SNC • LAVALIN

# Management's Discussion and Analysis

Third Quarter and First Nine Months of 2015 versus
Third Quarter and First Nine Months of 2014

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November 4, 2015

All financial information in Canadian dollars, unless otherwise indicated

# 1 – Third Quarter and First Nine Months of 2015 Executive Summary

## 1.1 – Executive Summary – Financial Indicators

**NET INCOME**

> **Third Quarter**

- For the third quarter of 2015, net income attributable to SNC-Lavalin shareholders was $224.2 million ($1.49 per share on a diluted basis), compared with $60.0 million ($0.39 per share on a diluted basis) for the third quarter of 2014.
- For the third quarter of 2015, net income attributable to SNC-Lavalin shareholders from Engineering and Construction and Operations and Maintenance activities ("E&C") was $33.3 million, compared with a net loss of $28.9 million for the corresponding period of 2014, including:
    - $29.4 million ($22.8 million after taxes) of amortization of intangible assets in the third quarter of 2015 related to the acquisition of Kentz Corporation Limited ("Kentz"), compared with $12.3 million ($8.9 million after taxes) in the third quarter of 2014;
    - $13.4 million ($10.2 million after taxes) of restructuring costs in the third quarter of 2015, compared with $13.8 million ($10.9 million after taxes) in the third quarter of 2014; and
    - $5.8 million ($4.4 million after taxes) of integration costs in the third quarter of 2015 in connection with the acquisition of Kentz, compared with $42.5 million ($36.6 million after taxes) of financing, acquisition-related costs and integration costs in the corresponding period of 2014.

  In addition, there were higher contributions from Oil & Gas and Operations & Maintenance ("O&M"), as well as a positive contribution in Infrastructure & Construction, compared with a negative contribution in the third quarter of 2014.
- For the third quarter of 2015, net income attributable to SNC-Lavalin shareholders from Infrastructure Concession Investments ("ICI") was $190.9 million, compared with $88.9 million for the same period last year, mainly reflecting a $145.7 million net gain on disposal of the Company's investment in Ambatovy and a higher dividend received from Highway 407, partially offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015.

> **First Nine Months ended September 30, 2015**

- For the first nine months of 2015, net income attributable to SNC-Lavalin shareholders was $355.1 million ($2.35 per share on a diluted basis), compared with $186.7 million ($1.22 per share on a diluted basis) for the same period of 2014.

- For the first nine months of 2015, net income attributable to SNC-Lavalin shareholders from E&C was $81.8 million, compared with a net loss of $44.9 million for the corresponding period of 2014, including:
  - $37.0 million ($32.6 million after taxes) of a net foreign exchange gain in the first nine months of 2015;
  - $71.5 million ($54.8 million after taxes) of amortization of intangible assets in the first nine months of 2015 related to the acquisition of Kentz, compared with $12.3 million ($8.9 million after taxes) in the first nine months of 2014;
  - $21.6 million ($16.6 million after taxes) of restructuring costs in the first nine months of 2015, compared with $15.8 million ($12.0 million after taxes) in the first nine months of 2014; and
  - $19.2 million ($15.1 million after taxes) of integration costs in the first nine months of 2015 in connection with the acquisition of Kentz, compared with $68.4 million ($56.2 million after taxes) of financing, acquisition-related costs and integration costs in the corresponding period of 2014.

  Further explaining the increase in net income attributable to SNC-Lavalin shareholders from E&C were higher contributions from Oil & Gas, Power and Mining & Metallurgy, partially offset by a lower contribution from Infrastructure.
- For the first nine months of 2015, net income attributable to SNC-Lavalin shareholders from ICI was $273.2 million, compared with $231.6 million for the same period in 2014, mainly reflecting a $145.7 million net gain on disposal of the Company's investment in Ambatovy and higher dividends received from Highway 407, partially offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015.

## REVENUES

> Revenues for the first nine months of 2015 increased to $6.9 billion, compared with $5.4 billion for the first nine months of 2014, mainly due to an increase in Oil & Gas, as incremental revenues were generated by Kentz, the acquisition of which was completed on August 22, 2014, as well as an increase in Power, as the Company is no longer required to eliminate E&C revenues generated between the Company and AltaLink since its disposal in the fourth quarter of 2014. These increases were partially offset by a decrease in Infrastructure & Construction and Operations & Maintenance, as well as a decrease in ICI revenues, principally due to the disposal of AltaLink in the fourth quarter of 2014.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

> For the first nine months of 2015, selling, general and administrative expenses increased to $638.0 million, compared with $599.4 million for the corresponding period of 2014, mainly reflecting incremental selling, general and administrative expenses from Kentz, the acquisition of which was completed on August 22, 2014. This increase in selling, general and administrative expenses from E&C was more than offset by an incremental volume of activity, therefore decreasing the ratio of selling, general and administrative expenses over revenues from E&C.

### FINANCIAL POSITION

> Cash and cash equivalents decreased to $1.5 billion at September 30, 2015, compared with $1.7 billion at December 31, 2014. The decrease mainly reflected net cash used for operating activities, partially offset by $600.7 million of proceeds from the disposal of the Company's investment in Ambatovy.

