI		515,141
Other non-current financial liabilities		7,587
Non-current portion of provisions		326,760
Other non-current liabilities		4,571
Deferred income tax liability		265,038
<b>Total liabilities</b>		<b>6,197,279</b>
<b>Equity</b>		
Share capital	10	529,193
Retained earnings		2,767,455
Other components of equity	11	108,726
Equity attributable to SNC-Lavalin shareholders		3,405,374
Non-controlling interests		15,733
<b>Total equity</b>		<b>3,421,107</b>
<b>Total liabilities and equity</b>		<b>\$ 9,618,386</b>

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(UNAUDITED)

SIX MONTHS ENDED JUNE 30  
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT  
NUMBER OF COMMON SHARES)

2015							
Equity attributable to SNC-Lavalin shareholders						Non- controlling interests	Total equity
Share Capital					Total		
Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)				
<b>Balance at beginning of the period</b>	152,465	\$ 531,460	\$ 2,785,067	\$ (10,897)	\$ 3,305,630	\$ 11,080	\$ 3,316,710
Net income for the period	-	-	130,889	-	130,889	4,809	135,698
Other comprehensive income for the period	-	-	7,285	119,623	126,908	-	126,908
Total comprehensive income for the period	-	-	138,174	119,623	257,797	4,809	262,606
Dividends declared (Note 9)	-	-	(75,981)	-	(75,981)	-	(75,981)
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	(156)	(156)
Stock option compensation (Note 7A)	-	-	693	-	693	-	693
Shares issued under stock option plans	100	4,690	(892)	-	3,798	-	3,798
Shares redeemed and cancelled (Note 10)	(1,980)	(6,957)	(79,606)	-	(86,563)	-	(86,563)
<b>Balance at end of the period</b>	150,585	\$ 529,193	\$ 2,767,455	\$ 108,726	\$ 3,405,374	\$ 15,733	\$ 3,421,107

SIX MONTHS ENDED JUNE 30  
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT  
NUMBER OF COMMON SHARES)

2014							
Equity attributable to SNC-Lavalin shareholders						Non- controlling interests	Total equity
Share Capital					Total		
Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)				
<b>Balance at beginning of the period</b>	151,807	\$ 497,130	\$ 1,610,503	\$ (70,975)	\$ 2,036,658	\$ 3,585	\$ 2,040,243
Net income for the period	-	-	126,658	-	126,658	167	126,825
Other comprehensive income (loss) for the period	-	-	(8,175)	6,325	(1,850)	-	(1,850)
Total comprehensive income for the period	-	-	118,483	6,325	124,808	167	124,975
Dividends declared (Note 9)	-	-	(73,011)	-	(73,011)	-	(73,011)
Stock option compensation (Note 7A)	-	-	2,895	-	2,895	-	2,895
Shares issued under stock option plans	425	19,748	(4,247)	-	15,501	-	15,501
Capital contributions by non-controlling interests	-	-	-	-	-	29	29
<b>Balance at end of the period</b>	152,232	\$ 516,878	\$ 1,654,623	\$ (64,650)	\$ 2,106,851	\$ 3,781	\$ 2,110,632

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)

		SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	Note	2015	2014	2015	2014
<b>Revenues by activity:</b>					
Services		\$ 941,264	\$ 558,585	\$ 1,810,852	\$ 1,062,190
Packages		1,030,792	625,020	2,008,778	1,235,176
O&M		219,820	284,027	577,241	659,207
ICI accounted for by the full consolidation or cost methods		19,482	185,815	32,385	369,200
ICI accounted for by the equity method		39,004	43,016	78,171	90,839
		<b>2,250,362</b>	1,696,463	<b>4,507,427</b>	3,416,612
Direct cost of activities		1,948,813	1,347,754	3,868,724	2,710,996
<b>Gross margin</b>		<b>301,549</b>	348,709	<b>638,703</b>	705,616
Selling, general and administrative expenses		223,587	208,270	430,237	395,117
Restructuring costs	5	7,700	854	8,184	2,038
Acquisition-related costs and integration costs	16	5,536	25,852	13,415	25,852
Amortization of intangible assets related to Kentz acquisition		21,105	–	42,088	–
<b>EBIT</b> <sup>(1)</sup>		<b>43,621</b>	113,733	<b>144,779</b>	282,609
Financial expenses	6	19,092	63,728	35,487	120,599
Financial income and net foreign exchange losses (gains)	6	(5,327)	(73)	(54,424)	(6,390)
<b>Earnings before income taxes</b>		<b>29,856</b>	50,078	<b>163,716</b>	168,400
Income taxes		(1,017)	17,945	28,018	41,575
<b>Net income for the period</b>		<b>\$ 30,873</b>	\$ 32,133	<b>\$ 135,698</b>	\$ 126,825
<b>Net income attributable to:</b>					
SNC-Lavalin shareholders		\$ 26,509	\$ 32,068	\$ 130,889	\$ 126,658
Non-controlling interests		4,364	65	4,809	167
<b>Net income for the period</b>		<b>\$ 30,873</b>	\$ 32,133	<b>\$ 135,698</b>	\$ 126,825
<b>Earnings per share (in \$)</b>					
Basic		\$ 0.17	\$ 0.21	\$ 0.86	\$ 0.83
Diluted		\$ 0.17	\$ 0.21	\$ 0.86	\$ 0.83
<b>Weighted average number of outstanding shares (in thousands)</b>					
	8				
Basic		151,624	152,133	152,004	152,018
Diluted		151,744	152,521	152,086	152,406

<sup>(1)</sup> Earnings before interest and income 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 JUNE 30

(IN THOUSANDS OF CANADIAN DOLLARS)

