



SNC • LAVALIN

Q3

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2015 and 2014

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

		September 30 2015	December 31 2014 (Revised) (Note 16D)
	Note		
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,455,696	\$ 1,702,205
Restricted cash		34,050	27,503
Trade receivables		1,066,791	1,251,207
Contracts in progress		902,577	844,799
Inventories		162,661	101,771
Other current financial assets		991,846	844,727
Other current assets		295,022	271,580
Total current assets		4,908,643	5,043,792
Property and equipment		250,316	246,098
ICI accounted for by the equity method	4	425,728	362,336
ICI accounted for by the cost method	4	47,352	440,809
Goodwill		3,248,932	2,895,379
Intangible assets related to Kentz acquisition		282,677	311,022
Deferred income tax asset		469,514	419,639
Non-current portion of receivables under service concession arrangements		282,542	250,769
Non-current financial assets		78,218	157,463
Other non-current assets		99,547	99,848
Total assets		\$ 10,093,469	\$ 10,227,155
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 2,057,087	\$ 2,329,172
Downpayments on contracts		184,274	249,521
Deferred revenues		1,008,839	1,196,273
Other current financial liabilities		394,916	354,492
Other current liabilities		414,037	603,151
Advances under contract financing arrangements		399,330	319,321
Current portion of provisions		284,807	349,484
Short-term debt and current portion of long-term debt:			
Recourse	14	80,013	–
Non-recourse from ICI		20,028	7,750
Total current liabilities		4,843,331	5,409,164
Long-term debt:			
Recourse		349,090	348,932
Non-recourse from ICI		515,613	530,684
Other non-current financial liabilities		7,403	9,457
Non-current portion of provisions		339,984	341,268
Other non-current liabilities		5,581	3,702
Deferred income tax liability		271,785	259,062
Total liabilities		6,332,787	6,902,269
Equity			
Share capital	10	526,566	531,460
Retained earnings		2,916,054	2,785,067
Other components of equity	11	295,846	(2,721)
Equity attributable to SNC-Lavalin shareholders		3,738,466	3,313,806
Non-controlling interests		22,216	11,080
Total equity		3,760,682	3,324,886
Total liabilities and equity		\$ 10,093,469	\$ 10,227,155

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

					2015			
Equity attributable to SNC-Lavalin shareholders								
Share Capital					Total			
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)			Non- controlling interests	Total equity
Balance at beginning of the period ⁽¹⁾	152,465	\$ 531,460	\$ 2,785,067	\$ (2,721)	\$ 3,313,806	\$ 11,080	\$ 3,324,886	
Net income for the period	–	–	355,092	–	355,092	13,874	368,966	
Other comprehensive income for the period	–	–	6,534	298,567	305,101	–	305,101	
Total comprehensive income for the period	–	–	361,626	298,567	660,193	13,874	674,067	
Dividends declared (Note 9)	–	–	(113,421)	–	(113,421)	–	(113,421)	
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(156)	(156)	
Stock option compensation (Note 7A)	–	–	768	–	768	–	768	
Shares issued under stock option plans	105	4,964	(945)	–	4,019	–	4,019	
Shares redeemed and cancelled (Note 10)	(2,804)	(9,858)	(111,919)	–	(121,777)	–	(121,777)	
Capital contributions by non-controlling interests	–	–	–	–	–	1,296	1,296	
Acquisition of non-controlling interests	–	–	(5,122)	–	(5,122)	(3,878)	(9,000)	
Balance at end of the period	149,766	\$ 526,566	\$ 2,916,054	\$ 295,846	\$ 3,738,466	\$ 22,216	\$ 3,760,682	

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2014 ⁽²⁾								
Equity attributable to SNC-Lavalin shareholders							Non-controlling interests	Total equity
Share Capital								
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)	Total			
Balance at beginning of the period	151,807	\$ 497,130	\$ 1,610,503	\$ (70,975)	\$ 2,036,658	\$ 3,585	\$ 2,040,243	
Net income for the period	—	—	186,699	—	186,699	911	187,610	
Other comprehensive loss for the period	—	—	(13,962)	(10,391)	(24,353)	—	(24,353)	
Total comprehensive income (loss) for the period	—	—	172,737	(10,391)	162,346	911	163,257	
Dividends declared (Note 9)	—	—	(109,591)	—	(109,591)	—	(109,591)	
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(12)	(12)	
Stock option compensation (Note 7A)	—	—	3,912	—	3,912	—	3,912	
Shares issued under stock option plans	656	34,238	(7,396)	—	26,842	—	26,842	
Acquisition of non-controlling interests of Kentz (note 16)	—	—	—	—	—	6,646	6,646	
Balance at end of the period	152,463	\$ 531,368	\$ 1,670,165	\$ (81,366)	\$ 2,120,167	\$ 11,130	\$ 2,131,297	

⁽¹⁾ See Note 16D for explanations relating to revised figures.

⁽²⁾ See Note 16C for explanations relating to revised comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
EARNINGS PER SHARE AND NUMBER OF SHARES)

		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	2015	2014 ⁽¹⁾	2015	2014 ⁽¹⁾
Revenues by activity:					
Services		\$ 1,065,518	\$ 723,202	\$ 2,876,370	\$ 1,785,392
Packages		1,097,763	726,007	3,106,541	1,961,183
O&M		213,059	311,576	790,300	970,783
ICI accounted for by the full consolidation or cost methods		20,156	205,703	52,541	574,903
ICI accounted for by the equity method		36,744	37,643	114,915	128,482
		2,433,240	2,004,131	6,940,667	5,420,743
Direct cost of activities		2,047,927	1,583,952	5,916,651	4,294,948
Gross margin		385,313	420,179	1,024,016	1,125,795
Selling, general and administrative expenses		207,763	204,250	638,000	599,367
Restructuring costs	5	13,424	13,796	21,608	15,834
Acquisition-related costs and integration costs	16	5,819	29,998	19,234	55,850
Amortization of intangible assets related to Kentz acquisition		29,402	12,299	71,490	12,299
(Gain) loss on disposals of ICI before taxes	4A	(174,350)	4,132	(174,350)	4,132
EBIT ⁽²⁾		303,255	155,704	448,034	438,313
Financial expenses	6	17,807	82,097	53,294	202,696
Financial income and net foreign exchange losses (gains)	6	(9,027)	(8,602)	(63,451)	(14,992)
Earnings before income taxes		294,475	82,209	458,191	250,609
Income taxes		61,207	21,424	89,225	62,999
Net income for the period		\$ 233,268	\$ 60,785	\$ 368,966	\$ 187,610
Net income attributable to:					
SNC-Lavalin shareholders		\$ 224,203	\$ 60,041	\$ 355,092	\$ 186,699
Non-controlling interests		9,065	744	13,874	911
Net income for the period		\$ 233,268	\$ 60,785	\$ 368,966	\$ 187,610
Earnings per share (in \$)					
Basic		\$ 1.50	\$ 0.39	\$ 2.35	\$ 1.23
Diluted		\$ 1.49	\$ 0.39	\$ 2.35	\$ 1.22
Weighted average number of outstanding shares (in thousands)					
	8				
Basic		149,933	152,363	151,306	152,133
Diluted		149,979	152,909	151,376	152,577