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

### REVENUE BACKLOG

| (IN MILLIONS OF CA$) | | **September 30 2015** | | June 30 2015 | | December 31 2014 |
|---|---|---|---|---|---|---|
| Services | **$** | **3,731.7** | $ | 4,081.7 | $ | 4,684.0 |
| Packages | | **7,058.0** | | 6,403.3 | | 5,693.5 |
| O&M | | **1,936.0** | | 1,903.2 | | 1,947.9 |
| **Total** | **$** | **12,725.6** | $ | 12,388.2 | $ | 12,325.5 |

> Revenue backlog totalled $12.7 billion at the end of September 2015, compared with $12.3 billion at the end of December 2014, as an increase in Packages was offset by a decrease in Services. The increase in Packages was mainly attributable to the addition, in the first nine months of 2015, in the Infrastructure segment of major fixed-price contracts for the New Champlain Bridge Corridor project and the Eglinton Crosstown as described in section 7.5, as well as the addition in the Power segment of a contract relating to a combined-cycle project in the United States.

## 1.2 – Executive Summary – Other Items

### CHANGES IN MANAGEMENT TEAM IN THE THIRD QUARTER OF 2015

On September 14, 2015, the Company announced that, effective October 5, 2015, Neil Bruce, formerly Chief Operating Officer would become President and Chief Executive Officer ("CEO") and a member of the Board of Directors, succeeding Robert G. Card.

On August 11, 2015, the Company announced the appointment of Hartland J. A. Paterson to the role of Executive Vice-President and General Counsel, effective in September 2015. Mr. Paterson will oversee both the Legal and Ethics & Compliance functions and now reports to Neil Bruce, President and CEO.

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

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

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

# 2 – Caution Regarding Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on November 4, 2015. The assumptions are set out throughout the Company's 2014 MD&A (particularly in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2014 MD&A), as updated in the first quarter, the second quarter and this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the CFPOA and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in ICI that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) the Company may be unable to successfully integrate the businesses of SNC-Lavalin and Kentz and realize the anticipated benefits of the Acquisition; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (cc) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (dd) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (ee) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2014 MD&A filed with the securities regulatory authorities in Canada, available on SEDAR at **www.sedar.com** and on the Company's website at **www.snclavalin.com** under the "Investors" section, as updated in this MD&A.

**The forward-looking statements herein reflect the Company's expectations as at November 4, 2015, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.**

# 3 – Our Business

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

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

## 3.1 – Services Activities

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

## 3.2 – Packages Activities

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

## 3.3 – Operations and Maintenance Activities

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

## 3.4 – Infrastructure Concession Investments

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

# 4 – How we Analyze and Report Our Results

The Company reports its results under **four categories of activity**, which are **Services, Packages**, **O&M** and **ICI**. The Company's management regularly analyzes the results of these categories independently as they generate different gross margin yields and have different risk profiles. The Company's management also analyzes results by segments, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. As described in section 7, in the first quarter of 2015, the Company revised its reportable segments to reflect a change made to its internal reporting structure and retrospectively reclassified the Environment & Water sub-segment included in the previously named Resources, Environment and Water segment to the Infrastructure & Construction sub-segment included in the Infrastructure segment. In addition, in April 2015, the Company announced certain organizational changes in order to further align its business structure with its markets. This reorganization resulted in certain changes in the way activities are regrouped and reportable segments are presented and analyzed. Therefore, SNC-Lavalin's reportable segments are now i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; and v) **ICI**. The Company also provides additional information on certain sub-segments, namely the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure. The **O&M** sub-segment and the **ICI** segment correspond to the categories of activity of the same name.