	2015			2014		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 26,509	\$ 4,364	\$ 30,873	\$ 32,068	\$ 65	\$ 32,133
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	(113,589)	–	(113,589)	(738)	–	(738)
Available-for-sale financial assets (Note 11)	(1,388)	–	(1,388)	1,436	–	1,436
Cash flow hedges (Note 11)	10,887	–	10,887	10,469	–	10,469
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 11)	1,591	–	1,591	(2,026)	–	(2,026)
Income taxes (Note 11)	1,700	–	1,700	(2,386)	–	(2,386)
Total of items that will be reclassified subsequently to net income	(100,799)	–	(100,799)	6,755	–	6,755
Defined benefit pension plans and other post-employment benefits (Note 11)	21,418	–	21,418	(2,561)	–	(2,561)
Income taxes (Note 11)	(1,635)	–	(1,635)	558	–	558
Total of items that will not be reclassified subsequently to net income	19,783	–	19,783	(2,003)	–	(2,003)
Total other comprehensive income (loss) for the period	(81,016)	–	(81,016)	4,752	–	4,752
<b>Total comprehensive income (loss) for the period</b>	<b>\$ (54,507)</b>	<b>\$ 4,364</b>	<b>\$ (50,143)</b>	<b>\$ 36,820</b>	<b>\$ 65</b>	<b>\$ 36,885</b>

SIX MONTHS ENDED JUNE 30

(IN THOUSANDS OF CANADIAN DOLLARS)

	2015			2014		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 130,889	\$ 4,809	\$ 135,698	\$ 126,658	\$ 167	\$ 126,825
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	129,608	–	129,608	10,217	–	10,217
Available-for-sale financial assets (Note 11)	1,546	–	1,546	1,505	–	1,505
Cash flow hedges (Note 11)	(11,913)	–	(11,913)	2,063	–	2,063
Share of other comprehensive loss of investments accounted for by the equity method (Note 11)	(5,074)	–	(5,074)	(9,695)	–	(9,695)
Income taxes (Note 11)	5,456	–	5,456	2,235	–	2,235
Total of items that will be reclassified subsequently to net income	119,623	–	119,623	6,325	–	6,325
Defined benefit pension plans and other post-employment benefits (Note 11)	8,041	–	8,041	(9,632)	–	(9,632)
Income taxes (Note 11)	(756)	–	(756)	1,457	–	1,457
Total of items that will not be reclassified subsequently to net income	7,285	–	7,285	(8,175)	–	(8,175)
Total other comprehensive income (loss) for the period	126,908	–	126,908	(1,850)	–	(1,850)
<b>Total comprehensive income for the period</b>	<b>\$ 257,797</b>	<b>\$ 4,809</b>	<b>\$ 262,606</b>	<b>\$ 124,808</b>	<b>\$ 167</b>	<b>\$ 124,975</b>

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
		2015	2014	2015	2014
<b>Operating activities</b>					
Net income for the period		\$ 30,873	\$ 32,133	\$ 135,698	\$ 126,825
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		40,078	15,950	71,934	34,068
From ICI		–	13,157	–	53,513
Income taxes recognized in net income		(1,017)	17,945	28,018	41,575
Income taxes paid		(49,100)	(10,431)	(310,272)	(56,960)
Net financial expenses (income) recognized in net income	6	13,765	63,655	(18,937)	114,209
Interest paid:					
From E&C		(4,850)	(12,726)	(18,110)	(24,337)
From ICI		(2,754)	(83,740)	(14,484)	(116,435)
Expense recognized in respect of stock options	7A	358	1,032	693	2,895
Expense recognized in respect of cash-settled share-based payment arrangements	7B	7,012	7,682	11,713	11,195
Income from ICI accounted for by the equity method		(39,004)	(43,055)	(78,171)	(90,839)
Dividends and distributions received from ICI accounted for by the equity method		37,288	30,137	69,140	60,270
Net change in provisions related to forecasted losses on certain contracts		2,162	(20,683)	(29,102)	(37,472)
Remeasurement of a foreign exchange hedge	16	–	20,352	–	20,352
Other		(3,505)	488	(49,039)	15,328
		31,306	31,896	(200,919)	154,187
Net change in non-cash working capital items	12	(265,655)	(65,988)	(724,811)	(425,668)
Net cash used for operating activities		(234,349)	(34,092)	(925,730)	(271,481)
<b>Investing activities</b>					
Acquisition of property and equipment:					
From E&C		(24,978)	(8,259)	(40,769)	(25,494)
From ICI		–	(483,598)	–	(767,728)
Payments for ICI		(5,517)	(52,786)	(5,517)	(57,692)
Costs associated to a foreign exchange hedge	16	–	(50,000)	–	(50,000)
Change in restricted cash position		(3,585)	(8,120)	1,371	21,183
Increase in receivables under service concession arrangements		(33,501)	(25,824)	(64,293)	(52,923)
Recovery of receivables under service concession arrangements		24,985	19,879	46,938	38,102
Increase in short-term and long-term investments	4A	–	–	–	(260,492)
Decrease in short-term and long-term investments		15,629	26,008	38,203	39,355
Other		16,889	(1,397)	17,120	(1,524)
Net cash used for investing activities		(10,078)	(584,097)	(6,947)	(1,117,213)
<b>Financing activities</b>					
Increase in recourse debt	14, 16	205,000	70,000	235,000	70,000
Increase in non-recourse debt from ICI		96	365,716	844	1,172,715
Repayment of non-recourse debt from ICI		(3,143)	(1,019)	(4,781)	(152,290)
Increase in advances under contract financing arrangements		35,682	59,791	75,121	113,697
Proceeds from exercise of stock options		3,587	6,670	3,798	15,501
Redemption of shares	10	(74,000)	–	(86,563)	–
Dividends paid to SNC-Lavalin shareholders	9	(75,981)	(73,011)	(75,981)	(73,011)
Other		(1,099)	(6,584)	(3,944)	(5,526)
Net cash generated from financing activities		90,142	421,563	143,494	1,141,086
Increase (decrease) from exchange differences on translating cash and cash equivalents		(9,000)	(1,230)	21,458	1,099
<b>Net decrease in cash and cash equivalents</b>		<b>(163,285)</b>	<b>(197,856)</b>	<b>(767,725)</b>	<b>(246,509)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,097,765</b>	<b>1,060,041</b>	<b>1,702,205</b>	<b>1,108,694</b>
<b>Cash and cash equivalents at end of period</b>		<b>\$ 934,480</b>	<b>\$ 862,185</b>	<b>\$ 934,480</b>	<b>\$ 862,185</b>
Presented on the statement of financial position as follows:					
<b>Cash and cash equivalents</b>		<b>\$ 934,480</b>	<b>\$ 853,238</b>	<b>\$ 934,480</b>	<b>\$ 853,238</b>
<b>Assets of disposal group classified as held for sale</b>		<b>–</b>	<b>8,947</b>	<b>–</b>	<b>8,947</b>
		<b>\$ 934,480</b>	<b>\$ 862,185</b>	<b>\$ 934,480</b>	<b>\$ 862,185</b>