⁽¹⁾ See Note 16C for explanations relating to revised comparative figures.

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

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

	2015			2014 ⁽¹⁾		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 224,203	\$ 9,065	\$ 233,268	\$ 60,041	\$ 744	\$ 60,785
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	156,686	–	156,686	(3,732)	–	(3,732)
Available-for-sale financial assets (Note 11)	271	–	271	(3,832)	–	(3,832)
Cash flow hedges (Note 11)	29,851	–	29,851	(9,250)	–	(9,250)
Share of other comprehensive loss of investments accounted for by the equity method (Note 11)	(6,814)	–	(6,814)	(4,591)	–	(4,591)
Income taxes (Note 11)	(3,740)	–	(3,740)	4,689	–	4,689
Total of items that will be reclassified subsequently to net income	176,254	–	176,254	(16,716)	–	(16,716)
Defined benefit pension plans and other post-employment benefits (Note 11)	(540)	–	(540)	(7,054)	–	(7,054)
Income taxes (Note 11)	(211)	–	(211)	1,267	–	1,267
Total of items that will not be reclassified subsequently to net income	(751)	–	(751)	(5,787)	–	(5,787)
Total other comprehensive income (loss) for the period	175,503	–	175,503	(22,503)	–	(22,503)
Total comprehensive income for the period	\$ 399,706	\$ 9,065	\$ 408,771	\$ 37,538	\$ 744	\$ 38,282

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

	2015			2014 ⁽¹⁾		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 355,092	\$ 13,874	\$ 368,966	\$ 186,699	\$ 911	\$ 187,610
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	288,984	–	288,984	6,485	–	6,485
Available-for-sale financial assets (Note 11)	1,817	–	1,817	(2,327)	–	(2,327)
Cash flow hedges (Note 11)	17,938	–	17,938	(7,187)	–	(7,187)
Share of other comprehensive loss of investments accounted for by the equity method (Note 11)	(11,888)	–	(11,888)	(14,286)	–	(14,286)
Income taxes (Note 11)	1,716	–	1,716	6,924	–	6,924
Total of items that will be reclassified subsequently to net income	298,567	–	298,567	(10,391)	–	(10,391)
Defined benefit pension plans and other post-employment benefits (Note 11)	7,501	–	7,501	(16,686)	–	(16,686)
Income taxes (Note 11)	(967)	–	(967)	2,724	–	2,724
Total of items that will not be reclassified subsequently to net income	6,534	–	6,534	(13,962)	–	(13,962)
Total other comprehensive income (loss) for the period	305,101	–	305,101	(24,353)	–	(24,353)
Total comprehensive income for the period	\$ 660,193	\$ 13,874	\$ 674,067	\$ 162,346	\$ 911	\$ 163,257

⁽¹⁾ See Note 16C for explanations relating to revised comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	THIRD QUARTER 2015	2014 ⁽¹⁾	NINE MONTHS ENDED SEPTEMBER 30 2015	2014 ⁽¹⁾
Operating activities					
Net income for the period		\$ 233,268	\$ 60,785	\$ 368,966	\$ 187,610
Adjustments to reconcile net income to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other non-current assets:					
From E&C		36,942	30,204	108,876	64,272
From ICI		—	—	—	53,513
Income taxes recognized in net income		61,207	21,424	89,225	62,999
Income taxes received (paid)		9,290	(6,938)	(300,982)	(63,898)
Net financial expenses (income) recognized in net income	6	8,780	73,495	(10,157)	187,704
Interest paid:					
From E&C		(15,771)	(7,674)	(33,881)	(32,011)
From ICI		(11,261)	(23,615)	(25,745)	(140,050)
Expense recognized in respect of stock options	7A	75	1,017	768	3,912
Expense recognized in respect of cash-settled share-based payment arrangements	7B	5,625	6,135	17,338	17,330
Income from ICI accounted for by the equity method		(36,744)	(37,643)	(114,915)	(128,482)
Dividends and distributions received from ICI accounted for by the equity method		33,067	61,394	102,207	121,664
Net change in provisions related to forecasted losses on certain contracts		(15,652)	(8,262)	(44,754)	(45,734)
(Gain) loss on disposals of ICI before taxes	4A	(174,350)	4,132	(174,350)	4,132
Remeasurement of a foreign exchange hedge	16	—	14,345	—	34,697
Other		5,256	(35,768)	(43,783)	(20,440)
Net change in non-cash working capital items	12	139,732	153,031	(61,187)	307,218
Net cash generated from (used for) operating activities		166,678	100,091	(759,052)	(171,390)
Investing activities					
Acquisition of property and equipment:					
From E&C		(31,162)	(14,026)	(71,931)	(39,520)
From ICI		—	(388,716)	—	(1,156,444)
Payments for ICI		(11,432)	(66,289)	(16,949)	(123,981)
Costs associated to a foreign exchange hedge	16	—	—	—	(50,000)
Recovery associated to a foreign exchange hedge	16	—	15,303	—	15,303
Acquisition of a business	16	—	(1,762,991)	—	(1,762,991)
Change in restricted cash position		(3,848)	(6,827)	(2,477)	14,356
Increase in receivables under service concession arrangements		(35,251)	(37,703)	(99,544)	(90,626)
Recovery of receivables under service concession arrangements		24,237	16,240	71,175	54,342
Increase in short-term and long-term investments	4A	—	—	—	(260,492)
Decrease in short-term and long-term investments		23,774	28,007	61,977	67,362
Net cash inflow on disposal of an ICI accounted for by the full consolidation method	4A	—	72,766	—	72,766
Net cash inflow on disposal of an ICI accounted for by the cost method	4A	600,717	—	600,717	—
Other		19,106	7,003	36,226	5,479
Net cash generated from (used for) investing activities		586,141	(2,137,233)	579,194	(3,254,446)
Financing activities					
Increase in recourse debt	14, 16	195,000	2,560,000	430,000	2,630,000
Repayment of recourse debt	14	(340,000)	—	(340,000)	—
Increase in non-recourse debt from ICI		530	233,585	1,374	1,406,300
Repayment of recourse debt of Kentz		—	(482,393)	—	(482,393)
Repayment of non-recourse debt from ICI		(2,844)	(971)	(7,625)	(153,261)
Increase in advances under contract financing arrangements		2,033	60,189	77,154	173,886
Proceeds from exercise of stock options		221	11,341	4,019	26,842
Redemption of shares	10	(35,214)	—	(121,777)	—
Dividends paid to SNC-Lavalin shareholders	9	(37,440)	(36,580)	(113,421)	(109,591)
Other		(13,194)	(15,058)	(17,138)	(20,584)
Net cash generated from (used for) financing activities		(230,908)	2,330,113	(87,414)	3,471,199
Increase (decrease) from exchange differences on translating cash and cash equivalents		(695)	52	20,763	1,151
Net increase (decrease) in cash and cash equivalents		521,216	293,023	(246,509)	46,514
Cash and cash equivalents at beginning of period		934,480	862,185	1,702,205	1,108,694
Cash and cash equivalents at end of period		\$ 1,455,696	\$ 1,155,208	\$ 1,455,696	\$ 1,155,208
Presented on the statement of financial position as follows:					
Cash and cash equivalents		\$ 1,455,696	\$ 1,143,649	\$ 1,455,696	\$ 1,143,649
Assets of disposal group classified as held for sale and asset held for sale		—	11,559	—	11,559
		\$ 1,455,696	\$ 1,155,208	\$ 1,455,696	\$ 1,155,208