## 4.1 – Non-IFRS Financial Measures and Additional IFRS Measures

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

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

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

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

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

# 5 – Breakdown of Income Statement

| (IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014[(1)] | **2015** | 2014[(1)] |
| **Revenues by activity:** | | | | |
| Services | **$ 1,065.5** | $ 723.2 | **$ 2,876.4** | $ 1,785.4 |
| Packages | **1,097.8** | 726.0 | **3,106.5** | 1,961.2 |
| O&M | **213.1** | 311.6 | **790.3** | 970.8 |
| ICI | **56.9** | 243.3 | **167.5** | 703.4 |
| | **$ 2,433.2** | $ 2,004.1 | **$ 6,940.7** | $ 5,420.7 |
| **Gross margin** | **$ 385.3** | $ 420.2 | **$ 1,024.0** | $ 1,125.8 |
| **Selling, general and administrative expenses:** | | | | |
| From E&C | **202.2** | 186.1 | **619.4** | 554.2 |
| From ICI | **5.6** | 18.2 | **18.6** | 45.2 |
| | **207.8** | 204.3 | **638.0** | 599.4 |
| **Restructuring costs** | **13.4** | 13.8 | **21.6** | 15.8 |
| **Acquisition-related costs and integration costs** | **5.8** | 30.0 | **19.2** | 55.9 |
| **Amortization of intangible assets related to Kentz acquisition** | **29.4** | 12.3 | **71.5** | 12.3 |
| **(Gain) loss on disposals of ICI** | **(174.4)** | 4.1 | **(174.4)** | 4.1 |
| **EBIT** | **$ 303.3** | $ 155.7 | **$ 448.0** | $ 438.3 |
| **Net financial expenses (income):** | | | | |
| From E&C | **6.9** | 18.7 | **(14.4)** | 34.5 |
| From ICI | **1.9** | 54.8 | **4.2** | 153.2 |
| | **8.8** | 73.5 | **(10.2)** | 187.7 |
| **Earnings before income taxes** | **294.5** | 82.2 | **458.2** | 250.6 |
| **Income taxes** | **61.2** | 21.4 | **89.2** | 63.0 |
| **Net income for the period** | **$ 233.3** | $ 60.8 | **$ 369.0** | $ 187.6 |
| **Net income attributable to:** | | | | |
| SNC-Lavalin shareholders | **$ 224.2** | $ 60.0 | **$ 355.1** | $ 186.7 |
| Non-controlling interests | **9.1** | 0.7 | **13.9** | 0.9 |
| **Net income for the period** | **$ 233.3** | $ 60.8 | **$ 369.0** | $ 187.6 |
| **Earnings per share ($)** | | | | |
| Basic | **$ 1.50** | $ 0.39 | **$ 2.35** | $ 1.23 |
| Diluted | **$ 1.49** | $ 0.39 | **$ 2.35** | $ 1.22 |
| **Supplementary information:** | | | | |
| Net income (loss) attributable to SNC-Lavalin shareholders from E&C | **$ 33.3** | $ (28.9) | **$ 81.8** | $ (44.9) |
| Net income attributable to SNC-Lavalin shareholders from ICI: | | | | |
| From Highway 407 | **31.5** | 29.4 | **94.4** | 88.1 |
| From AltaLink | **–** | 58.9 | **–** | 126.8 |
| From other ICI | **159.4** | 0.7 | **178.9** | 16.8 |
| **Net income attributable to SNC-Lavalin shareholders for the period** | **$ 224.2** | $ 60.0 | **$ 355.1** | $ 186.7 |
| **Diluted earnings (loss) per share from E&C ($)** | **$ 0.22** | $ (0.19) | **$ 0.54** | $ (0.29) |

(1) 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 ($8.9 million after taxes) in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. Comparative figures have been adjusted accordingly. See Note 16C to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2015 for more details.

# 5.1 – Net Income Analysis

| (IN MILLIONS OF CA$) | THIRD QUARTER | | | | NINE MONTHS ENDED SEPTEMBER 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2015** | | 2014[(1)] | | **2015** | | 2014[(1)] |
| Net income (loss) attributable to SNC-Lavalin shareholders from E&C | **$** | **33.3** | $ | (28.9) | **$** | **81.8** | $ | (44.9) |
| Net income attributable to SNC-Lavalin shareholders from ICI | | **190.9** | | 88.9 | | **273.2** | | 231.6 |
| **Net income attributable to SNC-Lavalin shareholders** | **$** | **224.2** | $ | 60.0 | **$** | **355.1** | $ | 186.7 |

(1) 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 ($8.9 million after taxes) in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. Comparative figures have been adjusted accordingly. See Note 16C to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2015 for more details.

**For the third quarter of 2015, net income attributable to SNC-Lavalin shareholders from E&C was $33.3 million,** compared with a net loss of $28.9 million for the corresponding period of 2014, including:

> $29.4 million ($22.8 million after taxes) of amortization of intangible assets in the third quarter of 2015 related to the acquisition of Kentz, compared with $12.3 million ($8.9 million after taxes) in the third quarter of 2014;

> $13.4 million ($10.2 million after taxes) of restructuring costs in the third quarter of 2015, compared with $13.8 million ($10.9 million after taxes) in the third quarter of 2014; and

> $5.8 million ($4.4 million after taxes) of integration costs in the third quarter of 2015 in connection with the acquisition of Kentz, compared with $42.5 million ($36.6 million after taxes) of financing, acquisition-related costs and integration costs in the corresponding period of 2014.

In addition, there were higher contributions from Oil & Gas and Operations & Maintenance, as well as a positive contribution in Infrastructure & Construction, compared with a negative contribution in the third quarter of 2014.

**For the third quarter of 2015, net income attributable to SNC-Lavalin shareholders from ICI was $190.9 million,** compared with $88.9 million for the same period last year, mainly reflecting a $145.7 million net gain on disposal of the Company's investment in Ambatovy and a higher dividend received from Highway 407, partially offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015.

**For the first nine months of 2015, net income attributable to SNC-Lavalin shareholders from E&C was $81.8 million,** compared with a net loss of $44.9 million for the corresponding period of 2014, including:

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

> $71.5 million ($54.8 million after taxes) of amortization of intangible assets in the first nine months of 2015 related to the acquisition of Kentz, compared with $12.3 million ($8.9 million after taxes) in the first nine months of 2014;

> $21.6 million ($16.6 million after taxes) of restructuring costs in the first nine months of 2015, compared with $15.8 million ($12.0 million after taxes) in the first nine months of 2014; and

> $19.2 million ($15.1 million after taxes) of integration costs in the first nine months of 2015 in connection with the acquisition of Kentz, compared with $68.4 million ($56.2 million after taxes) of financing, acquisition-related costs and integration costs in the corresponding period of 2014.