See accompanying notes to interim condensed consolidated financial statements.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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# Notes to Interim Condensed Consolidated Financial Statements

(ALL TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)  
(UNAUDITED)

## 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 2B, and for the new accounting policies adopted in the six-month period ended June 30, 2015, as described in Note 2E.

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 six-month periods ended June 30, 2015.

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 August 5, 2015.



## 2. BASIS OF PREPARATION (CONTINUED)

### B) CHANGE IN AN ACCOUNTING POLICY

In the first quarter of 2015, the Company changed its measure of profit or loss for its reportable segments, referred to as the segment EBIT, which no longer includes the corporate selling, general and administrative expenses that are not directly related to projects or segments. 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*.

### C) CHANGE IN PRESENTATION

In the first quarter of 2015, the Company revised its reportable segments to reflect a change made to its internal reporting structure and retrospectively reclassified the Environment & Water sub-segment included in the previously named Resources, Environment and Water segment to the Infrastructure & Construction sub-segment included in the Infrastructure segment, as detailed in Note 3. Therefore, the amount of revenues of \$27.9 million and of \$57.6 million and the amount of negative sub-segment EBIT of \$5.8 million and of \$10.4 million (prior to restatement) of the Environment & Water sub-segment in the three-month and the six-month periods ended June 30, 2014, respectively, were reclassified to the Infrastructure & Construction sub-segment.

In addition, on April 15, 2015, the Company announced certain organizational changes in order to further align its business structure with its markets. This reorganization resulted in certain changes in the way activities are regrouped and reportable segments are presented and analyzed. As such, the Company's reportable segments are now i) Mining & Metallurgy; ii) Oil & Gas; iii) Power; iv) Infrastructure; and v) ICI.

### D) CHANGE IN AN ACCOUNTING ESTIMATE

During the first quarter of 2015, the Company conducted a formal review of its computer equipment and accordingly reassessed its useful life. As a result of the review, the depreciation period of the Company's computer equipment was changed from 2 years to a period varying between 2 and 5 years. This resulted in a decrease estimated to \$3.4 million and \$7.3 million of the depreciation charge for the three-month and six-month periods ended June 30, 2015, respectively. This change of useful life of the Company's computer equipment was applied prospectively.

### E) NEW ACCOUNTING POLICIES ADOPTED IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

In the first quarter of 2015, the Company adopted the two following accounting policies:

#### Hedges of net investments in foreign operations

Hedges of net investments of foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under "Exchange differences on translating foreign operations" in the "Other components of equity". The gain or loss relating to the ineffective portion is recognized immediately in net income, and is included in the "Financial expenses" line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the "Exchange differences on translating foreign operations" are reclassified to net income on the disposal of the foreign operation.

#### Fair value hedges of available-for-sale investments

Changes in the fair value of derivatives that are designated and qualify as fair value hedges of an available-for-sale investment are recognized in net income immediately, together with any changes in the fair value of the hedged available-for-sale investment that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in net income in the same line item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

## 2. BASIS OF PREPARATION (CONTINUED)

### F) AMENDMENTS ADOPTED IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

The following amendments to existing standards have been adopted by the Company on January 1, 2015:

- *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19, *Employee Benefits*) apply to contributions from employees or third parties to defined benefit plans, which objective is to simplify the accounting for contributions that are independent of the number of years of employee service.
- Annual improvements to IFRS (2010-2012 Cycle), which include among others:
  - Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
  - Amendments to IFRS 13, *Fair Value Measurement*, 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 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 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.

## 2. BASIS OF PREPARATION (CONTINUED)

- Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
- Amendments to IAS 34, *Interim Financial Reporting*, (“IAS 34”) clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The following standards have been issued and are 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.
- 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 Company is currently evaluating the impact of adopting these amendments and standards on its financial statements.

