Management's Discussion and Analysis

Second Quarter and First Six Months of 2015 versus
Second Quarter and First Six Months of 2014

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August 5, 2015

All financial information in Canadian dollars, unless otherwise indicated

1 – Second Quarter and First Six Months of 2015 Executive Summary

1.1 – Executive Summary – Financial Indicators

NET INCOME

> **Second Quarter**

- For the second quarter of 2015, net income attributable to SNC-Lavalin shareholders was $26.5 million ($0.17 per share on a diluted basis), compared to $32.1 million ($0.21 per share on a diluted basis) for the second quarter of 2014.
- For the second quarter of 2015, there was a net loss attributable to SNC-Lavalin shareholders from Engineering and Construction and Operations and Maintenance activities ("E&C") of $18.5 million, compared to a net loss of $46.9 million for the corresponding period of 2014, including:
  - $21.1 million ($16.0 million after taxes) of amortization of intangible assets in the second quarter of 2015 related to the acquisition of Kentz, compared to $nil in the second quarter of 2014;
  - $7.7 million ($6.0 million after taxes) of restructuring costs in the second quarter of 2015, compared to $0.9 million ($0.4 million after taxes) in the second quarter of 2014; and
  - $5.5 million ($4.7 million after taxes) of acquisition-related costs and integration costs in the second quarter of 2015 in connection with the acquisition of Kentz, compared to $25.9 million ($19.6 million after taxes) in the corresponding period of 2014.

  In addition, there were higher contributions from Oil & Gas and Mining & Metallurgy, partially offset by a lower contribution from Power and a negative segment EBIT in Infrastructure, for which Infrastructure & Construction recorded a higher negative sub-segment EBIT compared to the second quarter of 2014. The negative sub-segment EBIT in Infrastructure & Construction in the second quarter of 2015 was 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.
- For the second quarter of 2015, net income attributable to SNC-Lavalin shareholders from Infrastructure Concession Investments ("ICI") was $45.0 million, compared to $78.9 million for the same period last year, mainly reflecting the disposal of the Company's ownership interest in AltaLink Holdings, L.P. ("AltaLink") in the fourth quarter of 2014, which is no longer contributing in 2015, partially offset by a higher dividend received from Highway 407.

> **First Six Months ended June 30, 2015**

- For the first six months of 2015, net income attributable to SNC-Lavalin shareholders was $130.9 million ($0.86 per share on a diluted basis), compared to $126.7 million ($0.83 per share on a diluted basis) for the same period of 2014.
- For the first six months of 2015, net income attributable to SNC-Lavalin shareholders from E&C was $48.5 million, compared to a net loss of $16.1 million for the corresponding period of 2014, including:
    - $37.0 million ($32.6 million after taxes) of a net foreign exchange gain in the first six months of 2015;
    - $42.1 million ($32.0 million after taxes) of amortization of intangible assets in the first six months of 2015 related to the acquisition of Kentz, compared to $nil in the first six months of 2014;
    - $8.2 million ($6.4 million after taxes) of restructuring costs in the first six months of 2015, compared to $2.0 million ($1.0 million after taxes) in the first six months of 2014; and
    - $13.4 million ($10.7 million after taxes) of acquisition-related costs and integration costs in the first six months of 2015 in connection with the acquisition of Kentz, compared to $25.9 million ($19.6 million after taxes) in the corresponding period of 2014.

  Further explaining the increase in net income attributable to SNC-Lavalin shareholders from E&C were higher contributions from Power and Mining & Metallurgy, but particularly from Oil & Gas, partially offset by a negative sub-segment EBIT in Infrastructure & Construction and a lower contribution from Operations & Maintenance. Infrastructure & Construction recorded a negative sub-segment EBIT compared to a positive sub-segment EBIT in the first six months of 2014, mainly due to some challenges and additional costs on two major transportation projects in Canada, as explained above, and as 2014 results included the reversal of a risk provision that had been previously recorded on a Libyan project. The increase in Oil & Gas was mainly due to the incremental EBIT from Kentz, the acquisition of which was completed on August 22, 2014.

- For the first six months of 2015, net income attributable to SNC-Lavalin shareholders from ICI was $82.4 million, compared to $142.7 million for the same period in 2014, mainly reflecting the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015, partially offset by higher dividends received from Highway 407.

REVENUES

> Revenues for the first six months of 2015 increased to $4.5 billion, compared to $3.4 billion for the first six months of 2014, mainly due to an increase in Oil & Gas, as incremental revenues were generated by Kentz, the acquisition of which was completed on August 22, 2014, as well as an increase in Power, as the Company is no longer required to eliminate E&C revenues generated between the Company and AltaLink, since its disposal in the fourth quarter of 2014. These increases were partially offset by a decrease in Infrastructure & Construction, and Operations & Maintenance revenues, as well as a decrease in ICI revenues, principally due to the disposal of AltaLink.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

> For the first six months of 2015, selling, general and administrative expenses increased to $430.2 million, compared to $395.1 million for the corresponding period of 2014, mainly reflecting incremental selling, general and administrative expenses from Kentz Corporation Limited ("Kentz"), the acquisition of which was completed on August 22, 2014. This increase in selling, general and administrative expenses from E&C was more than offset by an incremental volume of activity, therefore decreasing the ratio of selling, general and administrative expenses over revenues from E&C.

FINANCIAL POSITION

> Cash and cash equivalents decreased to $0.9 billion at June 30, 2015, compared to $1.7 billion at December 31, 2014. The decrease mainly reflected net cash used for operating activities.

> On June 3, 2015, the Company announced that it had received the required regulatory approval to proceed with its previously-announced normal course issuer bid renewal through the facilities of the Toronto Stock Exchange ("TSX") and/or alternative trading systems to purchase, for cancellation, up to 13,287,774 of its Common Shares commencing June 5, 2015 and ending June 4, 2016. 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.

REVENUE BACKLOG

(IN MILLIONS OF CA$)		**June 30 2015**		March 31 2015		December 31 2014
Services	**$**	**4,081.7**	$	4,531.1	$	4,684.0
Packages		**6,403.3**		5,156.9		5,693.5
O&M		**1,903.2**		1,943.1		1,947.9
Total	**$**	**12,388.2**	$	11,631.1	$	12,325.5

> Revenue backlog totalled $12.4 billion at the end of June 2015, compared to $12.3 billion at the end of December 2014, mainly reflecting an increase in Packages, partially offset by a decrease in Services. The increase in Packages was mainly attributable to the addition, in the second quarter of 2015, in the Infrastructure segment of a major fixed-price contract for the New Champlain Bridge Corridor project as described in section 7.5, as well as the addition in the Power segment of a contract relating to a combined-cycle project to be built in the United States.

1.2 – Executive Summary – Other Items

CHANGES IN MANAGEMENT TEAM AND REPORTING STRUCTURE

In April 2015, the Company announced that Neil Bruce had been appointed to the newly created position of Chief Operating Officer ("COO"). Neil Bruce continues to report to Robert G. Card, President and Chief Executive Officer.

Reporting to Neil Bruce is a team of existing Company leaders. Alexander (Sandy) Taylor, President, Power and Christian Brown, President, Oil & Gas continue to occupy their current positions. José Suárez, previously Executive Vice-President, Integrated Management Systems was appointed Executive Vice-President, Mining & Metallurgy, while Ian Edwards was appointed Executive Vice-President, Infrastructure.

In addition, Dale Clarke, previously Executive Vice-President, Mining & Metallurgy was appointed Executive Vice-President, Integrated Management Systems, reporting to Robert G. Card.

The Company also announced that Hisham Mahmoud and Christian Jacqui would move on to the next steps in their careers, and would be leaving the Company on May 1 and May 31, 2015 respectively.

Furthermore, Réjean Goulet, Executive Vice-President and General Counsel, has announced his retirement from SNC-Lavalin. Jean-Éric Laferrière, Senior Vice-President, Legal Affairs, assumes the interim position.

Based on these changes and as described in section 7, the Company has made 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.

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the second quarter of 2015 and accompanying notes, and should therefore be read in conjunction with these documents and with the Financial Report for the year ended December 31, 2014, and should also be **read together with the text in section 2 on caution regarding forward-looking statements**. Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on SEDAR at **www.sedar.com** and on the Company's website at **www.snclavalin.com** under the "Investors" section. None of the information contained on, or connected to the SNC-Lavalin website is incorporated by reference or otherwise part of this MD&A.