⁽¹⁾ See Note 16C for explanations relating to revised comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Notes to Interim Condensed Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS

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

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

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company’s annual audited consolidated financial statements for the year ended December 31, 2014 were consistently applied to all periods presented, except for the change in an accounting policy, as described in Note 2B, and for the new accounting policies adopted in the nine-month period ended September 30, 2015, as described in Note 2E.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company’s annual audited consolidated financial statements for the year ended December 31, 2014 and remained unchanged for the three-month and nine-month periods ended September 30, 2015.

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

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

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

These Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2015.

2. BASIS OF PREPARATION (CONTINUED)

B) CHANGE IN AN ACCOUNTING POLICY

In the first quarter of 2015, the Company changed its measure of profit or loss for its reportable segments, referred to as the segment EBIT, which no longer includes the corporate selling, general and administrative expenses that are not directly related to projects or segments. This change in an accounting policy did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

C) CHANGE IN PRESENTATION

In the first quarter of 2015, the Company revised its reportable segments to reflect a change made to its internal reporting structure and retrospectively reclassified the Environment & Water sub-segment included in the previously named Resources, Environment and Water segment to the Infrastructure & Construction sub-segment included in the Infrastructure segment, as detailed in Note 3. Therefore, the revenues of \$34.1 million and of \$91.7 million and the negative sub-segment EBIT of \$3.3 million and of \$13.7 million (prior to restatement) of the Environment & Water sub-segment in the three-month and the nine-month periods ended September 30, 2014, respectively, were reclassified to the Infrastructure & Construction sub-segment.

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

D) CHANGE IN AN ACCOUNTING ESTIMATE

During the first quarter of 2015, the Company conducted a formal review of its computer equipment and accordingly reassessed its useful life. As a result of the review, the depreciation period of the Company's computer equipment was changed from 2 years to a period varying between 2 and 5 years. This resulted in a decrease estimated to \$3.2 million and \$10.5 million of the depreciation charge for the three-month and nine-month periods ended September 30, 2015, respectively. This change of useful life of the Company's computer equipment was applied prospectively.

E) NEW ACCOUNTING POLICIES ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

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

Hedges of net investments in foreign operations

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

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

Fair value hedges of available-for-sale investments

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

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

2. BASIS OF PREPARATION (CONTINUED)

F) AMENDMENTS ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

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

- *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19, *Employee Benefits*) apply to contributions from employees or third parties to defined benefit plans, which objective is to simplify the accounting for contributions that are independent of the number of years of employee service.
- Annual improvements to IFRS (2010-2012 Cycle), which include among others:
 - Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
 - Amendments to IFRS 13, *Fair Value Measurement*, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.
- Annual improvements to IFRS (2011-2013 Cycle), which include among others:
 - Amendments to IFRS 3, *Business Combinations*, clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
 - Amendments to IFRS 13, *Fair Value Measurement*, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, even if those contracts do not meet the definition of financial assets or financial liabilities.

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

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

The following amendments to the standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2016 and thereafter, with an earlier application permitted:

- *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*): i) when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full; and ii) when an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interests in the joint venture or associate, i.e., the entity's share of the gain or loss is eliminated.
- *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.
- Annual Improvements to IFRS (2012-2014 Cycle):
 - Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
 - Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.

2. BASIS OF PREPARATION (CONTINUED)

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

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

- IFRS 9, *Financial Instruments*, covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model.
- IFRS 15, *Revenue from Contracts with Customers*, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.