### 3. SEGMENT DISCLOSURES

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

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
	2015		2014 <sup>(1)</sup>		2015		2014 <sup>(1)</sup>	
	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT
<b>Mining &amp; Metallurgy</b>	\$ 228,613	\$ 19,483	\$ 234,318	\$ 11,184	\$ 450,990	\$ 37,582	\$ 463,530	\$ 22,390
<b>Oil &amp; Gas</b>	891,011	65,242	128,982	(7,912)	1,651,173	119,376	232,486	(7,584)
<b>Power</b>	409,315	25,161	317,696	28,644	879,943	68,942	605,071	53,683
<b>Infrastructure</b>								
Infrastructure & Construction <sup>(2)</sup>	443,117	(43,242)	502,609	(9,226)	837,524	(53,859)	996,279	7,468
Operations & Maintenance	219,820	12,081	284,027	10,874	577,241	24,144	659,207	28,148
	662,937	(31,161)	786,636	1,648	1,414,765	(29,715)	1,655,486	35,616
<b>E&amp;C</b>	2,191,876	78,725	1,467,632	33,564	4,396,871	196,185	2,956,573	104,105
<b>ICI</b>	58,486	51,850	228,831	154,843	110,556	94,630	460,039	284,643
	\$ 2,250,362	130,575	\$ 1,696,463	188,407	\$ 4,507,427	290,815	\$ 3,416,612	388,748
Reversal of non-controlling interests before income taxes included above		6,855		89		7,555		209
Corporate selling, general and administrative expenses and others not allocated to the segments (Note 2B)		(59,468)		(48,057)		(89,904)		(78,458)
Restructuring costs (Note 5)		(7,700)		(854)		(8,184)		(2,038)
Acquisition-related costs and integration costs (Note 16)		(5,536)		(25,852)		(13,415)		(25,852)
Amortization of intangible assets related to Kentz acquisition		(21,105)		–		(42,088)		–
<b>EBIT</b>		43,621		113,733		144,779		282,609
Net financial expenses (income) (Note 6)		13,765		63,655		(18,937)		114,209
Income before income taxes		29,856		50,078		163,716		168,400
Income taxes		(1,017)		17,945		28,018		41,575
<b>Net income for the period</b>	\$	30,873	\$	32,133	\$	135,698	\$	126,825
<b>Net income attributable to:</b>								
SNC-Lavalin shareholders	\$	26,509	\$	32,068	\$	130,889	\$	126,658
Non-controlling interests		4,364		65		4,809		167
<b>Net income for the period</b>	\$	30,873	\$	32,133	\$	135,698	\$	126,825

(1) Comparative figures have been restated to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B) and a change made to the Company's internal reporting structure (see Note 2C).

(2) For the six-month period ended June 30, 2015, the negative sub-segment EBIT of \$53.9 million is mainly due to challenging soil conditions relating to the tunnel portion of a mass transit project and additional costs to secure the completion date on a major highway project, both in Canada, which led to a revised cost forecast with a total adverse impact of \$37.8 million on gross margin.

### 3. SEGMENT DISCLOSURES (CONTINUED)

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

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
<b>Supplementary information:</b>				
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	\$ (18,508)	\$ (46,860)	\$ 48,513	\$ (16,057)
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	31,451	29,355	62,903	58,710
From AltaLink	–	44,653	–	67,876
From other ICI	13,566	4,920	19,473	16,129
<b>Net income attributable to SNC-Lavalin shareholders for the period</b>	<b>\$ 26,509</b>	<b>\$ 32,068</b>	<b>\$ 130,889</b>	<b>\$ 126,658</b>

## 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 A DECREASE IN OWNERSHIP INTEREST IN ICI

#### I) IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

#### SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP (“SSL”)

In June 2015, the Company announced that the consortium SSL, of which SNC-Lavalin is a 50% partner, has finalized an agreement with the Government of Canada to design, build, finance and maintain the New Champlain Bridge Corridor project. SSL will operate and maintain the bridge for the duration of the concession period until 2049. The Company committed to invest in this ICI an amount of \$43.1 million in equity.

SNC-Lavalin’s investment in SSL is accounted for by the equity method.

#### II) IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

#### INPOWER BC GENERAL PARTNERSHIP

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

#### 4. INFRASTRUCTURE CONSESSION INVESTMENTS (“ICI”) (CONTINUED)

##### ALTALINK

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

##### 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.

	JUNE 30 2015	DECEMBER 31 2014
Net assets from ICI accounted for by the full consolidation method	\$ 4,374	\$ 9,658
Net book value of ICI accounted for by the equity method <sup>(1)</sup>	403,148	362,336
Net book value of ICI accounted for by the cost method	453,798	440,809
<b>Total net book value of ICI</b>	<b>\$ 861,320</b>	<b>\$ 812,803</b>

<sup>(1)</sup> Includes the Company’s investment in Highway 407, for which the net book value was \$nil as at June 30, 2015 and December 31, 2014.

#### 5. RESTRUCTURING COSTS

As part of the reorganization of its activities intended to implement its strategic plan and to increase efficiency and competitiveness, the Company incurred restructuring costs totalling \$7.7 million in the second quarter of 2015 (2014: \$0.9 million) and \$8.2 million in the six-month period ended June 30, 2015 (2014: \$2.0 million). The amounts paid during the second quarter of 2015 for restructuring costs totalled \$5.3 million (2014: \$nil) and \$25.7 million for the six-month period ended June 30, 2015 (2014: \$5.2 million). The amount of the provision for restructuring costs totalled \$48.0 million as at June 30, 2015 (December 31, 2014: \$65.6 million). Most of the accrued restructuring costs are expected to be disbursed within the next 12 months.

The restructuring costs recognized in the six-month periods ended June 30, 2015 and 2014 were mainly for severances.