Further explaining the increase in net income attributable to SNC-Lavalin shareholders from E&C were higher contributions from Oil & Gas, Power and Mining & Metallurgy, partially offset by a lower contribution from Infrastructure. Infrastructure & Construction recorded a higher negative sub-segment EBIT in the first nine months of 2015 compared with the first nine months of 2014, mainly due to some challenges and additional costs on two major transportation projects in Canada, while the 2014 results included the reversal of a risk provision that had been previously recorded on a Libyan project, partially offset by a net negative impact on gross margin of $13.1 million in the third quarter of 2014 from the combination of an additional loss on a major hospital project and of a favourable outcome on certain claims. The increase in Oil & Gas was mainly due to the incremental EBIT from Kentz, the acquisition of which was completed on August 22, 2014.

**For the first nine months of 2015, net income attributable to SNC-Lavalin shareholders from ICI was $273.2 million,** compared with $231.6 million for the same period in 2014, mainly reflecting a $145.7 million net gain on disposal of the Company's investment in Ambatovy and higher dividends received from Highway 407, partially offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015.

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

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

| THIRD QUARTER ENDED SEPTEMBER 30 (IN MILLIONS OF CA$) | 2015 | | | 2014[(1)] | | |
|---|---|---|---|---|---|---|
| | FROM E&C | FROM ICI | TOTAL | FROM E&C | FROM ICI | TOTAL |
| Net income (loss) | **$ 42.4** | **$ 190.9** | **$ 233.3** | $ (28.1) | $ 88.9 | $ 60.8 |
| Net financial expenses | **6.9** | **1.9** | **8.8** | 18.7 | 54.8 | 73.5 |
| Income taxes | **33.0** | **28.2** | **61.2** | 3.0 | 18.4 | 21.4 |
| **EBIT** | **$ 82.3** | **$ 221.0** | **$ 303.3** | $ (6.5) | $ 162.2 | $ 155.7 |
| Depreciation and amortization | **7.5** | **–** | **7.5** | 17.9 | – | 17.9 |
| Amortization of intangible assets related to Kentz acquisition | **29.4** | **–** | **29.4** | 12.3 | – | 12.3 |
| **EBITDA** | **$ 119.2** | **$ 221.0** | **$ 340.2** | $ 23.7 | $ 162.2 | $ 185.9 |

(1) 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 ($8.9 million after taxes) in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. Comparative figures have been adjusted accordingly. See Note 16C to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2015 for more details.

| NINE MONTHS ENDED SEPTEMBER 30 (IN MILLIONS OF CA$) | 2015 | | | 2014[1] | | |
|---|---|---|---|---|---|---|
| | FROM E&C | FROM ICI | TOTAL | FROM E&C | FROM ICI | TOTAL |
| Net income (loss) | **$ 95.7** | **$ 273.2** | **$ 369.0** | $ (44.0) | $ 231.6 | $ 187.6 |
| Net financial expenses (income) | **(14.4)** | **4.2** | **(10.2)** | 34.5 | 153.2 | 187.7 |
| Income taxes | **57.5** | **31.7** | **89.2** | 18.3 | 44.7 | 63.0 |
| **EBIT** | **138.8** | **309.2** | **448.0** | $ 8.8 | $ 429.5 | $ 438.3 |
| Depreciation and amortization | **37.4** | **–** | **37.4** | 52.0 | 53.5 | 105.5 |
| Amortization of intangible assets related to Kentz acquisition | **71.5** | **–** | **71.5** | 12.3 | – | 12.3 |
| **EBITDA** | **$ 247.7** | **$ 309.2** | **$ 556.9** | $ 73.0 | $ 483.1 | $ 556.1 |

(1) 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 ($8.9 million after taxes) in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. Comparative figures have been adjusted accordingly. See Note 16C to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2015 for more details.

**For the third quarter of 2015, EBIT from E&C amounted to $82.3 million,** compared with a negative EBIT of $6.5 million in the corresponding period of 2014, mainly reflecting higher contributions from Infrastructure and Oil & Gas, partially offset by a lower contribution from Mining & Metallurgy, as well as $13.4 million of restructuring costs in the third quarter of 2015, compared with $13.8 million in the third quarter of 2014, and $5.8 million of integration costs in the third quarter of 2015 in connection with the acquisition of Kentz, compared with $30.0 million of acquisition related costs and integration costs in the corresponding period of 2014. In addition, EBIT from E&C included $29.4 million of amortization of intangible assets in the third quarter of 2015 related to the acquisition of Kentz, compared with $12.3 million in the third quarter of 2014. As a result, **for the third quarter of 2015, EBITDA from E&C amounted to $119.2 million,** compared with $23.7 million in the corresponding period of 2014.

**For the third quarter of 2015, EBIT from ICI amounted to $221.0 million,** compared with $162.2 million in the corresponding period of 2014, while **EBITDA from ICI amounted to $221.0 million in the third quarter of 2015,** compared with $162.2 million in the corresponding period of 2014, mainly due to a $174.4 million gain before taxes on disposal of the Company's investment in Ambatovy and a higher dividend received from Highway 407, partially offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015.