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

2 – Caution Regarding Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on August 5, 2015. The assumptions are set out throughout the Company's 2014 MD&A (particularly in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2014 MD&A), as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the CFPOA and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in ICI that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) the Company may be unable to

successfully integrate the businesses of SNC-Lavalin and Kentz and realize the anticipated benefits of the Acquisition; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (cc) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (dd) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (ee) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2014 MD&A filed with the securities regulatory authorities in Canada, available on SEDAR at **www.sedar.com** and on the Company's website at **www.snclavalin.com** under the "Investors" section, as updated in this MD&A.

The forward-looking statements herein reflect the Company's expectations as at August 5, 2015, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

3 – Our Business

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

Engineering and construction expertise is provided by the Company's employees as either Services or Packages activities, which are offered to clients in multiple industries including Mining & Metallurgy, Oil & Gas, Power and Infrastructure & Construction. Refer to section 7 of this report for a review of the Company's segment earnings before interest and income taxes.

3.1 – Services Activities

Services activities include contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning, and also include contracts wherein SNC-Lavalin provides materials and/or multi-disciplinary construction services and management, namely provision of structural mechanical, electrical, instrumentation and piping services.

3.2 – Packages Activities

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

3.3 – Operations and Maintenance Activities

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

3.4 – Infrastructure Concession Investments

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

4 – How we Analyze and Report Our Results

The Company reports its results under **four categories of activity**, which are **Services, Packages**, **O&M** and **ICI**. The Company's management regularly analyzes the results of these categories independently as they generate different gross margin yields and have different risk profiles. The Company's management also analyzes results by segments, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. As described in section 7, 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. In addition, in April 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. Therefore, SNC-Lavalin's reportable segments are now i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; and v) **ICI**. The Company also provides additional information on certain sub-segments, namely the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure. The **O&M** sub-segment and the **ICI** segment correspond to the categories of activity of the same name.

4.1 – Non-IFRS Financial Measures and Additional IFRS Measures

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

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Performance	
Earnings before interest and income taxes ("EBIT")	Section 5.2
Earnings before interest, income taxes, depreciation and amortization ("EBITDA")	Section 5.2
Revenue backlog	Section 6
Segment or sub-segment EBIT	Section 7
Return on average shareholders equity ("ROASE")	Section 8.4
Diluted earnings per share from E&C	Section 5

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

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

5 – Breakdown of Income Statement

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Revenues by activity:				
Services	**$ 941.3**	$ 558.6	**$ 1,810.9**	$ 1,062.2
Packages	**1,030.8**	625.0	**2,008.8**	1,235.2
O&M	**219.8**	284.0	**577.2**	659.2
ICI	**58.5**	228.8	**110.6**	460.0
	$ 2,250.4	$ 1,696.5	**$ 4,507.4**	$ 3,416.6
Gross margin	**$ 301.5**	$ 348.7	**$ 638.7**	$ 705.6
Selling, general and administrative expenses:				
From E&C	**218.2**	191.3	**417.2**	368.1
From ICI	**5.3**	16.9	**13.0**	27.0
	223.6	208.3	**430.2**	395.1
Restructuring costs	**7.7**	0.9	**8.2**	2.0
Acquisition-related costs and integration costs	**5.5**	25.9	**13.4**	25.9
Amortization of intangible assets related to Kentz acquisition	**21.1**	–	**42.1**	–
EBIT	**$ 43.6**	$ 113.7	**$ 144.8**	$ 282.6
Net financial expenses (income):				
From E&C	**12.8**	11.9	**(21.3)**	15.8
From ICI	**1.0**	51.8	**2.4**	98.4
	13.8	63.7	**(18.9)**	114.2
Earnings before income taxes	**29.9**	50.1	**163.7**	168.4
Income taxes	**(1.0)**	17.9	**28.0**	41.6
Net income for the period	**$ 30.9**	$ 32.1	**$ 135.7**	$ 126.8
Net income attributable to:				
SNC-Lavalin shareholders	**$ 26.5**	$ 32.1	**$ 130.9**	$ 126.7
Non-controlling interests	**4.4**	0.1	**4.8**	0.2
Net income for the period	**$ 30.9**	$ 32.1	**$ 135.7**	$ 126.8
Earnings per share ($)				
Basic	**$ 0.17**	$ 0.21	**$ 0.86**	$ 0.83
Diluted	**$ 0.17**	$ 0.21	**$ 0.86**	$ 0.83
Supplementary information:				
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ (18.5)**	$ (46.9)	**$ 48.5**	$ (16.1)
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	**31.5**	29.4	**62.9**	58.7
From AltaLink	**–**	44.7	**–**	67.9
From other ICI	**13.6**	4.9	**19.5**	16.1
Net income attributable to SNC-Lavalin shareholders for the period	**$ 26.5**	$ 32.1	**$ 130.9**	$ 126.7
Diluted earnings (loss) per share from E&C ($)	**$ (0.12)**	$ (0.31)	**$ 0.32**	$ (0.11)

5.1 – Net Income Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
		2015		2014		**2015**		2014
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$**	**(18.5)**	$	(46.9)	**$**	**48.5**	$	(16.1)
Net income attributable to SNC-Lavalin shareholders from ICI		**45.0**		78.9		**82.4**		142.7
Net income attributable to SNC-Lavalin shareholders	**$**	**26.5**	$	32.1	**$**	**130.9**	$	126.7

For the second quarter of 2015, there was a net loss attributable to SNC-Lavalin shareholders from E&C of $18.5 million, compared to a net loss of $46.9 million for the corresponding period of 2014, including:

> $21.1 million ($16.0 million after taxes) of amortization of intangible assets in the second quarter of 2015 related to the acquisition of Kentz, compared to $nil in the second quarter of 2014;

> $7.7 million ($6.0 million after taxes) of restructuring costs in the second quarter of 2015, compared to $0.9 million ($0.4 million after taxes) in the second quarter of 2014; and

> $5.5 million ($4.7 million after taxes) of acquisition-related costs and integration costs in the second quarter of 2015 in connection with the acquisition of Kentz, compared to $25.9 million ($19.6 million after taxes) in the corresponding period of 2014.

In addition, there were higher contributions from Oil & Gas and Mining & Metallurgy, partially offset by a lower contribution from Power and a negative segment EBIT in Infrastructure, for which Infrastructure & Construction recorded a higher negative sub-segment EBIT compared to the second quarter of 2014. The negative sub-segment EBIT in Infrastructure & Construction in the second quarter of 2015 was 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.

For the second quarter of 2015, net income attributable to SNC-Lavalin shareholders from ICI was $45.0 million, compared to $78.9 million for the same period last year, mainly reflecting the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015, partially offset by a higher dividend received from Highway 407.

For the first six months of 2015, net income attributable to SNC-Lavalin shareholders from E&C was $48.5 million, compared to a net loss of $16.1 million for the corresponding period of 2014, including:

> $37.0 million ($32.6 million after taxes) of a net foreign exchange gain in the first six months of 2015;

> $42.1 million ($32.0 million after taxes) of amortization of intangible assets in the first six months of 2015 related to the acquisition of Kentz, compared to $nil in the first six months of 2014;

> $8.2 million ($6.4 million after taxes) of restructuring costs in the first six months of 2015, compared to $2.0 million ($1.0 million after taxes) in the first six months of 2014; and

> $13.4 million ($10.7 million after taxes) of acquisition-related costs and integration costs in the first six months of 2015 in connection with the acquisition of Kentz, compared to $25.9 million ($19.6 million after taxes) in the corresponding period of 2014.

Further explaining the increase in net income attributable to SNC-Lavalin shareholders from E&C were higher contributions from Power and Mining & Metallurgy, but particularly from Oil & Gas, partially offset by a negative sub-segment EBIT in Infrastructure & Construction and a lower contribution from Operations & Maintenance. Infrastructure & Construction recorded a negative sub-segment EBIT compared to a positive sub-segment EBIT in the first six months of 2014, mainly due to some challenges and additional costs on two major transportation projects in Canada, and as explained above, as 2014 results included the reversal of a risk provision that had been previously recorded on a Libyan project. The increase in Oil & Gas was mainly due to the incremental EBIT from Kentz, the acquisition of which was completed on August 22, 2014.

For the first six months of 2015, net income attributable to SNC-Lavalin shareholders from ICI was $82.4 million, compared to $142.7 million for the same period in 2014, mainly reflecting the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015, partially offset by higher dividends received from Highway 407.