#### 6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED JUNE 30	2015			2014 <sup>(1)</sup>		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Interest on debt:						
Recourse	\$ 6,506	\$ –	\$ 6,506	\$ 5,496	\$ –	\$ 5,496
Non-recourse:						
AltaLink	–	–	–	–	47,635	47,635
Other	–	6,575	6,575	–	5,887	5,887
Other	5,802	209	6,011	1,730	2,980	4,710
<b>Financial expenses</b>	<b>12,308</b>	<b>6,784</b>	<b>19,092</b>	<b>7,226</b>	<b>56,502</b>	<b>63,728</b>
Financial income	(2,133)	(5,537)	(7,670)	(1,183)	(3,323)	(4,506)
Net foreign exchange losses (gains)	2,596	(253)	2,343	5,817	(1,384)	4,433
<b>Financial income and net foreign exchange losses (gains)</b>	<b>463</b>	<b>(5,790)</b>	<b>(5,327)</b>	<b>4,634</b>	<b>(4,707)</b>	<b>(73)</b>
<b>Net financial expenses</b>	<b>\$ 12,771</b>	<b>\$ 994</b>	<b>\$ 13,765</b>	<b>\$ 11,860</b>	<b>\$ 51,795</b>	<b>\$ 63,655</b>

<sup>(1)</sup> 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.

## 6. NET FINANCIAL EXPENSES (CONTINUED)

SIX MONTHS ENDED JUNE 30	2015			2014 <sup>(1)</sup>		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Interest on debt:						
Recourse	\$ 11,941	\$ –	\$ 11,941	\$ 10,928	\$ –	\$ 10,928
Non-recourse:						
AltaLink	–	–	–	–	91,476	91,476
Other	–	13,238	13,238	–	10,228	10,228
Other	10,081	227	10,308	3,541	4,426	7,967
<b>Financial expenses</b>	<b>22,022</b>	<b>13,465</b>	<b>35,487</b>	<b>14,469</b>	<b>106,130</b>	<b>120,599</b>
Financial income	(4,827)	(11,076)	(15,903)	(2,577)	(6,383)	(8,960)
Net foreign exchange losses (gains)	(38,519)	(2)	(38,521)	3,954	(1,384)	2,570
<b>Financial income and net foreign exchange losses (gains)</b>	<b>(43,346)</b>	<b>(11,078)</b>	<b>(54,424)</b>	<b>1,377</b>	<b>(7,767)</b>	<b>(6,390)</b>
<b>Net financial expenses (income)</b>	<b>\$ (21,324)</b>	<b>\$ 2,387</b>	<b>\$ (18,937)</b>	<b>\$ 15,846</b>	<b>\$ 98,363</b>	<b>\$ 114,209</b>

<sup>(1)</sup> 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.

## 7. SHARE-BASED PAYMENTS

### A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the second quarter and the six-month period ended June 30, 2015 was \$0.4 million (2014: \$1.0 million) and \$0.7 million (2014: \$2.9 million), respectively.

For the six-month periods ended June 30, 2015 and 2014, no stock options were granted to employees.

As at June 30, 2015, 2,313,349 stock options were outstanding (December 31, 2014: 3,179,369 stock options), while 3,040,067 stock options remained available for future grants under the Company's 2013 Stock Option Plan (December 31, 2014: 2,865,402 stock options).

### B) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

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

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the six-month periods ended June 30, 2015 and 2014:

SIX MONTHS ENDED JUNE 30	2015		2014	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2014 PSU plan	459,358	\$ 40.42	223,133	\$ 46.73
2009 DSU plan	–	\$ –	63,651	\$ 46.91
RSU plan	510,155	\$ 40.46	347,697	\$ 46.74
DSU plan	15,505	\$ 42.07	16,867	\$ 47.07

The compensation expense recorded in the second quarter and the six-month periods ended June 30, 2015 relating to cash-settled share-based payment arrangements was \$7.0 million (2014: \$7.7 million) and \$11.7 million (2014: \$11.2 million), respectively.



## 8. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the second quarters and the six-month periods ended June 30, 2015 and 2014 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
Weighted average number of outstanding shares - basic	151,624	152,133	152,004	152,018
Dilutive effect of stock options	120	388	82	388
Weighted average number of outstanding shares - diluted	151,744	152,521	152,086	152,406

In the second quarter and six-month period ended June 30, 2015, 737,096 outstanding stock options (2014: 1,695,249 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

## 9. DIVIDENDS

During the six-month period ended June 30, 2015, the Company recognized as distributions to its equity shareholders dividends of \$76.0 million or \$0.50 per share (2014: \$73.0 million or \$0.48 per share).

SIX MONTHS ENDED JUNE 30	2015	2014
Dividends payable at January 1	\$ -	\$ -
Dividends declared during the period	75,981	73,011
Dividends paid during the period	(75,981)	(73,011)
<b>Dividends payable at June 30</b>	<b>\$ -</b>	<b>\$ -</b>

## 10. REDEMPTION OF SHARES

In the second quarter of 2015, the Company announced that it has received the required regulatory approval to proceed with its normal course issuer bid renewal to purchase, for cancellation, on the open market, up to 13,287,774 of its common shares commencing June 5, 2015 and ending June 4, 2016. In 2014, the number of common shares subject to the issuer bid was 3,000,000 common shares.

In the first six months of 2015, the Company repurchased and cancelled 1,979,500 common shares under its current and previously authorized normal course issuer bid resulting in cash outflows of \$86.6 million.