**For the first nine months of 2015, EBIT from E&C amounted to $138.8 million,** compared with $8.8 million in the corresponding period of 2014, mainly reflecting higher contributions from Oil & Gas, Power and Mining & Metallurgy, partially offset by a lower contribution from Infrastructure, as well as $21.6 million of restructuring costs in the first nine months of 2015, compared with $15.8 million in the first nine months of 2014; and $19.2 million of integration costs in the first nine months of 2015 in connection with the acquisition of Kentz, compared with $55.9 million of acquisition related costs and integration costs in the corresponding period of 2014. In addition, EBIT from E&C included $71.5 million of amortization of intangible assets in the first nine months of 2015 related to the acquisition of Kentz, compared with $12.3 million in the first nine months of 2014. As a result, **for the first nine months of 2015, EBITDA from E&C amounted to $247.7 million,** compared with $73.0 million in the corresponding period of 2014.

**For the first nine months of 2015, EBIT from ICI amounted to $309.2 million,** compared with $429.5 million in the corresponding period of 2014, while **for the first nine months of 2015, EBITDA from ICI amounted to $309.2 million,** compared with $483.1 million in the corresponding period of 2014 mainly reflecting the gain on disposal of the Company's investment in Ambatovy and higher dividends received from Highway 407, more than offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015.

## 5.3 – Revenue Analysis

**Revenues for the first nine months of 2015 increased to $6.9 billion,** compared with $5.4 billion for the first nine months of 2014, reflecting an increase in Services and Packages, partially offset by a decrease in ICI and O&M.

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Services revenues | **$ 1,065.5** | $ 723.2 | **$ 2,876.4** | $ 1,785.4 |

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

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Packages revenues | **$ 1,097.8** | $ 726.0 | **$ 3,106.5** | $ 1,961.2 |

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

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| O&M revenues | **$ 213.1** | $ 311.6 | **$ 790.3** | $ 970.8 |

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

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| ICI revenues | **$ 56.9** | $ 243.3 | **$ 167.5** | $ 703.4 |

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

# 5.4 – Gross Margin Analysis

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Gross margin from E&C | **$ 333.1** | $ 235.7 | **$ 870.6** | $ 646.9 |
| Gross margin from ICI | **52.2** | 184.5 | **153.4** | 478.8 |
| **Gross margin** | **$ 385.3** | $ 420.2 | **$ 1,024.0** | $ 1,125.8 |
| Gross margin-to-revenue ratio (%) | **15.8%** | 21.0% | **14.8%** | 20.8% |

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

**The gross margin amount from ICI for the first nine months of 2015 decreased** compared with the corresponding period of 2014, mainly reflecting the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing in 2015.

# 5.5 – Selling, General and Administrative Expenses Analysis

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Selling, general and administrative expenses from E&C | **$ 202.2** | $ 186.1 | **$ 619.4** | $ 554.2 |
| Selling, general and administrative expenses from ICI | **5.6** | 18.2 | **18.6** | 45.2 |
| **Selling, general and administrative expenses** | **$ 207.8** | $ 204.3 | **$ 638.0** | $ 599.4 |

**For the first nine months of 2015, selling, general and administrative expenses increased to $638.0 million,** compared with $599.4 million for the corresponding period of 2014, mainly reflecting incremental selling, general and administrative expenses from Kentz, the acquisition of which was completed on August 22, 2014. This increase in selling, general and administrative expenses from E&C was more than offset by an incremental volume of activity, therefore decreasing the ratio of selling, general and administrative expenses over revenues from E&C to 9% in the first nine months of 2015, compared with 12% in the first nine months of 2014.

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

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Investigations and related matters | **$ 3.1** | $ 1.6 | **$ 6.0** | $ 7.0 |
| Expenses related to new information technology systems | **5.1** | 7.7 | **13.4** | 20.3 |
| Compliance program | **4.8** | 3.8 | **14.4** | 11.8 |
| **Total** | **$ 13.0** | $ 13.1 | **$ 33.7** | $ 39.1 |

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

# 5.6 – Restructuring Costs

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Restructuring costs** | **$ 13.4** | $ 13.8 | **$ 21.6** | $ 15.8 |

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.

The persisting softer economic environment requires the Company to extend its restructuring efforts to further improve its operational efficiency and reduce its cost base by the end of 2015. Refer to section 14 for more details.

# 5.7 – Acquisition-Related Costs and Integration Costs

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Unfavourable remeasurement of a foreign exchange hedge | **$ –** | $ 14.3 | **$ –** | $ 34.7 |
| Professional fees and other related costs | **5.8** | 15.7 | **19.2** | 21.2 |
| **Acquisition-related costs and integration costs** | **$ 5.8** | $ 30.0 | **$ 19.2** | $ 55.9 |

**In the first nine months of 2015, the Company incurred acquisition-related costs and integration costs totalling $19.2 million,** compared with $55.9 million in the corresponding period of 2014. While such costs in the first nine months of 2015 were attributable to the integration of Kentz, the acquisition-related costs in the first nine months of 2014 were due to a $34.7 million unfavourable remeasurement of a foreign exchange hedge, settled in the third quarter of 2014, to hedge the foreign exchange exposure of the Acquisition, as well as $21.2 million of professional fees and other related costs, which included initial integration costs of $3.0 million incurred in the third quarter of 2014.