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

3. SEGMENT DISCLOSURES

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

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
	2015		2014 ⁽¹⁾		2015		2014 ⁽¹⁾	
	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT	REVENUES	EBIT
Mining & Metallurgy	\$ 202,847	\$ 19,782	\$ 246,966	\$ 25,508	\$ 653,837	\$ 57,364	\$ 710,496	\$ 47,898
Oil & Gas	1,045,718	62,277	448,152	26,875	2,696,891	181,653	680,638	19,291
Power	401,992	16,285	269,077	16,287	1,281,935	85,227	874,148	69,970
Infrastructure								
Infrastructure & Construction	512,724	41,155	485,014	(12,893)	1,350,248	(12,704)	1,481,293	(5,425)
Operations & Maintenance	213,059	15,256	311,576	10,635	790,300	39,400	970,783	38,783
	725,783	56,411	796,590	(2,258)	2,140,548	26,696	2,452,076	33,358
E&C	2,376,340	154,755	1,760,785	66,412	6,773,211	350,940	4,717,358	170,517
ICI	56,900	224,763	243,346	181,564	167,456	319,393	703,385	466,207
	<u>\$ 2,433,240</u>	<u>379,518</u>	<u>\$ 2,004,131</u>	<u>247,976</u>	<u>\$ 6,940,667</u>	<u>670,333</u>	<u>\$ 5,420,743</u>	<u>636,724</u>
Reversal of non-controlling interests before income taxes included above		9,267		341		16,822		550
Corporate selling, general and administrative expenses and others not allocated to the segments (Note 2B)		(36,885)		(36,520)		(126,789)		(114,978)
Restructuring costs (Note 5)		(13,424)		(13,796)		(21,608)		(15,834)
Acquisition-related costs and integration costs (Note 16)		(5,819)		(29,998)		(19,234)		(55,850)
Amortization of intangible assets related to Kentz acquisition		(29,402)		(12,299)		(71,490)		(12,299)
EBIT		303,255		155,704		448,034		438,313
Net financial expenses (income) (Note 6)		8,780		73,495		(10,157)		187,704
Income before income taxes		294,475		82,209		458,191		250,609
Income taxes		61,207		21,424		89,225		62,999
Net income for the period	\$	233,268	\$	60,785	\$	368,966	\$	187,610
Net income attributable to:								
SNC-Lavalin shareholders	\$	224,203	\$	60,041	\$	355,092	\$	186,699
Non-controlling interests		9,065		744		13,874		911
Net income for the period	\$	233,268	\$	60,785	\$	368,966	\$	187,610

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B) and a change made to the Company's internal reporting structure (see Note 2C). In addition, the comparative figures for the three-month and nine-month periods ended September 30, 2014 have been revised to reflect the modifications made in the fourth quarter of 2014 to the preliminary allocation of purchase price of Kentz Corporation Limited (see Note 16C).

3. SEGMENT DISCLOSURES (CONTINUED)

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014 ⁽¹⁾	2015	2014 ⁽¹⁾
Supplementary information:				
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	\$ 33,334	\$ (28,889)	\$ 81,847	\$ (44,946)
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	31,452	29,355	94,355	88,065
From AltaLink	–	58,896	–	126,772
From other ICI:				
From a net loss on disposal of Ovation (Note 4A)	–	(3,126)	–	(3,126)
From a net gain on disposal of Ambatovy (Note 4A)	145,719	–	145,719	–
Excluding the net gain (loss) listed above	13,698	3,805	33,171	19,934
Net income attributable to SNC-Lavalin shareholders for the period	\$ 224,203	\$ 60,041	\$ 355,092	\$ 186,699

⁽¹⁾ Comparative figures for the three-month and nine-month periods ended September 30, 2014 have been revised to reflect the modifications made in the fourth quarter of 2014 to the preliminary allocation of purchase price of Kentz Corporation Limited (see Note 16C).

4. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”)

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

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

Accounting method

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

Accounting model

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

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

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

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

I) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

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

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

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

CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP

In July 2015, the Company announced that the consortium Crosslinx Transit Solutions General Partnership, of which SNC-Lavalin is a 25% partner, has finalized an agreement on the Eglinton Crosstown Light Rail Transit project (the “Eglinton Crosstown”) in Toronto, Canada. Under the project agreement, Crosslinx Transit Solutions General Partnership will provide the design, build, financing and 30-year maintenance and rehabilitation of the Eglinton Crosstown. The Company committed to invest in this ICI an amount of \$24.9 million in equity.

SNC-Lavalin’s investment in Crosslinx Transit Solutions General Partnership is accounted for by the equity method.

AMBATOVY NICKEL PROJECT (“AMBATOVY”)

On September 21, 2015, the Ambatovy Nickel Project achieved financial completion. Accordingly, the project financing that was put in place to finance the construction of the project, for which SNC-Lavalin provided a US\$105 million financial guarantee and a US\$70 million cross-guarantee to the Ambatovy project’s lenders, became non-recourse to all of the partners, including SNC-Lavalin. At the same time, the put/call arrangement (the “option”) between SNC-Lavalin and two shareholders of Ambatovy became exercisable, allowing SNC-Lavalin to divest its 5% ownership interest in Ambatovy (the “investment”) and the balance of its loans to a shareholder of Ambatovy (the “loans”).

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

On September 30, 2015, the Company announced that it has exercised its option. As such, SNC-Lavalin sold to one of Ambatovy shareholders its 5% ownership interest in Ambatovy and its loans for a cash consideration of US\$449.7 million (CA\$600.7 million).

Net gain on disposal of Ambatovy

NINE-MONTH PERIOD ENDED SEPTEMBER 30	2015
Consideration received	\$ 600,717
Carrying amount of the investment and loans	(425,367)
Disposition-related costs	(1,000)
Gain on disposal of Ambatovy	174,350
Income taxes	28,631
Net gain on disposal of Ambatovy	\$ 145,719

II) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

INPOWER BC GENERAL PARTNERSHIP

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

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

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

ALTALINK

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

ASTORIA PROJECT PARTNERS LLC (“ASTORIA”)

In August 2014, SNC-Lavalin announced that it had reached an agreement to sell its 21% ownership interest in Astoria, the owner of the legal entity that owns and operates a gas-fired combined-cycle power plant in New York City. Completion of the sale, which was subject to customary adjustments, closing conditions, regulatory approvals and the provisions of the Astoria governing documents, occurred in the fourth quarter of 2014.

OVATION REAL ESTATE GROUP (QUEBEC) INC. (“OVATION”)

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

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

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

Net loss on disposal of Ovation

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

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

Net cash inflow on disposal of Ovation

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

B) NET BOOK VALUE OF ICI

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

	SEPTEMBER 30 2015	DECEMBER 31 2014
Net assets (liabilities) from ICI accounted for by the full consolidation method	\$ (18,434)	\$ 9,658
Net book value of ICI accounted for by the equity method ⁽¹⁾	425,728	362,336
Net book value of ICI accounted for by the cost method	47,352	440,809
Total net book value of ICI	\$ 454,646	\$ 812,803

(1) Includes the Company's investment in Highway 407, for which the net book value was \$nil as at September 30, 2015 and December 31, 2014.