## 11. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at June 30, 2015 and December 31, 2014:

	JUNE 30	DECEMBER 31
	2015	2014
Exchange differences on translating foreign operations	\$ 148,734	\$ 19,848
Available-for-sale financial assets	2,142	645
Cash flow hedges	(2,779)	4,244
Share of other comprehensive loss of investments accounted for by the equity method	(39,371)	(35,634)
<b>Other components of equity</b>	<b>\$ 108,726</b>	<b>\$ (10,897)</b>

- 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 revalued 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 second quarters and the six-month periods ended June 30, 2015 and 2014:

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$ 262,703	\$ (36,108)	\$ 19,848	\$ (47,063)
Current period gains (losses)	(114,996)	(738)	126,925	10,217
Net investment hedge - current period gains	1,407	–	2,683	–
Income taxes relating to current period gains	(380)	–	(722)	–
Balance at end of period	148,734	(36,846)	148,734	(36,846)
Available-for-sale financial assets:				
Balance at beginning of period	1,215	2,665	645	2,605
Current period gains (losses) <sup>(1)</sup>	(2,424)	1,614	2,741	1,816
Income taxes relating to current period gains (losses)	2,135	(545)	(403)	(572)
Reclassification to net income <sup>(1)</sup>	1,036	(178)	(1,195)	(311)
Income taxes relating to amounts reclassified to net income	180	24	354	42
Balance at end of period	2,142	3,580	2,142	3,580
Cash flow hedges:				
Balance at beginning of period	(13,848)	(8,402)	4,244	(2,375)
Current period gains (losses)	3,776	10,387	(15,835)	(2,426)
Income tax relating to current period gains (losses)	(824)	(2,751)	4,495	511
Reclassification to net income	7,111	82	3,922	4,489
Income taxes relating to amounts reclassified to net income	1,006	533	395	(350)
Balance at end of period	(2,779)	(151)	(2,779)	(151)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	(40,545)	(29,560)	(35,634)	(24,142)
Current period share	55	(5,060)	(8,164)	(15,668)
Income taxes relating to current period share	(7)	1,161	2,160	4,191
Reclassification to net income	1,536	3,034	3,090	5,973
Income taxes relating to amounts reclassified to net income	(410)	(808)	(823)	(1,587)
Balance at end of period	(39,371)	(31,233)	(39,371)	(31,233)
<b>Other components of equity</b>	<b>\$ 108,726</b>	<b>\$ (64,650)</b>	<b>\$ 108,726</b>	<b>\$ (64,650)</b>
Presented on the statement of financial position as follows:				
<b>Other components of equity</b>	<b>\$ 108,726</b>	<b>\$ (60,646)</b>	<b>\$ 108,726</b>	<b>\$ (60,646)</b>
<b>Other components of equity of disposal group classified as held for sale</b>	<b>\$ –</b>	<b>\$ (4,004)</b>	<b>\$ –</b>	<b>\$ (4,004)</b>

<sup>(1)</sup> For the second quarter and six-month period ended June 30, 2015, the gain arising on derivatives as designated hedging instruments in fair value hedges amounted to \$1.0 million and \$1.4 million, respectively, and the loss arising on adjustment for hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to \$1.0 million and \$1.4 million, respectively.

### 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 second quarters and the six-month periods ended June 30, 2015 and 2014:

THREE MONTHS ENDED JUNE 30	2015			2014		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (46,555)	\$ 7,282	\$ (39,273)	\$ (31,448)	\$ 7,252	\$ (24,196)
Gains (losses) recognized during the period	21,418	(1,635)	19,783	(2,561)	558	(2,003)
<b>Cumulative amount at end of period</b>	<b>\$ (25,137)</b>	<b>\$ 5,647</b>	<b>\$ (19,490)</b>	<b>\$ (34,009)</b>	<b>\$ 7,810</b>	<b>\$ (26,199)</b>
SIX MONTHS ENDED JUNE 30	2015			2014		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (33,178)	\$ 6,403	\$ (26,775)	\$ (24,377)	\$ 6,353	\$ (18,024)
Gains (losses) recognized during the period	8,041	(756)	7,285	(9,632)	1,457	(8,175)
<b>Cumulative amount at the end of the period</b>	<b>\$ (25,137)</b>	<b>\$ 5,647</b>	<b>\$ (19,490)</b>	<b>\$ (34,009)</b>	<b>\$ 7,810</b>	<b>\$ (26,199)</b>

## 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:

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
Decrease (increase) in trade receivables	\$ 28,149	\$ 107,788	\$ 111,803	\$ (12,309)
Decrease (increase) in contracts in progress	37,615	39,091	(157,832)	43,679
Decrease (increase) in inventories	13,190	–	(40,011)	–
Decrease (increase) in other current financial assets	2,427	(71,234)	(62,388)	(91,539)
Decrease (increase) in other current assets	(17,628)	(4,056)	23,515	13,075
Decrease in trade payables	(222,696)	(205,636)	(275,543)	(419,018)
Increase (decrease) in downpayments on contracts	(18,569)	11,069	(56,318)	(2,638)
Increase (decrease) in deferred revenues	(62,171)	22,577	(173,934)	13,887
Increase (decrease) in other current financial liabilities	(32,379)	21,336	(55,639)	26,127
Increase (decrease) in other current liabilities	6,407	13,077	(38,464)	3,068
<b>Net change in non-cash working capital items</b>	<b>\$ (265,655)</b>	<b>\$ (65,988)</b>	<b>\$ (724,811)</b>	<b>\$ (425,668)</b>

## 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 <sup>(1)</sup>	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.

<sup>(1)</sup> Up until December 1, 2014, which is the effective disposal date of AltaLink, AltaLink was a subsidiary of the Company.

For the second quarter and the first six months of 2015, SNC-Lavalin recognized revenues of \$158.0 million (2014: \$145.0 million) and \$293.0 million (2014: \$304.3 million), respectively, from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these ICI accounted for by the equity method of \$39.0 million for the second quarter of 2015 (2014: \$43.1 million) and \$78.2 million for the six months of 2015 (2014: \$90.8 million), respectively. For the second quarter and the first six months of 2014, intragroup revenues generated from transactions with AltaLink, which amounted to \$315.8 million and \$670.6 million, respectively, were eliminated upon consolidation, while profits from those transactions were not eliminated. Following the disposal of AltaLink on December 1, 2014, revenues generated from transactions with AltaLink are recognized by the Company in its consolidated income statement.