# 5.8 – Net Financial Expenses (Income) Analysis

| THIRD QUARTER ENDED SEPTEMBER 30 (IN MILLIONS OF CA$) | 2015 | | | 2014 [1] | | |
|---|---|---|---|---|---|---|
| | FROM E&C | FROM ICI | TOTAL | FROM E&C | FROM ICI | TOTAL |
| Interest revenues | $ (2.6) | $ (5.0) | $ (7.7) | $ (2.3) | $ (2.9) | $ (5.1) |
| Net foreign exchange losses (gains) | (1.4) | 0.1 | (1.4) | (2.5) | (1.0) | (3.5) |
| Interest on debt: | | | | | | |
| Recourse | 7.4 | – | 7.4 | 13.4 | – | 13.4 |
| Non-recourse: | | | | | | |
| AltaLink | – | – | – | – | 51.4 | 51.4 |
| Other | – | 6.8 | 6.8 | – | 7.7 | 7.7 |
| Other | 3.6 | – | 3.6 | 10.0 | (0.4) | 9.6 |
| **Net financial expenses** | $ 6.9 | $ 1.9 | $ 8.8 | $ 18.7 | $ 54.8 | $ 73.5 |

| NINE MONTHS ENDED SEPTEMBER 30 (IN MILLIONS OF CA$) | 2015 | | | 2014 [1] | | |
|---|---|---|---|---|---|---|
| | FROM E&C | FROM ICI | TOTAL | FROM E&C | FROM ICI | TOTAL |
| Interest revenues | $ (7.5) | $ (16.1) | $ (23.6) | $ (4.8) | $ (9.3) | $ (14.1) |
| Net foreign exchange losses (gains) | (39.9) | 0.1 | (39.9) | 1.5 | (2.4) | (0.9) |
| Interest on debt: | | | | | | |
| Recourse | 19.3 | – | 19.3 | 24.3 | – | 24.3 |
| Non-recourse: | | | | | | |
| AltaLink | – | – | – | – | 142.9 | 142.9 |
| Other | – | 20.0 | 20.0 | – | 17.9 | 17.9 |
| Other | 13.6 | 0.3 | 13.9 | 13.6 | 4.0 | 17.6 |
| **Net financial expenses (income)** | $ (14.4) | $ 4.2 | $ (10.2) | $ 34.5 | $ 153.2 | $ 187.7 |

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

**For the third quarter of 2015, net financial expenses from E&C decreased to $6.9 million,** compared with $18.7 million for the third quarter of 2014 as net financial expenses from E&C in the third quarter of 2014 included $12.5 million related to additional financing for the acquisition of Kentz, which was repaid in the fourth quarter of 2014.

**For the first nine months of 2015, net financial income from E&C amounted to $14.4 million,** compared with net financial expenses of $34.5 million for the first nine months of 2014, mainly resulting from a net foreign exchange gain of $37.0 million in the first quarter of 2015 mainly relating to intragroup loans used for repayment of recourse debt of Kentz in 2014. In the first quarter of 2015, the Company entered into foreign exchange derivative instruments to economically hedge the foreign exchange portion of the abovementioned intragroup loans.

**For the third quarter of 2015, net financial expenses from ICI decreased to $1.9 million,** compared with $54.8 million for the third quarter of 2014, primarily due to the disposal of AltaLink in the fourth quarter of 2014.

**For the first nine months of 2015, net financial expenses from ICI decreased to $4.2 million,** compared with $153.2 million for the first nine months of 2014, due to the same reason stated above.

## 5.9 – Income Taxes Analysis

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014[(1)] | **2015** | 2014[(1)] |
| Earnings before income taxes from E&C | **$ 75.4** | $ (25.2) | **$ 153.2** | $ (25.8) |
| Earnings before income taxes from ICI | **219.1** | 107.4 | **305.0** | 276.4 |
| **Earnings before income taxes** | **$ 294.5** | $ 82.2 | **$ 458.2** | $ 250.6 |
| Income taxes from E&C | **$ 33.0** | $ 3.0 | **$ 57.5** | $ 18.3 |
| Income taxes from ICI | **28.2** | 18.4 | **31.7** | 44.7 |
| **Income taxes** | **$ 61.2** | $ 21.4 | **$ 89.2** | $ 63.0 |
| Effective income tax rate from E&C (%) | **43.7%** | (11.8%) | **37.5%** | (70.9%) |
| Effective income tax rate from ICI (%) | **12.9%** | 17.2% | **10.4%** | 16.2% |
| **Effective income tax rate (%)** | **20.8%** | 26.1% | **19.5%** | 25.1% |

(1) 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 ($8.9 million after taxes) in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. Comparative figures have been adjusted accordingly. See Note 16C to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2015 for more details.

**For the third quarter of 2015, the income tax expense from E&C was $33.0 million,** compared with $3.0 million in the corresponding period of 2014. **For the first nine months of 2015, the income tax expense from E&C was $57.5 million,** compared with $18.3 million in the first nine months of 2014. The effective income tax rate from E&C was higher than the statutory income tax rate in the first nine months of 2015 mainly due to losses in the first nine months of 2015 that did not generate an income tax benefit, and the geographic mix of earnings before income taxes which was notably impacted by the acquisition of Kentz, as well as other permanent differences. While there was a loss before income taxes from E&C in the first nine months of 2014, the Company incurred an income tax expense which mainly reflected i) permanent differences, including non-deductible acquisition-related costs, as well as ii) losses that did not generate an income tax benefit, partially offset by iii) the geographic mix of earnings before income taxes.