5. RESTRUCTURING COSTS

As part of the reorganization of its activities intended to implement its strategic plan and to increase efficiency and competitiveness, the Company incurred restructuring costs totalling \$13.4 million in the third quarter of 2015 (2014: \$13.8 million) and \$21.6 million in the nine-month period ended September 30, 2015 (2014: \$15.8 million). The amounts paid during the third quarter of 2015 for restructuring costs totalled \$8.1 million (2014: \$5.5 million) and \$33.8 million for the nine-month period ended September 30, 2015 (2014: \$10.7 million). The amount of the provision for restructuring costs totalled \$53.4 million as at September 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 nine-month periods ended September 30, 2015 and 2014 were mainly for severances.

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED SEPTEMBER 30			2015			2014 ⁽¹⁾		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL		
Interest on debt:								
Recourse	\$ 7,395	\$ –	\$ 7,395	\$ 13,405	\$ –	\$ 13,405		
Non-recourse:								
AltaLink	–	–	–	–	51,417	51,417		
Other	–	6,798	6,798	–	7,675	7,675		
Other	3,568	46	3,614	10,034	(434)	9,600		
Financial expenses	10,963	6,844	17,807	23,439	58,658	82,097		
Financial income	(2,626)	(5,044)	(7,670)	(2,250)	(2,878)	(5,128)		
Net foreign exchange losses (gains)	(1,419)	62	(1,357)	(2,491)	(983)	(3,474)		
Financial income and net foreign exchange losses (gains)	(4,045)	(4,982)	(9,027)	(4,741)	(3,861)	(8,602)		
Net financial expenses	\$ 6,918	\$ 1,862	\$ 8,780	\$ 18,698	\$ 54,797	\$ 73,495		

NINE MONTHS ENDED SEPTEMBER 30			2015			2014 ⁽¹⁾		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL		
Interest on debt:								
Recourse	\$ 19,336	\$ –	\$ 19,336	\$ 24,333	\$ –	\$ 24,333		
Non-recourse:								
AltaLink	–	–	–	–	142,893	142,893		
Other	–	20,036	20,036	–	17,903	17,903		
Other	13,649	273	13,922	13,575	3,992	17,567		
Financial expenses	32,985	20,309	53,294	37,908	164,788	202,696		
Financial income	(7,453)	(16,120)	(23,573)	(4,827)	(9,261)	(14,088)		
Net foreign exchange losses (gains)	(39,938)	60	(39,878)	1,463	(2,367)	(904)		
Financial income and net foreign exchange losses (gains)	(47,391)	(16,060)	(63,451)	(3,364)	(11,628)	(14,992)		
Net financial expenses (income)	\$ (14,406)	\$ 4,249	\$ (10,157)	\$ 34,544	\$ 153,160	\$ 187,704		

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

7. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the third quarter and the nine-month period ended September 30, 2015 was \$0.1 million (2014: \$1.0 million) and \$0.8 million (2014: \$3.9 million), respectively.

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

As at September 30, 2015, 2,242,683 stock options were outstanding (December 31, 2014: 3,179,369 stock options), while 3,104,799 stock options remained available for future grants under the Company's 2013 Stock Option Plan (December 31, 2014: 2,865,402 stock options).

7. SHARE-BASED PAYMENTS (CONTINUED)

B) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

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

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

NINE MONTHS ENDED SEPTEMBER 30	2015		2014	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2014 PSU plan	512,825	\$ 40.86	233,133	\$ 47.12
2009 DSU plan	7,844	\$ 37.63	63,651	\$ 46.91
RSU plan	653,249	\$ 41.34	354,585	\$ 46.91
DSU plan	22,763	\$ 42.45	21,325	\$ 49.22

The compensation expense recorded in the third quarter and the nine-month periods ended September 30, 2015 relating to cash-settled share-based payment arrangements was \$5.6 million (2014: \$6.1 million) and \$17.3 million (2014: \$17.3 million), respectively.

8. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

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

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
Weighted average number of outstanding shares - basic	149,933	152,363	151,306	152,133
Dilutive effect of stock options	46	546	70	444
Weighted average number of outstanding shares - diluted	149,979	152,909	151,376	152,577

In the third quarter and nine-month period ended September 30, 2015, 719,263 outstanding stock options (2014: 1,437,512 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

9. DIVIDENDS

During the nine-month period ended September 30, 2015, the Company recognized as distributions to its equity shareholders dividends of \$113.4 million or \$0.75 per share (2014: \$109.6 million or \$0.72 per share).

NINE MONTHS ENDED SEPTEMBER 30	2015	2014
Dividends payable at January 1	\$ —	\$ —
Dividends declared during the period	113,421	109,591
Dividends paid during the period	(113,421)	(109,591)
Dividends payable at September 30	\$ —	\$ —

10. REDEMPTION OF SHARES

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

In the first nine months of 2015, the Company repurchased and cancelled 2,803,900 common shares under its current and previously authorized normal course issuer bid resulting in cash outflows of \$121.8 million.

11. OTHER COMPONENTS OF EQUITY

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

	SEPTEMBER 30 2015	DECEMBER 31 2014 ⁽¹⁾
Exchange differences on translating foreign operations	\$ 318,595	\$ 28,024
Available-for-sale financial assets	2,311	645
Cash flow hedges	19,187	4,244
Share of other comprehensive loss of investments accounted for by the equity method	(44,247)	(35,634)
Other components of equity	\$ 295,846	\$ (2,721)

⁽¹⁾ See Note 16D for explanations relating to revised comparative figures.