SNC-Lavalin's trade receivables from ICI accounted for by the equity method amounted to \$69.7 million as at June 30, 2015 (December 31, 2014: \$60.7 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to \$78.0 million as at June 30, 2015 (December 31, 2014: \$96.4 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was \$89.0 million at June 30, 2015 (December 31, 2014: \$45.9 million).

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

## 14. SHORT-TERM DEBT AND LONG-TERM DEBT

In the six-month period ended June 30, 2015, the Company withdrew cash under its credit facility as follows:

SIX MONTHS ENDED JUNE 30	2015		2014
Balance at January 1	\$	–	\$ –
Increase during the period		<b>235,000</b>	–
Balance at June 30		<b>235,000</b>	–
Net unamortized deferred financing costs and unamortized discounts		<b>(10,940)</b>	–
<b>Recourse short-term debt</b>	<b>\$</b>	<b>224,060</b>	<b>\$ –</b>

In the second quarter of 2015, the Company's credit facility was amended to extend its maturity from August 2017 to August 2018.

## 15. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at June 30, 2015 and December 31, 2014 by category and classification, with the corresponding fair value, when available:

AT JUNE 30	2015					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL <sup>(2)</sup>	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 934,480	\$ –	\$ –	\$ –	\$ 934,480	\$ 934,480
Restricted cash	31,593	–	–	–	31,593	31,593
Trade receivables	–	–	1,176,816	–	1,176,816	1,176,816
Other current financial assets	50,780	–	860,005	18,855	929,640	931,980
ICI accounted for by the cost method <sup>(3)</sup>	–	351,419	102,379	–	453,798	See <sup>(3)</sup>
Non-current portion of receivables under service concession arrangements <sup>(4)</sup>	–	–	270,959	–	270,959	304,547
Non-current financial assets <sup>(4)</sup>	6,685	–	92,766	–	99,451	99,451
<b>Total</b>	<b>\$ 1,023,538</b>	<b>\$ 351,419</b>	<b>\$ 2,502,925</b>	<b>\$ 18,855</b>	<b>\$ 3,896,737</b>	

AT DECEMBER 31	2014 <sup>(1)</sup>					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL <sup>(2)</sup>	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR 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	–	–	1,251,755	–	1,251,755	1,251,755
Other current financial assets	53,624	–	787,329	3,774	844,727	844,727
ICI accounted for by the cost method <sup>(3)</sup>	–	347,494	93,315	–	440,809	See <sup>(3)</sup>
Non-current portion of receivables under service concession arrangements <sup>(4)</sup>	–	–	250,769	–	250,769	275,720
Non-current financial assets <sup>(4)</sup>	11,381	8,585	137,497	–	157,463	157,463
<b>Total</b>	<b>\$ 1,794,713</b>	<b>\$ 356,079</b>	<b>\$ 2,520,665</b>	<b>\$ 3,774</b>	<b>\$ 4,675,231</b>	

<sup>(1)</sup> Revised (see Note 16).

<sup>(2)</sup> Fair value through profit or loss ("FVTPL").

<sup>(3)</sup> These available-for-sale financial assets represent mainly equity instruments that do not have a quoted market price in an active market.

<sup>(4)</sup> 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.

## 15. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at June 30, 2015 and December 31, 2014 by category and classification, with the corresponding fair value, when available:

	2015			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	\$ –	\$ 2,037,489	\$ 2,037,489	\$ 2,037,489
Downpayments on contracts	–	202,060	202,060	202,060
Other current financial liabilities	31,116	309,165	340,281	340,281
Advances under contract financing arrangements <sup>(2)</sup>	–	395,727	395,727	401,081
Provisions	–	48,047	48,047	48,047
Short-term debt and long-term debt <sup>(3)</sup>	–	1,107,217	1,107,217	1,247,326
Other non-current financial liabilities	3,087	4,500	7,587	7,587
<b>Total</b>	<b>\$ 34,203</b>	<b>\$ 4,104,205</b>	<b>\$ 4,138,408</b>	

  

	2014 <sup>(1)</sup>			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	\$ –	\$ 2,321,701	\$ 2,321,701	\$ 2,321,701
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 <sup>(2)</sup>	–	319,321	319,321	325,988
Provisions	–	65,587	65,587	65,587
Short-term debt and long-term debt <sup>(3)</sup>	–	887,366	887,366	999,925
Other non-current financial liabilities	3,187	6,270	9,457	9,457
<b>Total</b>	<b>\$ 27,257</b>	<b>\$ 4,180,188</b>	<b>\$ 4,207,445</b>	

<sup>(1)</sup> Revised (see Note 16).

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 six-month periods ended June 30, 2015 and 2014, 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.

## 16. KENTZ CORPORATION LIMITED (“KENTZ”)

On August 22, 2014, the Company completed its acquisition of 100% of the voting shares 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.

## 16. 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 unsecured revolving credit agreement (the “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.

The carrying value of the Acquisition Facility was \$63.6 million as at June 30, 2014.

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.