**For the third quarter of 2015, the income tax expense from ICI was $28.2 million,** compared with $18.4 million in the third quarter of 2014. **For the first nine months of 2015, the income tax expense from ICI was $31.7 million,** compared with $44.7 million in the corresponding period of 2014. The decrease in effective income tax rate from ICI in the first nine months of 2015, compared with the first nine months of 2014 is mainly attributable to the disposal of AltaLink in the fourth quarter of 2014, which did not contribute taxable income in the first nine months of 2015, partially offset by a taxable gain realized on the disposal of the Company's investment in Ambatovy.

# 6 – Revenue Backlog

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

**O&M** activities are provided under contracts that can cover a period of up to 40 years. In order to provide information that is comparable to the revenue backlog of other categories of activity, the

Company limits the O&M revenue backlog to the earlier of: i) **the contract term**; and ii) **the next five years**.

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

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

| AT SEPTEMBER 30 (IN MILLIONS OF CA$) | 2015 | | | |
|---|---|---|---|---|
| BY SEGMENT | SERVICES | PACKAGES | O&M | TOTAL |
| **Mining & Metallurgy** | **$ 128.9** | **$ 206.8** | **$ –** | **$ 335.7** |
| **Oil & Gas** | **2,816.4** | **1,116.4** | **–** | **3,932.8** |
| **Power** | **325.3** | **2,292.7** | **–** | **2,618.0** |
| **Infrastructure** | | | | |
| Infrastructure & Construction | **461.1** | **3,442.1** | **–** | **3,903.2** |
| O&M | **–** | **–** | **1,936.0** | **1,936.0** |
| **Total** | **$ 3,731.7** | **$ 7,058.0** | **$ 1,936.0** | **$ 12,725.6** |

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

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

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

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

**At September 30, 2015, revenue backlog was $12.7 billion,** compared with $12.3 billion at the end of December 2014, as an increase in Packages was offset by a decrease in Services.

## 6.1 – Services Backlog

| (IN MILLIONS OF CA$) | | **September 30 2015** | | June 30 2015 | | December 31 2014 |
|---|---|---|---|---|---|---|
| Services backlog | **$** | **3,731.7** | $ | 4,081.7 | $ | 4,684.0 |

**The decrease in Services backlog from December 2014 to September 2015** reflected a decrease in Oil & Gas, Mining & Metallurgy and Infrastructure, partially offset by an increase in Power.

## 6.2 – Packages Backlog

| (IN MILLIONS OF CA$) | | **September 30 2015** | | June 30 2015 | | December 31 2014 |
|---|---|---|---|---|---|---|
| Packages backlog | **$** | **7,058.0** | $ | 6,403.3 | $ | 5,693.5 |

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

## 6.3 – O&M Backlog

| (IN MILLIONS OF CA$) | | **September 30 2015** | | June 30 2015 | | December 31 2014 |
|---|---|---|---|---|---|---|
| O&M backlog | **$** | **1,936.0** | $ | 1,903.2 | $ | 1,947.9 |

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

# 7 – Segmented Information

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

In the first quarter of 2015, the Company revised its reportable segments to reflect a change made to its internal reporting structure and retrospectively reclassified the Environment & Water sub-segment included in the previously named Resources, Environment and Water segment to the Infrastructure & Construction sub-segment included in the Infrastructure segment. In addition, in April 2015, the Company announced certain organizational changes in order to further align its business structure with its markets. This reorganization resulted in certain changes in the way activities are regrouped and reportable segments are presented and analyzed. As such, the Company's reportable segments are now i) Mining & Metallurgy; ii) Oil & Gas; iii) Power; iv) Infrastructure; and v) ICI.

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

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

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

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

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

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

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

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

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| BY SEGMENT | **2015** | 2014(1) | **2015** | 2014(1) |
| **Mining & Metallurgy** | **$ 202.8** | $ 247.0 | **$ 653.8** | $ 710.5 |
| **Oil & Gas** | **1,045.7** | 448.2 | **2,696.9** | 680.6 |
| **Power** | **402.0** | 269.1 | **1,281.9** | 874.1 |
| **Infrastructure** | | | | |
| Infrastructure & Construction | **512.7** | 485.0 | **1,350.2** | 1,481.3 |
| Operations & Maintenance | **213.1** | 311.6 | **790.3** | 970.8 |
| **Subtotal - Infrastructure** | **725.8** | 796.6 | **2,140.5** | 2,452.1 |
| **Total - E&C** | **2,376.3** | 1,760.8 | **6,773.2** | 4,717.4 |
| **ICI** | **56.9** | 243.3 | **167.5** | 703.4 |
| **Total** | **$ 2,433.2** | $ 2,004.1 | **$ 6,940.7** | $ 5,420.7 |