5.2 – Earnings Before Interest and Income Taxes ("EBIT") and Earnings Before Interest, Income Taxes, Depreciation and Amortization ("EBITDA") Analysis

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

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2015			2014		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Net income (loss)	**$ (14.1)**	**$ 45.0**	**$ 30.9**	$ (46.8)	$ 78.9	$ 32.1
Net financial expenses	**12.8**	**1.0**	**13.8**	11.9	51.8	63.7
Income taxes	**(3.3)**	**2.3**	**(1.0)**	3.3	14.7	17.9
EBIT	**$ (4.7)**	**$ 48.3**	**$ 43.6**	$ (31.7)	$ 145.4	$ 113.7
Depreciation and amortization	**19.0**	**–**	**19.0**	15.9	13.2	29.1
Amortization of intangible assets related to Kentz acquisition	**21.1**	**–**	**21.1**	–	–	–
EBITDA	**$ 35.4**	**$ 48.3**	**$ 83.7**	$ (15.7)	$ 158.5	$ 142.8

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2015			2014		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Net income (loss)	**$ 53.3**	**$ 82.4**	**$ 135.7**	$ (15.9)	$ 142.7	$ 126.8
Net financial expenses (income)	**(21.3)**	**2.4**	**(18.9)**	15.8	98.4	114.2
Income taxes	**24.5**	**3.5**	**28.0**	15.3	26.3	41.6
EBIT	**56.5**	**88.2**	**144.8**	$ 15.2	$ 267.4	$ 282.6
Depreciation and amortization	**29.8**	**–**	**29.8**	34.1	53.5	87.6
Amortization of intangible assets related to Kentz acquisition	**42.1**	**–**	**42.1**	–	–	–
EBITDA	**$ 128.5**	**$ 88.2**	**$ 216.7**	$ 49.3	$ 320.9	$ 370.2

For the second quarter of 2015, there was a negative EBIT from E&C of $4.7 million, compared to a negative EBIT of $31.7 million in the corresponding period of 2014, mainly reflecting higher contributions from Oil & Gas and Mining & Metallurgy, partially offset by a lower contribution from Power and a negative segment EBIT in Infrastructure, as well as $7.7 million of restructuring costs in the second quarter of 2015, compared to $0.9 million in the second quarter of 2014, and $5.5 million of acquisition-related costs and integration costs in the second quarter of 2015 in connection with the acquisition of Kentz, compared to $25.9 million in the corresponding period of 2014. In addition, EBIT from E&C in the second quarter of 2015 included $21.1 million of amortization of intangible assets related to the acquisition of Kentz compared to $nil in the second quarter of 2014. As a result, **for the second quarter of 2015, EBITDA from E&C amounted to $35.4 million,** compared to a negative EBITDA of $15.7 million in the corresponding period of 2014.

For the second quarter of 2015, EBIT from ICI amounted to $48.3 million, compared to $145.4 million in the corresponding period of 2014, while **EBITDA from ICI amounted to $48.3 million in the second quarter of 2015,** compared to $158.5 million in the corresponding period of 2014, mainly due to the same reasons explained in the net income from ICI analysis in section 5.1.

For the first six months of 2015, EBIT from E&C amounted to $56.5 million, compared to $15.2 million in the corresponding period of 2014, mainly reflecting higher contributions from Power and Mining & Metallurgy, but particularly from Oil & Gas, partially offset by a negative segment EBIT in Infrastructure in the first six months of 2015, compared to the corresponding period of 2014, as well as $37.0 million of a net foreign exchange gain in the first quarter of 2015 mainly relating to intragroup loans used for repayment of recourse debt of Kentz in 2014; $8.2 million of restructuring costs in the first six months of 2015, compared to $2.0 million in the first six months of 2014; and $13.4 million of acquisition-related costs and integration costs in the first six months of 2015 in connection with the acquisition of Kentz, compared to $25.9 million in the corresponding period of 2014. In addition, EBIT from E&C in the first six months of 2015 included $42.1 million of amortization of intangible assets related to the acquisition of Kentz, compared to $nil in the first six months of 2014. As a result, **for the first six months of 2015, EBITDA from E&C amounted to $128.5 million,** compared to $49.3 million in the corresponding period of 2014.

For the first six months of 2015, EBIT from ICI amounted to $88.2 million, compared to $267.4 million in the corresponding period of 2014, while **for the first six months of 2015, EBITDA from ICI amounted to $88.2 million,** compared to $320.9 million in the corresponding period of 2014 mainly due to the same reasons explained in the net income from ICI analysis in section 5.1.

5.3 – Revenue Analysis

Revenues for the first six months of 2015 increased to $4.5 billion, compared to $3.4 billion for the first six months of 2014, reflecting an increase in Packages and Services, partially offset by a decrease in ICI and O&M.

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Services revenues	**$ 941.3**	$ 558.6	**$ 1,810.9**	$ 1,062.2

The increase in Services revenues for the first six months of 2015 compared to the same period in 2014 reflected an increase in Oil & Gas, as incremental revenues were generated by Kentz, the acquisition of which was completed on August 22, 2014, partially offset by a decrease in Mining & Metallurgy, Infrastructure and Power.

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Packages revenues	**$ 1,030.8**	$ 625.0	**$ 2,008.8**	$ 1,235.2

The increase in Packages revenues for the first six months of 2015 compared to the same period in 2014 reflected an increase in Oil & Gas, as incremental revenues were generated by Kentz, the acquisition of which was completed on August 22, 2014, as well as an increase in Power and Mining & Metallurgy, partially offset by a decrease in Infrastructure.

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
O&M revenues	**$ 219.8**	$ 284.0	**$ 577.2**	$ 659.2

O&M revenues for the first six months of 2015 decreased, compared to the corresponding period of 2014, mainly reflecting a lower level of activity.

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
ICI revenues	**$ 58.5**	$ 228.8	**$ 110.6**	$ 460.0

The decrease in ICI revenues for the first six months of 2015, compared to the corresponding period of 2014 mainly resulted from the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014.

5.4 – Gross Margin Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Gross margin from E&C	**$ 247.9**	$ 186.4	**$ 537.4**	$ 411.2
Gross margin from ICI	**53.7**	162.3	**101.3**	294.4
Gross margin	**$ 301.5**	$ 348.7	**$ 638.7**	$ 705.6
Gross margin-to-revenue ratio (%)	**13.4%**	20.6%	**14.2%**	20.7%

The gross margin amount from E&C for the second quarter and first six months of 2015 increased compared to the corresponding periods of 2014, reflecting a higher volume of activity, mainly in Oil & Gas from the acquisition of Kentz, which was completed on August 22, 2014, as well as in Power, partially offset by a lower gross margin-to-revenue ratio in Infrastructure and Power.

The gross margin amount from ICI for the second quarter and first six months of 2015 decreased compared to the corresponding periods of 2014, mainly reflecting the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014.

5.5 – Selling, General and Administrative Expenses Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Selling, general and administrative expenses from E&C	**$ 218.2**	$ 191.3	**$ 417.2**	$ 368.1
Selling, general and administrative expenses from ICI	**5.3**	16.9	**13.0**	27.0
Selling, general and administrative expenses	**$ 223.6**	$ 208.3	**$ 430.2**	$ 395.1

For the first six months of 2015, selling, general and administrative expenses increased to $430.2 million, compared to $395.1 million for the corresponding period of 2014, mainly reflecting incremental selling, general and administrative expenses from Kentz, the acquisition of which was completed on August 22, 2014. This increase in selling, general and administrative expenses from E&C was more than offset by an incremental volume of activity, therefore decreasing the ratio of selling, general and administrative expenses over revenues from E&C.

In the second quarter and first six months of 2015 and 2014, the Company's corporate selling, general and administrative expenses included, amongst others, the following expenses:

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Investigations and related matters	**$ 1.8**	$ 3.7	**$ 2.8**	$ 5.4
Expenses related to new information technology systems	**3.8**	6.2	**8.3**	12.6
Compliance program	**5.6**	4.2	**9.6**	8.0
Total	**$ 11.2**	$ 14.1	**$ 20.7**	$ 26.0

As described in Section 7, **corporate** selling, general and administrative expenses **that are not directly related to projects or segments** are no longer allocated to each of the Company's segments starting January 1, 2015.

5.6 – Restructuring Costs

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Restructuring costs	**$ 7.7**	$ 0.9	**$ 8.2**	$ 2.0

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.