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

11. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the third quarters and the nine-month periods ended September 30, 2015 and 2014:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
Exchange differences on translating foreign operations:				
Balance at beginning of period ⁽¹⁾	\$ 159,600	\$ (36,846)	\$ 28,024	\$ (47,063)
Current period gains (losses)	165,270	(3,732)	294,885	6,485
Net investment hedge - current period losses	(8,584)	—	(5,901)	—
Income taxes relating to current period losses	2,309	—	1,587	—
Balance at end of period	318,595	(40,578)	318,595	(40,578)
Available-for-sale financial assets:				
Balance at beginning of period	2,142	3,580	645	2,605
Current period gains (losses) ⁽²⁾	3,163	(3,230)	5,904	(1,414)
Income taxes relating to current period gains (losses)	(102)	1,679	(505)	1,107
Reclassification to net income ⁽²⁾	(2,892)	(602)	(4,087)	(913)
Income taxes relating to amounts reclassified to net income	—	81	354	123
Balance at end of period	2,311	1,508	2,311	1,508
Cash flow hedges:				
Balance at beginning of period	(2,779)	(151)	4,244	(2,375)
Current period losses	(12,434)	(12,090)	(28,269)	(14,516)
Income tax relating to current period losses	2,982	3,217	7,477	3,728
Reclassification to net income	42,285	2,840	46,207	7,329
Income taxes relating to amounts reclassified to net income	(10,867)	(1,628)	(10,472)	(1,978)
Balance at end of period	19,187	(7,812)	19,187	(7,812)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	(39,371)	(31,233)	(35,634)	(24,142)
Current period share	(9,293)	(8,094)	(17,457)	(23,762)
Income taxes relating to current period share	2,597	2,295	4,757	6,486
Reclassification to net income	2,479	3,503	5,569	9,476
Income taxes relating to amounts reclassified to net income	(659)	(955)	(1,482)	(2,542)
Balance at end of period	(44,247)	(34,484)	(44,247)	(34,484)
Other components of equity	\$ 295,846	\$ (81,366)	\$ 295,846	\$ (81,366)
Presented on the statement of financial position as follows:				
Other components of equity	\$ 295,846	\$ (79,380)	\$ 295,846	\$ (79,380)
Other components of equity of disposal group classified as held for sale and of asset held for sale	\$ —	\$ (1,986)	\$ —	\$ (1,986)

⁽¹⁾ See Note 16D for explanations relating to revised figures.

⁽²⁾ For the third quarter and nine-month period ended September 30, 2015, the loss arising on derivatives designated as hedging instruments in fair value hedges amounted to \$2.9 million and \$1.5 million, respectively, and the gain arising on adjustment for hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to \$2.9 million and \$1.5 million, respectively.

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the third quarters and the nine-month periods ended September 30, 2015 and 2014:

THREE MONTHS ENDED SEPTEMBER 30		2015			2014		
		BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (25,137)	\$ 5,647	\$ (19,490)	\$ (34,009)	\$ 7,810	\$ (26,199)	\$ (26,199)
Gains (losses) recognized during the period	(540)	(211)	(751)	(7,054)	1,267	(5,787)	(5,787)
Cumulative amount at end of period	\$ (25,677)	\$ 5,436	\$ (20,241)	\$ (41,063)	\$ 9,077	\$ (31,986)	\$ (31,986)
NINE MONTHS ENDED SEPTEMBER 30		2015			2014		
		BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (33,178)	\$ 6,403	\$ (26,775)	\$ (24,377)	\$ 6,353	\$ (18,024)	\$ (18,024)
Gains (losses) recognized during the period	7,501	(967)	6,534	(16,686)	2,724	(13,962)	(13,962)
Cumulative amount at the end of the period	\$ (25,677)	\$ 5,436	\$ (20,241)	\$ (41,063)	\$ 9,077	\$ (31,986)	\$ (31,986)

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
Decrease (increase) in trade receivables	\$ 98,661	\$ (3,302)	\$ 210,464	\$ (15,611)
Decrease (increase) in contracts in progress	155,815	(35,241)	(2,017)	8,438
Increase in inventories	(11,180)	—	(51,191)	—
Decrease (increase) in other current financial assets	(74,345)	61,538	(136,733)	(30,001)
Decrease (increase) in other current assets	(7,220)	4,478	16,295	17,553
Decrease in trade payables	(41,249)	(117,953)	(316,792)	(536,971)
Decrease in downpayments on contracts	(18,089)	(5,699)	(74,407)	(8,337)
Increase (decrease) in deferred revenues	(39,472)	18,671	(213,406)	32,558
Increase (decrease) in other current financial liabilities	5,799	21,397	(49,840)	47,524
Increase (decrease) in other current liabilities	(41,774)	3,171	(80,238)	6,239
Net change in non-cash working capital items	\$ 26,946	\$ (52,940)	\$ (697,865)	\$ (478,608)

13. RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

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

For the third quarter and the first nine months of 2015, SNC-Lavalin recognized revenues of \$216.9 million (2014: \$158.9 million) and \$509.9 million (2014: \$463.2 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 \$36.7 million for the third quarter of 2015 (2014: \$37.6 million) and \$114.9 million for the nine months of 2015 (2014: \$128.5 million), respectively. For the third quarter and the first nine months of 2014, intragroup revenues generated from transactions with AltaLink, which amounted to \$331.1 million and \$1,001.7 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 \$79.3 million as at September 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 \$96.8 million as at September 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 \$113.9 million at September 30, 2015 (December 31, 2014: \$45.9 million).

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

14. SHORT-TERM DEBT AND LONG-TERM DEBT

In the nine-month periods ended September 30, 2015 and 2014, the Company withdrew cash under its credit facilities as follows:

NINE MONTHS ENDED SEPTEMBER 30	2015	2014
Balance at January 1	\$ –	\$ –
Increase during the period - Acquisition Facility (Note 16)	–	2,550,000
Increase during the period - Facility	430,000	80,000
Repayment during the period - Facility	(340,000)	–
Balance at September 30	90,000	2,630,000
Net unamortized deferred financing costs and unamortized discounts	(9,987)	(24,046)
Recourse short-term debt	\$ 80,013	\$ 2,605,954

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

15. FINANCIAL INSTRUMENTS

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

AT SEPTEMBER 30		2015					
		CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL ⁽²⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE	
Cash and cash equivalents	\$ 1,455,696	\$ –	\$ –	\$ –	\$ 1,455,696	\$ 1,455,696	
Restricted cash	34,050	–	–	–	34,050	34,050	
Trade receivables	–	–	1,066,791	–	1,066,791	1,066,791	
Other current financial assets	45,964	–	939,610	6,272	991,846	993,935	
ICI accounted for by the cost method ⁽³⁾	–	47,352	–	–	47,352	See ⁽³⁾	
Non-current potion of receivables under service concession arrangements ⁽⁴⁾	–	–	282,542	–	282,542	316,168	
Non-current financial assets ⁽⁴⁾	6,727	–	71,491	–	78,218	78,218	
Total	\$ 1,542,437	\$ 47,352	\$ 2,360,434	\$ 6,272	\$ 3,956,495		

AT DECEMBER 31	2014 ⁽¹⁾					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL ⁽²⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 1,702,205	\$ –	\$ –	\$ –	\$ 1,702,205	\$ 1,702,205
Restricted cash	27,503	–	–	–	27,503	27,503
Trade receivables	–	–	1,251,207	–	1,251,207	1,251,207
Other current financial assets	53,624	–	787,329	3,774	844,727	844,727
ICI accounted for by the cost method ⁽³⁾	–	347,494	93,315	–	440,809	See ⁽³⁾
Non-current potion of receivables under service concession arrangements ⁽⁴⁾	–	–	250,769	–	250,769	275,720
Non-current financial assets ⁽⁴⁾	11,381	8,585	137,497	–	157,463	157,463
Total	\$ 1,794,713	\$ 356,079	\$ 2,520,117	\$ 3,774	\$ 4,674,683	

⁽¹⁾ Revised (see Note 16D).