In addition, 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 second quarters and the six-month periods ended June 30, 2015 and 2014, the acquisition-related costs and integration costs were as follows:

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
Remeasurement of a foreign exchange hedge	\$ –	\$ 20,352	\$ –	\$ 20,352
Professional fees and other related costs	5,536	5,500	13,415	5,500
<b>Acquisition-related costs and integration costs</b>	<b>\$ 5,536</b>	<b>\$ 25,852</b>	<b>\$ 13,415</b>	<b>\$ 25,852</b>

### A) MODIFICATIONS TO PRELIMINARY ALLOCATION OF PURCHASE PRICE

In the second quarter of 2015, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price. However, since the effect on net income was not material to the periods subsequent to the acquisition date, the cumulative adjustment to earnings was accounted for in the three-month and six-month periods ended June 30, 2015. The goodwill acquired by SNC-Lavalin related to its acquisition of Kentz has not been allocated to a cash-generating unit since the purchase price allocation was still preliminary as at June 30, 2015.

AT AUGUST 22, 2014	PRELIMINARY ALLOCATION OF PURCHASE PRICE	NOTE	ADJUSTMENTS <sup>(1)</sup>	REVISED ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	\$ 310,605		\$ –	\$ 310,605
Trade receivables	479,590	A	(96,298)	383,292
Contracts in progress	189,405	A	(6,630)	182,775
Other current assets	210,130	A	7,702	217,832
Other non-current assets	110,840	A	12,044	122,884
Intangible assets related to Kentz acquisition <sup>(2)</sup>	–	B	319,951	319,951
Trade payables and other current liabilities	(885,960)	C	(265,285)	(1,151,245)
Short-term debt	(495,175)		–	(495,175)
Non-current liabilities and non-controlling interests	(104,272)	D	(7,075)	(111,347)
Net identifiable liabilities of business acquired	(184,837)		(35,591)	(220,428)
Goodwill and other intangible assets <sup>(2), (3)</sup>	2,258,433		35,591	2,294,024
<b>Total purchase price</b>	<b>\$ 2,073,596</b>		<b>\$ –</b>	<b>\$ 2,073,596</b>

(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.

## 16. KENTZ CORPORATION LIMITED (“KENTZ”) (CONTINUED)

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. 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 and to the consolidated statement of financial position as at December 31, 2014, as presented in Note 16B, 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.

B. Intangible assets

The Company has determined the fair value of identifiable intangible assets acquired.

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.

## 16. KENTZ CORPORATION LIMITED (“KENTZ”) (CONTINUED)

### B) IMPACT ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

The following represents the revised consolidated statement of financial position as at December 31, 2014 which reflects the purchase price allocation adjustments and the related additional reclassifications applied to the consolidated statement of financial position as at December 31, 2014.

AT DECEMBER 31, 2014	AS ORIGINALLY REPORTED	NOTE <sup>(1)</sup>	PRELIMINARY PURCHASE PRICE ADJUSTMENTS AND RECLASSIFICATIONS	REVISED
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,702,205		\$ –	\$ 1,702,205
Restricted cash	27,503		–	27,503
Trade receivables	1,254,360	A	(2,605)	1,251,755
Contracts in progress	836,593	A	(80,890)	755,703
Inventories	111,374		–	111,374
Other current financial assets	844,727		–	844,727
Other current assets	274,130	A	483	274,613
<b>Total current assets</b>	<b>5,050,892</b>		<b>(83,012)</b>	<b>4,967,880</b>
Property and equipment	246,098		–	246,098
ICI accounted for by the equity method	362,336		–	362,336
ICI accounted for by the cost method	440,809		–	440,809
Goodwill	2,706,068		92,250	2,798,318
Intangible assets related to Kentz acquisition	301,071		–	301,071
Deferred income tax asset	395,987	A	1,469	397,456
Non-current portion of receivables under service concession arrangements	250,769		–	250,769
Non-current financial assets	157,463		–	157,463
Other non-current assets	99,848		–	99,848
<b>Total assets</b>	<b>\$ 10,011,341</b>		<b>\$ 10,707</b>	<b>\$ 10,022,048</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade payables	\$ 2,372,489	C	\$ (50,788)	\$ 2,321,701
Downpayments on contracts	249,521		–	249,521
Deferred revenues	1,149,653		–	1,149,653
Other current financial liabilities	354,492		–	354,492
Other current liabilities	485,429	C	4,822	490,251
Advances under contract financing arrangements	319,321		–	319,321
Current portion of provisions	256,392	C	57,986	314,378
Short-term debt and current portion of long-term debt: Non-recourse from ICI	7,750		–	7,750
<b>Total current liabilities</b>	<b>5,195,047</b>		<b>12,020</b>	<b>5,207,067</b>
Long-term debt:				
Recourse	348,932		–	348,932
Non-recourse from ICI	530,684		–	530,684
Other non-current financial liabilities	9,457		–	9,457
Non-current portion of provisions	341,268		–	341,268
Other non-current liabilities	3,702		–	3,702
Deferred income tax liability	265,541	D	(1,313)	264,228
<b>Total liabilities</b>	<b>6,694,631</b>		<b>10,707</b>	<b>6,705,338</b>
<b>Equity</b>				
Share capital	531,460		–	531,460
Retained earnings	2,785,067		–	2,785,067
Other components of equity	(10,897)		–	(10,897)
Equity attributable to SNC-Lavalin shareholders	3,305,630		–	3,305,630
Non-controlling interests	11,080		–	11,080
<b>Total equity</b>	<b>3,316,710</b>		<b>–</b>	<b>3,316,710</b>
<b>Total liabilities and equity</b>	<b>\$ 10,011,341</b>		<b>\$ 10,707</b>	<b>\$ 10,022,048</b>

<sup>(1)</sup> See Note 16A for explanations relating to adjustments and presentation reclassifications.



## 17. 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.

## 17. 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.

## 17. CONTINGENT LIABILITIES (CONTINUED)

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. 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.

## 17. CONTINGENT LIABILITIES (CONTINUED)

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

### C) OTHER

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.



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