5.7 – Acquisition-Related Costs and Integration Costs

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Unfavourable remeasurement of a foreign exchange hedge	**$ –**	$ 20.4	**$ –**	$ 20.4
Professional fees and other related costs	**5.5**	5.5	**13.4**	5.5
Acquisition-related costs and integration costs	**$ 5.5**	$ 25.9	**$ 13.4**	$ 25.9

In the first six months of 2015, the Company incurred acquisition-related costs and integration costs totalling $13.4 million, compared to $25.9 million in the corresponding period of 2014. While such costs in the first six months of 2015 were attributable to the integration of Kentz, the acquisition-related costs in the first six months of 2014 were due to a $20.4 million non-cash unfavourable remeasurement (mark to market) of a foreign exchange hedge to hedge the foreign exchange exposure of the Acquisition, as well as $5.5 million of professional fees and other related costs.

5.8 – Net Financial Expenses (Income) Analysis

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2015			2014 [1]		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Interest revenues	**$ (2.1)**	**$ (5.5)**	**$ (7.7)**	$ (1.2)	$ (3.3)	$ (4.5)
Net foreign exchange losses (gains)	**2.6**	**(0.3)**	**2.3**	5.8	(1.4)	4.4
Interest on debt:						
Recourse	**6.5**	**–**	**6.5**	5.5	–	5.5
Non-recourse:						
AltaLink	**–**	**–**	**–**	–	47.6	47.6
Other	**–**	**6.6**	**6.6**	–	5.9	5.9
Other	**5.8**	**0.2**	**6.0**	1.7	3.0	4.7
Net financial expenses	**$ 12.8**	**$ 1.0**	**$ 13.8**	$ 11.9	$ 51.8	$ 63.7

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2015			2014 [1]		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Interest revenues	**$ (4.8)**	**$ (11.1)**	**$ (15.9)**	$ (2.6)	$ (6.4)	$ (9.0)
Net foreign exchange losses (gains)	**(38.5)**	**–**	**(38.5)**	4.0	(1.4)	2.6
Interest on debt:						
Recourse	**11.9**	**–**	**11.9**	10.9	–	10.9
Non-recourse:						
AltaLink	**–**	**–**	**–**	–	91.5	91.5
Other	**–**	**13.2**	**13.2**	–	10.2	10.2
Other	**10.1**	**0.2**	**10.3**	3.5	4.4	8.0
Net financial expenses (income)	**$ (21.3)**	**$ 2.4**	**$ (18.9)**	$ 15.8	$ 98.4	$ 114.2

[1] Comparative figures were reclassified for the net foreign exchange losses (gains), to provide details on this element.

For the second quarter of 2015, net financial expenses from E&C increased to $12.8 million, compared to $11.9 million for the second quarter of 2014.

For the first six months of 2015, net financial income from E&C amounted to $21.3 million, compared to net financial expenses of $15.8 million for the first six months of 2014, mainly resulting from a net foreign exchange gain of $37.0 million in the first quarter of 2015 mainly relating to intragroup loans used for repayment of recourse debt of Kentz in 2014. In the first quarter of 2015, the Company entered into foreign exchange derivative instruments to economically hedge the foreign exchange portion of the abovementioned intragroup loans.

For the second quarter of 2015, net financial expenses from ICI decreased to $1.0 million, compared to $51.8 million for the second quarter of 2014, primarily due to the disposal of AltaLink in the fourth quarter of 2014.

For the first six months of 2015, net financial expenses from ICI decreased to $2.4 million, compared to $98.4 million for the first six months of 2014, due to the same reason stated above.

5.9 – Income Taxes Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014	**2015**	2014
Earnings before income taxes from E&C	**$ (17.5)**	$ (43.5)	**$ 77.9**	$ (0.6)
Earnings before income taxes from ICI	**47.3**	93.6	**85.9**	169.0
Earnings before income taxes	**$ 29.9**	$ 50.1	**$ 163.7**	$ 168.4
Income taxes from E&C	**$ (3.3)**	$ 3.3	**$ 24.5**	$ 15.3
Income taxes from ICI	**2.3**	14.7	**3.5**	26.3
Income taxes	**$ (1.0)**	$ 17.9	**$ 28.0**	$ 41.6
Effective income tax rate from E&C (%)	**19.0%**	(7.5%)	**31.5%**	N/A
Effective income tax rate from ICI (%)	**4.8%**	15.7%	**4.0%**	15.6%
Effective income tax rate (%)	**(3.4%)**	35.8%	**17.1%**	24.7%

For the second quarter of 2015, there was an income tax benefit from E&C of $3.3 million, compared to an income tax expense of $3.3 million in the corresponding period of 2014. **For the first six months of 2015, the income tax expense from E&C was $24.5 million,** compared to $15.3 million in the first six months of 2014. The effective income tax rate from E&C was higher than the statutory income tax rate in the first six months of 2015 mainly due to losses in the first six months of 2015 that do not generate an income tax benefit, as well as the geographic mix of earnings before income taxes which was notably impacted by the acquisition of Kentz, partially offset by other permanent differences. While there was a loss before income taxes from E&C in the first six months of 2014, the Company incurred an income tax expense which mainly reflected i) permanent differences, including non-deductible acquisition-related costs, as well as ii) losses that do not generate an income tax benefit, partially offset by iii) the geographic mix of earnings before income taxes.

For the second quarter of 2015, the income tax expense from ICI was $2.3 million, compared to $14.7 million in the second quarter of 2014. **For the first six months of 2015, the income tax expense from ICI was $3.5 million,** compared to $26.3 million in the corresponding period of 2014. The decrease in effective income tax rate from ICI in the first six months of 2015, compared to the first six months of 2014 is mainly attributable to the disposal of AltaLink in the fourth quarter of 2014, which did not contribute taxable income in the first six months of 2015.

6 – Revenue Backlog

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

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

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

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

AT JUNE 30 (IN MILLIONS OF CA$)	2015			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Mining & Metallurgy	**$ 153.4**	**$ 310.5**	**$ –**	**$ 463.9**
Oil & Gas	**3,170.5**	**1,218.1**	**–**	**4,388.7**
Power	**285.8**	**2,567.5**	**–**	**2,853.3**
Infrastructure				
Infrastructure & Construction	**472.0**	**2,307.2**	**–**	**2,779.2**
O&M	**–**	**–**	**1,903.2**	**1,903.2**
Total	**$ 4,081.7**	**$ 6,403.3**	**$ 1,903.2**	**$ 12,388.2**

AT MARCH 31 (IN MILLIONS OF CA$)	2015			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Mining & Metallurgy	$ 195.3	$ 444.0	$ –	$ 639.3
Oil & Gas	3,555.0	1,202.9	–	4,757.9
Power	290.2	2,058.9	–	2,349.1
Infrastructure				
Infrastructure & Construction	490.6	1,451.2	–	1,941.8
O&M	–	–	1,943.1	1,943.1
Total	$ 4,531.1	$ 5,156.9	$ 1,943.1	$ 11,631.1

AT DECEMBER 31 (IN MILLIONS OF CA$)	2014 (1)			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Mining & Metallurgy	$ 222.5	$ 552.1	$ –	$ 774.6
Oil & Gas	3,617.1	1,310.1	–	4,927.2
Power	304.2	2,208.3	–	2,512.4
Infrastructure				
Infrastructure & Construction	540.4	1,623.0	–	2,163.4
O&M	–	–	1,947.9	1,947.9
Total	$ 4,684.0	$ 5,693.5	$ 1,947.9	$ 12,325.5

(1) Comparative figures have been restated to reflect a change made to the Company's segment reporting structure.

Additionally, the Company discloses at section 12.2 of this MD&A its revenue backlog at the end of each of the first three quarters of 2014, regrouping the information using its segments as modified in 2015.

At June 30, 2015, revenue backlog was $12.4 billion, compared to $12.3 billion at the end of December 2014, mainly reflecting an increase in Packages, partially offset by a decrease in Services.

6.1 – Services Backlog

(IN MILLIONS OF CA$)		June 30 2015		March 31 2015		December 31 2014
Services backlog	**$**	**4,081.7**	$	4,531.1	$	4,684.0

The decrease in Services backlog from December 2014 to June 2015 reflected a decrease, mainly in Oil & Gas, Mining & Metallurgy and Infrastructure.