⁽²⁾ Fair value through profit or loss ("FVTPL").

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

⁽⁴⁾ For non-current portion of receivables under service concession arrangements and most of the non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

15. FINANCIAL INSTRUMENTS (CONTINUED)

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

AT SEPTEMBER 30		2015			
		CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
		DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	\$	–	\$ 2,057,087	\$ 2,057,087	\$ 2,057,087
Downpayments on contracts		–	184,274	184,274	184,274
Other current financial liabilities		61,991	332,925	394,916	394,916
Advances under contract financing arrangements ⁽²⁾		–	399,330	399,330	403,589
Provisions		–	53,389	53,389	53,389
Short-term debt and long-term debt ⁽³⁾		–	964,744	964,744	1,077,776
Other non-current financial liabilities		2,807	4,596	7,403	7,403
Total	\$	64,798	\$ 3,996,345	\$ 4,061,143	

AT DECEMBER 31		2014 ⁽¹⁾			
		CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
		DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	\$	–	\$ 2,329,172	\$ 2,329,172	\$ 2,329,172
Downpayments on contracts		–	249,521	249,521	249,521
Other current financial liabilities		24,070	330,422	354,492	354,492
Advances under contract financing arrangements ⁽²⁾		–	319,321	319,321	325,988
Provisions		–	65,587	65,587	65,587
Short-term debt and long-term debt ⁽³⁾		–	887,366	887,366	999,925
Other non-current financial liabilities		3,187	6,270	9,457	9,457
Total	\$	27,257	\$ 4,187,659	\$ 4,214,916	

⁽¹⁾ Revised (see Note 16D).

⁽²⁾ The fair value of the advances under contract financing arrangements was determined using the market approach, which uses prices and other relevant information generated by market transactions involving similar or comparable liabilities.

⁽³⁾ The fair value of short-term debt and long-term debt classified in the “other financial liabilities” category was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the ICI, depending on which entity has issued the debt instrument, for debt with the similar terms and conditions.

For the nine-month periods ended September 30, 2015 and 2014, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

16. KENTZ CORPORATION LIMITED (“KENTZ”)

On August 22, 2014, the Company completed its acquisition of 100% of the voting shares of Kentz, a leading global engineering specialist which provides high-quality engineering, procurement and construction, construction management and technical support services to clients in the oil and gas sector. Kentz includes Valerus Field Solutions, a US-based integrated oil and gas surface facility solutions provider, acquired by Kentz on January 3, 2014.

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

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

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

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

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

In addition, in June 2014, in relation with the agreement to acquire Kentz, SNC-Lavalin entered into a foreign exchange hedge to hedge the foreign exchange exposure of the transaction. This hedge was classified as a derivative used for cash flow hedges and was measured at its fair value with gains and losses arising from periodic remeasurements and not qualifying for hedge accounting being recognized in net income and included in “Acquisition-related costs and integration costs” in the Company’s consolidated income statement. For the third quarters and the nine-month periods ended September 30, 2015 and 2014, the acquisition-related costs and integration costs were as follows:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
Remeasurement of a foreign exchange hedge	\$ –	\$ 14,345	\$ –	\$ 34,697
Professional fees and other related costs	5,819	15,653	19,234	21,153
Acquisition-related costs and integration costs	\$ 5,819	\$ 29,998	\$ 19,234	\$ 55,850

A) FINAL ALLOCATION OF PURCHASE PRICE

In the third quarter of 2015, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price. However, since the effect on net income from adjustments made in 2015 was not material to the periods subsequent to the acquisition date, the cumulative adjustment to earnings was accounted for in the three-month period ended September 30, 2015.

AT AUGUST 22, 2014	PRELIMINARY ALLOCATION OF PURCHASE PRICE		NOTE	ADJUSTMENTS ⁽¹⁾	FINAL ALLOCATION OF PURCHASE PRICE	
Cash and cash equivalents	\$ 310,605			\$ –	\$ 310,605	
Trade receivables	479,590	A		(96,817)	382,773	
Contracts in progress	189,405	A		(10,220)	179,185	
Other current assets	210,130	A		(4,037)	206,093	
Other non-current assets	110,840	A		34,464	145,304	
Intangible assets related to Kentz acquisition ⁽²⁾	–	B		331,056	331,056	
Trade payables and other current liabilities	(885,960)	C		(380,768)	(1,266,728)	
Short-term debt	(495,175)			–	(495,175)	
Non-current liabilities and non-controlling interests	(104,272)	D		(2,349)	(106,621)	
Net identifiable liabilities of business acquired	(184,837)			(128,671)	(313,508)	
Goodwill and other intangible assets ^{(2), (3)}	2,258,433			128,671	2,387,104	
Total purchase price	\$ 2,073,596			\$ –	\$ 2,073,596	

⁽¹⁾ Adjustments include presentation reclassifications.

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

⁽³⁾ Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks.