6.2 – Packages Backlog

(IN MILLIONS OF CA$)		June 30 2015		March 31 2015		December 31 2014
Packages backlog	**$**	**6,403.3**	$	5,156.9	$	5,693.5

The increase in Packages backlog from December 2014 to June 2015 reflected an increase in Infrastructure and Power, partially offset by a decrease in Mining & Metallurgy and Oil & Gas. The increase was mainly attributable to the addition, in the second quarter of 2015, in the Infrastructure segment of a major fixed-price contract for the New Champlain Bridge Corridor project as described in section 7.5, as well as the addition in the Power segment of a contract relating to a combined-cycle project to be built in the United States.

6.3 – O&M Backlog

(IN MILLIONS OF CA$)		June 30 2015		March 31 2015		December 31 2014
O&M backlog	**$**	**1,903.2**	$	1,943.1	$	1,947.9

The O&M backlog at the end of June 2015 remained in line with the end of December 2014.

7 – Segmented Information

As mentioned in section 4, the Company's results are analyzed by segment, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated.

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. In addition, in April 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.

Furthermore, as disclosed in the Company's 2014 annual MD&A, corporate selling, general and administrative expenses that are not directly related to projects or segments are no longer allocated to the Company's segments starting January 2015. Therefore, the Company's segment EBIT no longer includes these corporate selling, general and administrative expenses, which used to be allocated based on the gross margin of each of these segments. The Company believes that the use of such segment EBIT will improve the quality of its segments disclosure by providing information that is more comparable relating to their results from operations.

Therefore, since January 2015, the Company evaluates segment performance, using segment EBIT, which consists of gross margin less i) directly related selling, general and administrative expenses; and ii) non-controlling interests before taxes. Corporate selling, general and administrative expenses not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs and integration costs as well as amortization of intangible assets related to Kentz acquisition are not allocated to the Company's segments.

Comparative figures in this MD&A have been restated to reflect all changes to the Company's reportable segments mentioned above.

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

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

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

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

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

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
BY SEGMENT	**2015**	2014[1]	**2015**	2014[1]
Mining & Metallurgy	**$ 228.6**	$ 234.3	**$ 451.0**	$ 463.5
Oil & Gas	**891.0**	129.0	**1,651.2**	232.5
Power	**409.3**	317.7	**879.9**	605.1
Infrastructure				
Infrastructure & Construction	**443.1**	502.6	**837.5**	996.3
Operations & Maintenance	**219.8**	284.0	**577.2**	659.2
Subtotal Infrastructure	**662.9**	786.6	**1,414.8**	1,655.5
Total - E&C	**2,191.9**	1,467.6	**4,396.9**	2,956.6
ICI	**58.5**	228.8	**110.6**	460.0
Total	**$ 2,250.4**	$ 1,696.5	**$ 4,507.4**	$ 3,416.6

(1) Comparative figures have been restated to reflect a change made to the Company's segment reporting structure.

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

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
BY SEGMENT	**2015**	2014[1]	**2015**	2014[1]
Mining & Metallurgy	**$ 19.5**	$ 11.2	**$ 37.6**	$ 22.4
Oil & Gas	**65.2**	(7.9)	**119.4**	(7.6)
Power	**25.2**	28.6	**68.9**	53.7
Infrastructure				
Infrastructure & Construction	**(43.2)**	(9.2)	**(53.9)**	7.5
Operations & Maintenance	**12.1**	10.9	**24.1**	28.1
Subtotal - Infrastructure	**(31.2)**	1.6	**(29.7)**	35.6
Total - E&C	**78.7**	33.6	**196.2**	104.1
ICI	**51.9**	154.8	**94.6**	284.6
Total - segment EBIT	**$ 130.6**	$ 188.4	**$ 290.8**	$ 388.7
Less:				
Corporate selling, general and administrative expenses and others not allocated to the segments	**$ (59.5)**	$ (48.1)	**$ (89.9)**	$ (78.5)
Restructuring costs	**(7.7)**	(0.9)	**(8.2)**	(2.0)
Acquisition-related costs and integration costs	**(5.5)**	(25.9)	**(13.4)**	(25.9)
Amortization of intangible assets related to Kentz acquisition	**(21.1)**	–	**(42.1)**	–
Reversal of non-controlling interests before income taxes	**6.9**	0.1	**7.6**	0.2
EBIT	**$ 43.6**	$ 113.7	**$ 144.8**	$ 282.6

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

Additionally, the Company discloses at section 12.2 of this MD&A its revenues and segment EBIT for each quarter of 2014, reflecting the changes made to the Company's segment reporting structure and measure of profit and loss for the Company's reportable segments.

7.1 – Mining & Metallurgy

(IN MILLIONS OF CA$)	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
		2015		2014[1]		2015		2014[1]
Revenues from Mining & Metallurgy:								
Services	$	**103.9**	$	160.1	$	**220.3**	$	307.5
Packages		**124.7**		74.2		**230.7**		156.1
Total	$	**228.6**	$	234.3	$	**451.0**	$	463.5
Segment EBIT from Mining & Metallurgy	$	**19.5**	$	11.2	$	**37.6**	$	22.4
Segment EBIT over revenues from Mining & Metallurgy (%)		**8.5%**		4.8%		**8.3%**		4.8%

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

Mining & Metallurgy revenues in the second quarter of 2015 were $228.6 million, in line with the corresponding period of 2014. **For the first six months of 2015, revenues were $451.0 million, in line** with the first six months of 2014 as a lower level of Services activity was offset by a higher level of Packages activity.

Mining & Metallurgy segment EBIT was $19.5 million in the second quarter of 2015, compared to $11.2 million in the corresponding period of 2014, mainly reflecting lower selling, general and administrative expenses.

For the first six months of 2015, Mining & Metallurgy segment EBIT was $37.6 million, compared to $22.4 million in the first six months of 2014 mainly due to the same reason explained above.

7.2 – Oil & Gas

(IN MILLIONS OF CA$)	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
		2015		2014[1]		2015		2014[1]
Revenues from Oil & Gas:								
Services	$	**576.7**	$	109.7	$	**1,099.1**	$	205.7
Packages		**314.3**		19.3		**552.1**		26.8
Total	$	**891.0**	$	129.0	$	**1,651.2**	$	232.5
Segment EBIT from Oil & Gas	$	**65.2**	$	(7.9)	$	**119.4**	$	(7.6)
Segment EBIT over revenues from Oil & Gas (%)		**7.3%**		(6.1%)		**7.2%**		(3.3%)

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

Revenues from Oil & Gas increased to $891.0 million in the second quarter of 2015, compared to $129.0 million for the second quarter of 2014, primarily reflecting incremental Services and Packages revenues generated by Kentz.

For the first six months of 2015, revenues increased to $1,651.2 million, compared to $232.5 million for the first six months of 2014 for the same reason stated above.

In the second quarter of 2015, Oil & Gas segment EBIT was $65.2 million, compared to a negative segment EBIT of $7.9 million in the second quarter of 2014, mainly reflecting a higher volume of activity from the acquisition of Kentz, which more than offset its incremental selling, general and administrative expenses. The negative segment EBIT in the second quarter of 2014 was mainly attributable to an additional provision for loss recognized during the warranty period on a completed legacy Packages project.

For the first six months of 2015, Oil & Gas segment EBIT was $119.4 million, compared to a negative segment EBIT of $7.6 million in the corresponding period of 2014, mainly for the same reasons stated in the second quarter segment EBIT analysis above.

7.3 – Power

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014[(1)]	**2015**	2014[(1)]
Revenues from Power:				
Services	**$ 92.0**	$ 105.3	**$ 170.7**	$ 198.0
Packages	**317.4**	212.3	**709.2**	407.1
Total	**$ 409.3**	$ 317.7	**$ 879.9**	$ 605.1
Segment EBIT from Power	**$ 25.2**	$ 28.6	**$ 68.9**	$ 53.7
Segment EBIT over revenues from Power (%)	**6.1%**	9.0%	**7.8%**	8.9%

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

Power revenues increased to $409.3 million in the second quarter of 2015, compared to $317.7 million for the second quarter of 2014. **For the first six months of 2015, revenues increased to $879.9 million,** compared to $605.1 million for the corresponding period of 2014. The Company is no longer required to eliminate E&C revenues generated between the Company and AltaLink, since its disposal in the fourth quarter of 2014, whereas only profits from these projects were recognized prior to the transaction date.

For the second quarter of 2015, Power segment EBIT was $25.2 million, compared to $28.6 million in the corresponding quarter of 2014, as higher Packages revenues and lower selling, general and administrative expenses were more than offset by a lower gross margin-to-revenue ratio. The gross margin-to-revenue ratio for the second quarter of 2015 was negatively impacted by an unfavourable reforecast on a power plant project outside Canada with an impact of $15.5 million on gross margin.

For the first six months of 2015, Power segment EBIT was $68.9 million, compared to $53.7 million in the corresponding period of 2014, mainly reflecting higher Packages revenues as explained above combined with lower selling, general and administrative expenses, partially offset by a lower gross margin-to-revenue ratio. In the first six months of 2015, the unfavourable reforecast described in the second quarter of 2015 analysis above was more than offset by a favourable impact of $16.9 million on gross margin from a favourable reforecast in the first quarter of 2015 on a major project nearing completion.

Furthermore, the fact that revenues generated between the Company and AltaLink are no longer being eliminated while the recognition of gross margin from these transactions remains unchanged also had a

negative impact on the gross margin-to-revenue ratio in the first six months of 2015, compared the corresponding period of 2014.

7.4 – Infrastructure

7.4.1 – Infrastructure & Construction

(IN MILLIONS OF CA$)	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
		2015		2014[1]		**2015**		2014[1]
Revenues from Infrastructure &								
Services	**$**	**168.6**	$	183.4	**$**	**320.7**	$	351.0
Packages		**274.5**		319.2		**516.8**		645.3
Total	**$**	**443.1**	$	502.6	**$**	**837.5**	$	996.3
Sub-segment EBIT from Infrastructure & Construction	**$**	**(43.2)**	$	(9.2)	**$**	**(53.9)**	$	7.5
Sub-segment EBIT over revenues from Infrastructure & Construction (%)		**(9.8%)**		(1.8%)		**(6.4%)**		0.7%

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

Infrastructure & Construction revenues for the second quarter 2015 decreased to $443.1 million, compared to $502.6 million for the corresponding period of 2014, reflecting a lower level of Packages and Services activity.

For the first six months of 2015, revenues decreased to $837.5 million, compared to $996.3 million for the first six months of 2014, reflecting a lower level of Packages activity, principally due to the substantial completion of a major hospital project in the second half of 2014, as well as a lower level of Services activity.

For the second quarter of 2015, Infrastructure & Construction sub-segment EBIT was negative $43.2 million, compared to a negative sub-segment EBIT of $9.2 million in the corresponding quarter of 2014, mainly reflecting a lower gross margin-to-revenue ratio. The lower gross margin-to-revenue ratio was principally 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.

For the first six months of 2015, Infrastructure & Construction sub-segment EBIT was negative $53.9 million, compared to a sub-segment EBIT of $7.5 million in the first six months of 2014, mainly reflecting a lower gross margin-to-revenue ratio combined with a lower volume of activity, partially offset by lower selling, general and administrative expenses. While the gross margin for the first six months of 2015 included the adverse impact from some challenges and additional costs on two major transportation projects in Canada described above, the gross margin for the first six months of 2014 included a net favourable impact of $35.3 million explained by i) the reversal of a risk provision on a Libyan project, partially offset by ii) a risk provision recorded in the first quarter of 2014 covering in full the cash held in Libya caused by the increasing risk on the availability of such funds.

The Infrastructure & Construction sub-segment contribution in the first six months of 2015 and 2014 was negatively impacted by the need to maintain a level of selling, general and administrative expenses to support ongoing projects, which include challenging projects that do not generate gross margin.

7.4.2 – O&M

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014[1]	**2015**	2014[1]
Revenues from O&M	**$ 219.8**	$ 284.0	**$ 577.2**	$ 659.2
Sub-segment EBIT from O&M	**$ 12.1**	$ 10.9	**$ 24.1**	$ 28.1
Sub-segment EBIT over revenues from O&M (%)	**5.5%**	3.8%	**4.2%**	4.3%

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

O&M revenues in the second quarter of 2015 were $219.8 million, compared to $284.0 million in the corresponding period of 2014. **For the first six months of 2015, revenues were $577.2 million,** compared to $659.2 million in the corresponding period of 2014, mainly reflecting a lower level of activity, principally attributable to the non-renewal of an unprofitable contract for the management of government buildings, facilities and land in Canada.

O&M sub-segment EBIT was $12.1 million in the second quarter of 2015, compared to $10.9 million in the second quarter of 2014, mainly reflecting a higher gross margin-to-revenue ratio, partially offset by a lower volume of activity.

For the first six months of 2015, O&M sub-segment EBIT was $24.1 million, compared to $28.1 million in the corresponding period of 2014 mainly reflecting a lower volume of activity.

7.5 – ICI

SNC-Lavalin makes investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities, which are grouped into the ICI segment and described in section 8.4 of the Company's 2014 annual Management's Discussion and Analysis.

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.

AMBATOVY NICKEL PROJECT ("AMBATOVY")

SNC-Lavalin has a 5% ownership interest in Ambatovy, in Madagascar, on which it was awarded an engineering, procurement and construction management contract in 2007. In March 2008, Ambatovy obtained senior debt project financing whereupon each shareholder concurrently provided the Ambatovy senior lenders with a financial guarantee in proportion to their respective ownership interests. Also, to support the portion of the financial guarantee issued by one of the shareholders who is also the project operator of Ambatovy ("Project Operator"), the remaining shareholders ("Other Shareholders"), including SNC-Lavalin, provided cross guarantees to the Ambatovy senior lenders. Until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning of the project (the "Completion Date"), the financial guarantee of US$105 million and cross-guarantee of US$70 million will remain outstanding. As per the lending agreements, the Completion Date should be no later than September 30, 2015.

The Other Shareholders also entered into limited recourse subordinate loan agreements to finance a portion of the Project Operator's equity contribution in Ambatovy (the "Loans to Project Operator").

Upon Completion Date, a put/call arrangement between SNC-Lavalin and two shareholders of Ambatovy, including the Project Operator, will be exercisable. Under this put/call arrangement, SNC-Lavalin will have, for a period of two years after the Completion Date, the option ("put option") to divest from its 5% ownership interest in Ambatovy and the balance of its Loans to Project Operator, and the two shareholders will have the option ("call option") to acquire SNC-Lavalin's 5% ownership interest in Ambatovy and repay to SNC-Lavalin the outstanding balance of its Loans to Project Operator. Upon the exercise of the put or call option, the amount to be received by SNC-Lavalin will provide for a specific return (a higher return for the call option than for the put option) on its equity investment and for the repayment of principal and accrued interest on its Loans to Project Operator.

In March 2015, the Project Operator announced that Ambatovy has successfully reached a production rate equivalent to 54,000 tonnes of nickel on an annualized basis (approximately 90% of nameplate capacity), measured over 90 days in a 100-day continuous period. Such milestone represented the sixth certificate completed out of ten certificates to be delivered in order to achieve the Completion Date. In May and June 2015, the Project Operator announced that the Ambatovy project lenders' independent engineer verified and signed three certificates required in order to achieve the Completion Date, including the production certificate completed in March 2015, for a total of eight out of ten certificates.

7.5.1 – Net Book Value of ICI

Given the significant effect of ICI on the Company's consolidated statement of financial position, the Company provides additional information in Note 4 to its unaudited interim condensed consolidated financial statements for the second quarter of 2015 regarding the net book value of its ICI in accordance with the method accounted for in SNC-Lavalin's consolidated statement of financial position.

(IN MILLIONS OF CA$)		**June 30 2015**		December 31 2014
ICI accounted for by the full consolidation method	**$**	**4.4**	$	9.7
ICI accounted for by the equity method		**403.1**		362.3
ICI accounted for by the cost method		**453.8**		440.8
Total net book value of ICI	**$**	**861.3**	$	812.8

As at June 30, 2015, the Company estimated that the fair value of its ICI portfolio was much higher than its net book value, with the Company's investment in Highway 407 having the highest estimated fair value of its ICI portfolio. As at June 30, 2015, the net book value of the Company's investment in Highway 407 was $nil.

7.5.2 – EBIT of the ICI Segment

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2015	2014[1]	**2015**	2014[1]
Revenues from ICI	**$ 58.5**	$ 228.8	**$ 110.6**	$ 460.0
EBIT:				
From Highway 407	**$ 31.5**	$ 29.4	**$ 62.9**	$ 58.7
From AltaLink	**–**	106.7	**–**	182.0
From other ICI [2]	**20.4**	18.8	**31.7**	44.0
Segment EBIT from ICI	**$ 51.9**	$ 154.8	**$ 94.6**	$ 284.6

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

(2) EBIT from other ICI is net of divisional and certain directly related corporate selling, general and administrative expenses, as well as from selling, general and administrative expenses from all other ICI accounted for by the full consolidation method.