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

NINE-MONTH PERIOD ENDED SEPTEMBER 30		2014
Total purchase price as per above	\$	2,073,596
Less: Cash and cash equivalents at acquisition as per above		310,605
Total purchase price, net of cash and cash equivalents at acquisition, included in the consolidated statement of cash flows	\$	1,762,991

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

The main adjustments made to the preliminary allocation of purchase price and to the consolidated statement of financial position as at December 31, 2014, as presented in Note 16D, are as follows:

A. Project-related assets

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

B. Intangible assets

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

C. Trade payables and other current liabilities

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

D. Non-current liabilities and non-controlling interests

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

B) RECONCILIATION OF THE CARRYING AMOUNT OF GOODWILL

The following table details a reconciliation of the carrying amount of the Company's goodwill:

NINE MONTHS ENDED SEPTEMBER 30	2015
Balance at January 1, 2015	\$ 2,706,068
Additional amount recognized from the adjustments to the final allocation of purchase price of Kentz	189,311
Net foreign currency exchange differences	353,553
Balance at September 30, 2015	\$ 3,248,932

C) RETROSPECTIVE RESTATEMENT OF FIGURES FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014

In the fourth quarter of 2014, the Company has made a retrospective restatement to its consolidated income statements for the three-month and nine-month periods ended September 30, 2014 to reflect an increase of \$12.3 million in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. The tables below present the impact from the adjustments made to the comparative figures for the three-month and nine-month periods ended September 30, 2014:

(IN THOUSANDS OF CANADIAN DOLLARS)	THREE MONTHS ENDED SEPTEMBER 30, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2014
Impact on consolidated income statement:		
Increase in amortization of intangible assets related to Kentz acquisition	\$ (12,299)	\$ (12,299)
Decrease in income taxes	3,373	3,373
Decrease in net income for the period	(8,926)	(8,926)
Net income for the period, as published in consolidated financial statements	69,711	196,536
Net income for the period, as adjusted	\$ 60,785	\$ 187,610
Impact on basic earnings per share:		
Basic earnings per share, as published in consolidated financial statements	\$ 0,45	\$ 1,29
Basic earnings per share, as adjusted	0,39	1,23
Decrease in basic earnings per share	\$ (0,06)	\$ (0,06)
Impact on diluted earnings per share:		
Diluted earnings per share, as published in consolidated financial statements	\$ 0,45	\$ 1,28
Diluted earnings per share, as adjusted	0,39	1,22
Decrease in diluted earnings per share	\$ (0,06)	\$ (0,06)

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

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

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

AT DECEMBER 31, 2014	AS ORIGINALLY REPORTED	NOTE ⁽¹⁾	FINAL PURCHASE PRICE ADJUSTMENTS AND RECLASSIFICATIONS	REVISED
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,702,205		\$ –	\$ 1,702,205
Restricted cash	27,503		–	27,503
Trade receivables	1,254,360	A	(3,153)	1,251,207
Contracts in progress	836,593	A	8,206	844,799
Inventories	111,374	A	(9,603)	101,771
Other current financial assets	844,727		–	844,727
Other current assets	274,130	A	(2,550)	271,580
Total current assets	5,050,892		(7,100)	5,043,792
Property and equipment	246,098		–	246,098
ICI accounted for by the equity method	362,336		–	362,336
ICI accounted for by the cost method	440,809		–	440,809
Goodwill	2,706,068		189,311	2,895,379
Intangible assets related to Kentz acquisition	301,071	B	9,951	311,022
Deferred income tax asset	395,987	A	23,652	419,639
Non-current portion of receivables under service concession arrangements	250,769		–	250,769
Non-current financial assets	157,463		–	157,463
Other non-current assets	99,848		–	99,848
Total assets	\$ 10,011,341		\$ 215,814	\$ 10,227,155
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	\$ 2,372,489	C	\$ (43,317)	\$ 2,329,172
Downpayments on contracts	249,521		–	249,521
Deferred revenues	1,149,653	C	46,620	1,196,273
Other current financial liabilities	354,492		–	354,492
Other current liabilities	485,429	C	117,722	603,151
Advances under contract financing arrangements	319,321		–	319,321
Current portion of provisions	256,392	C	93,092	349,484
Short-term debt and current portion of long-term debt: Non-recourse from ICI	7,750		–	7,750
Total current liabilities	5,195,047		214,117	5,409,164
Long-term debt: Recourse	348,932		–	348,932
Non-recourse from ICI	530,684		–	530,684
Other non-current financial liabilities	9,457		–	9,457
Non-current portion of provisions	341,268		–	341,268
Other non-current liabilities	3,702		–	3,702
Deferred income tax liability	265,541	D	(6,479)	259,062
Total liabilities	6,694,631		207,638	6,902,269
Equity				
Share capital	531,460		–	531,460
Retained earnings	2,785,067		–	2,785,067
Other components of equity	(10,897)		8,176	(2,721)
Equity attributable to SNC-Lavalin shareholders	3,305,630		8,176	3,313,806
Non-controlling interests	11,080		–	11,080
Total equity	3,316,710		8,176	3,324,886
Total liabilities and equity	\$ 10,011,341		\$ 215,814	\$ 10,227,155

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

17. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

Charges and RCMP Investigations

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

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

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

17. CONTINGENT LIABILITIES (CONTINUED)

AMF Investigation; AMF Certification under the Quebec Public Contracts Act

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

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

World Bank Settlement

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

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aïssa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec. On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities since April 2012. The Company was recognized as an injured party in the context of the Swiss proceedings and has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA\$17.2 million (representing the equivalent of 12.9 million CHF and US\$2.0 million) plus interests, out of which a sum of CA\$2.2 million has been received to this date with the balance expected to be received upon the forced execution of seized assets.

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

17. CONTINGENT LIABILITIES (CONTINUED)

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

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

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

B) CLASS ACTION LAWSUITS

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

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

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

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

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

17. CONTINGENT LIABILITIES (CONTINUED)

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

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately \$168 million in damages apportioned amongst the defendants, on an *in solidum* basis. SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and apportionment of liability. Based on the current judgment, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers. In addition to the Appeal of the decision, recourses in warranty have been filed against another party, which may result in reduction of SNC-Lavalin's share of the damages.

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

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

18. EVENT AFTER THE REPORTING PERIOD

Due to the persisting softer economic environment, the Company, after September 30, 2015, extended its restructuring efforts by launching the "STEP Change" program. This program is designed to make the Company more agile, customer facing and allow the Company to further improve operational efficiency, including a realignment of its corporate and operating organization. It will also make the Company more competitive and provide better value to the clients. Consequently, management expects to spend a further approximate amount of \$50 million after taxes in addition to the \$40 million announced in the second quarter of 2015. Of this latter figure, approximately \$10 million has already been incurred in the third quarter of 2015. These additional costs are now expected to be recognized in the fourth quarter of 2015.



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