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

The ICI segment EBIT amounted to $51.9 million in the second quarter of 2015, compared to $154.8 million for the same period last year, mainly reflecting the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, partially offset by a higher dividend received from Highway 407.

The ICI segment EBIT decreased to $94.6 million for the first six months of 2015, compared to $284.6 million for the corresponding period of 2014, mainly for the same reasons stated above.

8 – Liquidity and Capital Resources

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

- A review of the **cash net of recourse debt** of the Company;
- A **cash flows analysis**, providing details on how the Company generated and used its cash and cash equivalents; and
- The presentation of the Company's **dividends declared** and **Return on Average Shareholders' Equity ("ROASE")**.

8.1 – Cash Net of Recourse Debt

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

(IN MILLIONS OF CA$)		June 30 2015		December 31 2014
Cash and cash equivalents	$	934.5	$	1,702.2
Less:				
Cash and cash equivalents of ICI accounted for by the full consolidation method		23.5		29.3
Recourse debt:				
Credit facility		224.1		-
Debentures		349.0		348.9
Cash net of recourse debt	$	337.9	$	1,324.0

The cash net of recourse debt at June 30, 2015 was $337.9 million, compared to $1,324.0 million at December 31, 2014, mainly due to a decrease in cash and cash equivalents as explained in section 8.2, as well as an increase in current recourse debt.

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

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

8.2 – Cash Flows Analysis

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)		2015		2014
Net cash flows generated from (used for):				
Operating activities	$	(925.7)	$	(271.5)
Investing activities		(6.9)		(1,117.2)
Financing activities		143.5		1,141.1
Increase from exchange differences on translating cash and cash equivalents		21.5		1.1
Net decrease in cash and cash equivalents		(767.7)		(246.5)
Cash and cash equivalents at beginning of period		1,702.2		1,108.7
Cash and cash equivalents at end of period	$	934.5	$	862.2
Less: Cash and cash equivalents included in the disposal group classified as held for sale		–		(8.9)
Cash and cash equivalents at end of period as presented on the consolidated statement of financial position	$	934.5	$	853.2

Cash and cash equivalents were $934.5 million at June 30, 2015, compared to $862.2 million at June 30, 2014, as discussed further below.

8.2.1 – Cash Flows Related to Operating Activities

Net cash used for operating activities was $925.7 million for the first six months of 2015, compared to $271.5 million for the corresponding period of 2014. The major elements impacting operating activities were as follows:

> Net cash used for operating activities before net change in non-cash working capital items, totalled $200.9 million in the first six months of 2015, compared to net cash generated of $154.2 million in the first six months of 2014, mainly reflecting :

- A net income of $135.7 million in the first six months of 2015, compared to $126.8 million in the corresponding period of 2014;
- Income taxes paid of $310.3 million in the first six months of 2015, compared to $57.0 million in the corresponding period of 2014, mainly due to income taxes paid on the net gain on disposal of AltaLink which was completed in the fourth quarter of 2014;
- A net financial income of $18.9 million in the first six months of 2015, compared to net financial expenses totalling $114.2 million in the first quarter of 2014 as explained in section 5.8, while interest paid in the first six months of 2015 amounted to $32.6 million, compared to $140.8 million in the first six months of 2014, principally due to the disposal of AltaLink in the fourth quarter of 2014; and
- A net decrease in provisions related to forecasted losses on certain contracts of $29.1 million in the first six months of 2015, compared to a net decrease of $37.5 million in the corresponding period of 2014.

> As detailed in Note 12 to the unaudited interim condensed consolidated financial statements for the second quarter of 2015, cash used for the net change in non-cash working capital items totalled $724.8 million in the first six months of 2015, compared to $425.7 million in the corresponding period of 2014, mainly reflecting working capital requirements on certain major projects.

8.2.2 – Cash Flows Related to Investing Activities

Net cash used for investing activities was $6.9 million for the first six months of 2015, compared to $1,117.2 million for the corresponding period of 2014. The major investing activities were as follows:

> Following the disposal of AltaLink in the fourth quarter of 2014, the acquisition of property and equipment from fully consolidated ICI used a total cash outflow of $nil in the first six months of 2015, compared to $767.7 million in the corresponding period of 2014, which was due to AltaLink;

> The acquisition of property and equipment from E&C activities amounted to a total cash outflow of $40.8 million in the first six months of 2015, compared to $25.5 million in the first six months of 2014;

> Payments for ICI amounted to $5.5 million in the first six months of 2015, reflecting payments for Ambatovy Nickel Project, compared to $57.7 million in the corresponding period of 2014, which primarily reflected payments for Groupe immobilier santé McGill and Ambatovy Nickel Project;

> A decrease in restricted cash position of $1.4 million in the first six months of 2015, compared to $21.2 million in the corresponding period of 2014;

> Costs of $50 million associated to a foreign exchange hedge in the first six months of 2014, as described in Note 16 to the Company's interim condensed consolidated financial statements for the second quarter of 2015; and

> The investment in deposit notes of a portion of $260.5 million of proceeds resulting from the issuance by InPower BC General Partnership of senior bonds in the first six months of 2014 as described in note 4A to the Company's unaudited interim condensed consolidated financial statements for the second quarter of 2015.

8.2.3 – Cash Flows Related to Financing Activities

Net cash generated from financing activities was $143.5 million in the first six months of 2015, compared to $1,141.1 million for the corresponding period of 2014. The major financing activities were as follows:

> An increase of $235.0 million in recourse debt in the first six months of 2015, compared to $70.0 million in the first six months of 2014;

> An increase in non-recourse debt from ICI totalling $0.8 million in the first six months of 2015, compared to $1,172.7 million in the corresponding period of 2014, which related primarily to AltaLink and other related holding entities as well as to InPower BC General Partnership;

> The repayment of non-recourse debt from ICI amounted to $4.8 million in the first six months of 2015, compared to $152.3 million in the first six months of 2014, which related primarily to AltaLink;

> An increase in advances under contract financing arrangements of $75.1 million in the first six months of 2015, compared to $113.7 million in the corresponding period of 2014;

> During the first six months of 2015 and 2014, the Company paid dividends totalling $76.0 million and $73.0 million, respectively;

> The redemption of shares for $86.6 million (1,979,500 shares at an average price of $43.73) in the first six months of 2015, compared to $nil in the first six months of 2014. On June 3, 2015, the Company announced that it had received the required regulatory approval to proceed with its previously-announced normal course issuer bid renewal through the facilities of the Toronto Stock Exchange ("TSX") and/or alternative trading systems to purchase, for cancellation, up to 13,287,774 of its Common Shares commencing June 5, 2015 and ending June 4, 2016; and

> The issuance of shares pursuant to the exercise of stock options generated $3.8 million of cash in the first six months of 2015 (99,605 stock options at an average price of $38.14), compared to $15.5 million in the corresponding period of 2014 (425,152 stock options at an average price of $36.46). As at July 28, 2015, there were 2,297,850 stock options outstanding with exercise prices varying from $37.04 to $57.07 per common share. At that same date there were 149,985,357 common shares issued and outstanding.

8.3 – Dividends

On March 4, 2015, May 6, 2015 and August 5, 2015, the Board of Directors authorized the declaration of a quarterly cash dividend of $0.25 per share, payable April 2, 2015, June 4, 2015 and September 3, 2015, respectively, representing an increase of 4.2% compared to the corresponding quarterly dividends paid in 2014 of $0.24 per share.

8.4 – Return on Average Shareholders' Equity ("ROASE")

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

ROASE was 47.3% for the 12-month period ended June 30, 2015, compared to 6.8% for the same period last year, mainly due to the gain on disposal of AltaLink in the fourth quarter of 2014.

8.5 – Financial Instruments

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 31 to the Company's 2014 annual audited consolidated financial statements and in Note 15 to its unaudited interim condensed consolidated financial statements for the second quarter of 2015. In the first six months of 2015, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments except for entering into foreign exchange derivative instruments to i) economically hedge intragroup loans, as described in section 5.8; ii) hedge a portion of the Company's net investments in foreign operations; and iii) hedge the foreign exchange portion of the fair value of an available-for-sale investment. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

9 – Related Party Transactions

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

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

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink [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, 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.

10 – Accounting Policies and Changes

The Company established its accounting policies and methods used in the preparation of its unaudited interim condensed consolidated financial statements for the second quarter of 2015 in accordance with IAS 34, *Interim Financial Reporting*. See Note 2 to the Company's 2014 annual audited consolidated financial statements for more information about the significant accounting policies used to prepare the financial statements, as they remain unchanged for the second quarter of 2015, except for new accounting policies and accounting policies affected by the amendments adopted in 2015, as described in sections 10.1 and 10.2 below. Furthermore, as described in Note 2B to the Company's unaudited interim condensed consolidated financial statements, in the first quarter of 2015, the Company changed its measure of profit or loss for its reportable segments which is referred to as segment EBIT, which no longer includes the corporate selling, general and administrative expenses that are not directly related to projects or segments as detailed in section 7.

The key judgments, assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements, were disclosed in the Company's 2014 annual audited consolidated financial statements and remain unchanged for the second quarter of 2015. In addition, 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.

10.1 – 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.

10.2 – 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.

10.3 – 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.
- 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.

11 – Risks and Uncertainties

Risks and uncertainties and certain risk management practices of the Company are described in section 13 of the Company's 2014 Financial Report under "Management's Discussion and Analysis". These risks and uncertainties and risk management practices have not materially changed in the first six months of 2015.

12 – Quarterly Information and Restated 2014 Quarterly Segmented Information

12.1 – Quarterly Information

(IN MILLIONS OF CA$, EXCEPT EARNINGS (LOSS) PER SHARE AND DIVIDENDS PER SHARE)	2015		2014				2013	
	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER
Revenues	**$ 2,250.4**	$ 2,257.1	$ 2,818.0	$ 2,004.1	$ 1,696.5	$ 1,720.1	$ 2,124.3	$ 1,945.2
EBIT	**$ 43.6**	$ 101.2	$ 1,439.1	$ 155.7	$ 113.7	$ 168.9	$ 190.0	$ (63.7)
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ (18.5)**	$ 67.0	$ (255.6)	$ (28.9)	$ (46.9)	$ 30.8	$ (31.3)	$ (128.4)
Net income attributable to SNC-Lavalin shareholders from ICI:								
From Highway 407	**31.5**	31.5	34.4	29.4	29.4	29.4	41.9	33.5
From AltaLink	**–**	–	48.8	58.9	44.7	23.2	39.3	21.3
From other ICI	**13.6**	5.9	1,319.0	0.7	4.9	11.2	42.6	0.8
Net income (loss) attributable to SNC-Lavalin shareholders	**26.5**	104.4	1,146.6	60.0	32.1	94.6	92.5	(72.7)
Net income attributable to non-controlling interests	**4.4**	0.4	0.3	0.7	0.1	0.1	0.1	0.3
Net income (loss)	**$ 30.9**	$ 104.8	$ 1,147.0	$ 60.8	$ 32.1	$ 94.7	$ 92.6	$ (72.5)
Basic earnings (loss) per share ($)	**$ 0.17**	$ 0.68	$ 7.52	$ 0.39	$ 0.21	$ 0.62	$ 0.61	$ (0.48)
Diluted earnings (loss) per share ($)	**$ 0.17**	$ 0.68	$ 7.51	$ 0.39	$ 0.21	$ 0.62	$ 0.61	$ (0.48)
Dividends declared per share ($)	**$ 0.25**	$ 0.25	$ 0.25	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.23

12.2 – Restated 2014 Quarterly Segmented Information

As disclosed in section 7, the Company revised its reportable segments to reflect the changes made to its internal reporting structure and changed its measure of profit or loss for its reportable segments. The tables below summarize the restated quarterly revenues, EBIT and revenue backlog by segment for the year ended December 31, 2014.

2014 Restated Segment Revenues by Quarter

(IN MILLIONS OF CA$)	2014				
BY SEGMENT	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	TOTAL
Mining & Metallurgy	$ 261.3	$ 247.0	$ 234.3	$ 229.2	$ 971.8
Oil & Gas	1,049.4	448.2	129.0	103.5	1,730.1
Power	476.2	269.1	317.7	287.4	1,350.3
Infrastructure					
Infrastructure & Construction	487.8	485.0	502.6	493.7	1,969.1
Operations & Maintenance	342.6	311.6	284.0	375.2	1,313.4
Subtotal - Infrastructure	830.4	796.6	786.6	868.9	3,282.5
Total - E&C	2,617.3	1,760.8	1,467.6	1,488.9	7,334.7
ICI	200.7	243.3	228.8	231.2	904.1
Total	$ 2,818.0	$ 2,004.1	$ 1,696.5	$ 1,720.1	$ 8,238.8

2014 Restated Segment EBIT by Quarter

(IN MILLIONS OF CA$)	2014				
BY SEGMENT	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	TOTAL
Mining & Metallurgy	$ (41.2)	$ 25.5	$ 11.2	$ 11.2	$ 6.7
Oil & Gas	(21.3)	26.9	(7.9)	0.3	(2.0)
Power	11.7	16.3	28.6	25.0	81.6
Infrastructure					
Infrastructure & Construction	(123.4)	(12.9)	(9.2)	16.7	(128.8)
Operations & Maintenance	5.0	10.6	10.9	17.3	43.8
Subtotal - Infrastructure	(118.4)	(2.3)	1.6	34.0	(85.0)
Total - E&C	(169.3)	66.4	33.6	70.5	1.2
ICI	1,744.0	181.6	154.8	129.8	2,210.2
Total Segment EBIT	$ 1,574.7	$ 248.0	$ 188.4	$ 200.3	$ 2,211.4
Less:					
Corporate selling, general and administrative expenses and others not allocated to the segments:	$ (11.6)	$ (36.5)	$ (48.1)	$ (30.4)	$ (126.6)
Restructuring costs	(94.0)	(13.8)	(0.9)	(1.2)	(109.9)
Acquisition-related costs and integration costs	(6.7)	(30.0)	(25.9)	–	(62.5)
Amortization of intangible assets related to Kentz acquisition	(24.2)	(12.3)	–	–	(36.5)
Reversal of non-controlling interests before income taxes	1.0	0.3	0.1	0.1	1.5
EBIT	$ 1,439.1	$ 155.7	$ 113.7	$ 168.9	$ 1,877.4

2014 Restated Revenue Backlog by Quarter

AT SEPTEMBER 30
(IN MILLIONS OF CA$)

	2014			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Mining & Metallurgy	$ 222.9	$ 668.2	$ –	$ 891.1
Oil & Gas	3,169.2	1,522.3	–	4,691.5
Power	349.1	2,033.2	–	2,382.3
Infrastructure				
Infrastructure & Construction	584.6	1,861.7	–	2,446.3
O&M	–	–	2,102.6	2,102.6
Total	$ 4,325.9	$ 6,085.4	$ 2,102.6	$ 12,513.9

AT JUNE 30
(IN MILLIONS OF CA$)

	2014			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Mining & Metallurgy	$ 224.5	$ 730.3	$ –	$ 954.8
Oil & Gas	283.6	62.8	–	346.4
Power	406.1	1,885.1	–	2,291.2
Infrastructure				
Infrastructure & Construction	611.8	2,165.2	–	2,776.9
O&M	–	–	1,843.9	1,843.9
Total	$ 1,526.0	$ 4,843.4	$ 1,843.9	$ 8,213.2

AT MARCH 31
(IN MILLIONS OF CA$)

	2014			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Mining & Metallurgy	$ 282.1	$ 239.3	$ –	$ 521.4
Oil & Gas	332.2	57.6	–	389.8
Power	360.7	2,053.1	–	2,413.8
Infrastructure				
Infrastructure & Construction	629.3	2,430.9	–	3,060.2
O&M	–	–	1,988.9	1,988.9
Total	$ 1,604.3	$ 4,780.9	$ 1,988.9	$ 8,374.1

13 – Controls and Procedures

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

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

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

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

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2015 and ended on June 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company completed the acquisition of the entire ordinary share capital of Kentz (the "Acquisition") on August 22, 2014. As a result, management's assessment and conclusion on the design of disclosure controls and procedures, and internal control over financial reporting, excludes the controls, policies and procedures of Kentz. Kentz represented approximately 33% of revenues and 44% of net income attributable to SNC-Lavalin shareholders for the first six months of 2015, as well as 41% of the total assets, 21% of the current assets, 57% of the non-current assets, 21% of the current liabilities and 7% of the non-current liabilities as at June 30, 2015, of the consolidated figures reported in the unaudited interim condensed consolidated financial statements for the second quarter of 2015. Note 16 to the unaudited interim condensed consolidated financial statements for the second quarter of 2015 presents summary financial information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about the Acquisition.