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

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

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| BY SEGMENT | **2015** | 2014(1) | **2015** | 2014(1) |
| **Mining & Metallurgy** | **$ 19.8** | $ 25.5 | **$ 57.4** | $ 47.9 |
| **Oil & Gas** | **62.3** | 26.9 | **181.7** | 19.3 |
| **Power** | **16.3** | 16.3 | **85.2** | 70.0 |
| **Infrastructure** | | | | |
| Infrastructure & Construction | **41.2** | (12.9) | **(12.7)** | (5.4) |
| Operations & Maintenance | **15.3** | 10.6 | **39.4** | 38.8 |
| **Subtotal - Infrastructure** | **56.4** | (2.3) | **26.7** | 33.4 |
| **Total - E&C** | **154.8** | 66.4 | **350.9** | 170.5 |
| **ICI** | **224.8** | 181.6 | **319.4** | 466.2 |
| **Total - segment EBIT** | **$ 379.5** | $ 248.0 | **$ 670.3** | $ 636.7 |
| Less: | | | | |
| Corporate selling, general and administrative expenses and others not allocated to the segments | **$ (36.9)** | $ (36.5) | **$ (126.8)** | $ (115.0) |
| Restructuring costs | **(13.4)** | (13.8) | **(21.6)** | (15.8) |
| Acquisition-related costs and integration costs | **(5.8)** | (30.0) | **(19.2)** | (55.9) |
| Amortization of intangible assets related to Kentz acquisition | **(29.4)** | (12.3) | **(71.5)** | (12.3) |
| Reversal of non-controlling interests before income taxes | **9.3** | 0.3 | **16.8** | 0.6 |
| **EBIT** | **$ 303.3** | $ 155.7 | **$ 448.0** | $ 438.3 |

(1) Comparative figures have been restated to reflect changes made to the Company's segment reporting structure and measure of profit and loss for the Company's reportable segments. In addition, 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 ($8.9 million after taxes) in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. Comparative figures have been adjusted accordingly. See Note 16C to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2015 for more details.

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

# 7.1 – Mining & Metallurgy

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014[1] | **2015** | 2014[1] |
| Revenues from Mining & Metallurgy: | | | | |
| Services | **$ 100.4** | $ 143.6 | **$ 320.7** | $ 451.0 |
| Packages | **102.4** | 103.4 | **333.1** | 259.4 |
| **Total** | **$ 202.8** | $ 247.0 | **$ 653.8** | $ 710.5 |
| Segment EBIT from Mining & Metallurgy | **$ 19.8** | $ 25.5 | **$ 57.4** | $ 47.9 |
| Segment EBIT over revenues from Mining & Metallurgy (%) | **9.8%** | 10.3% | **8.8%** | 6.7% |

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

**Mining & Metallurgy revenues in the third quarter of 2015 decreased to $202.8 million,** compared with $247.0 million for the corresponding period of 2014, mainly reflecting a lower level of Services activity.

**For the first nine months of 2015, revenues decreased to $653.8 million,** compared with $710.5 million for the first nine months of 2014, mainly reflecting a lower level of Services activity, partially offset by a higher level of Packages activity.

**Mining & Metallurgy segment EBIT was $19.8 million in the third quarter of 2015,** compared with $25.5 million in the corresponding period of 2014, mainly reflecting a lower volume of Services activity.

**For the first nine months of 2015, Mining & Metallurgy segment EBIT was $57.4 million,** compared with $47.9 million in the first nine months of 2014, reflecting lower selling, general and administrative expenses combined with a higher gross margin-to-revenue ratio mainly in Packages, partially offset by a lower volume of Services activity.

# 7.2 – Oil & Gas

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014[1] | **2015** | 2014[1] |
| Revenues from Oil & Gas: | | | | |
| Services | **$ 707.1** | $ 324.2 | **$ 1,806.1** | $ 530.0 |
| Packages | **338.6** | 123.9 | **890.7** | 150.7 |
| **Total** | **$ 1,045.7** | $ 448.2 | **$ 2,696.9** | $ 680.6 |
| Segment EBIT from Oil & Gas | **$ 62.3** | $ 26.9 | **$ 181.7** | $ 19.3 |
| Segment EBIT over revenues from Oil & Gas (%) | **6.0%** | 6.0% | **6.7%** | 2.8% |

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

**Revenues from Oil & Gas increased to $1,045.7 million in the third quarter of 2015,** compared with $448.2 million for the third quarter of 2014, primarily reflecting incremental Services and Packages revenues generated by Kentz, the acquisition of which was completed on August 22, 2014.

**For the first nine months of 2015, revenues increased to $2,696.9 million,** compared with $680.6 million for the first nine months of 2014 for the same reason stated above.

**In the third quarter of 2015, Oil & Gas segment EBIT was $62.3 million,** compared with $26.9 million in the third quarter of 2014, mainly reflecting a higher volume of activity from the acquisition of Kentz, which more than offset its incremental selling, general and administrative expenses.

**For the first nine months of 2015, Oil & Gas segment EBIT was $181.7 million,** compared with $19.3 million in the corresponding period of 2014, mainly for the same reasons stated in the third quarter segment EBIT analysis above.

# 7.3 – Power

| (IN MILLIONS OF CA$) | THIRD QUARTER | | NINE MONTHS ENDED SEPTEMBER 30 | |
|---|---|---|---|---|
| | **2015** | 2014[(1)] | **2015** | 2014[(1)] |
| Revenues from Power: | | | | |
| Services | **$ 85.6** | $ 84.9 | **$ 256.3** | $ 282.9 |
| Packages | **316.4** | 184.2 | **1,025.7** | 591.3 |
| **Total** | **$ 402.0** | $ 269.1 | **$ 1,281.9** | $ 874.1 |
| Segment EBIT from Power | **$ 16.3** | $ 16.3 | **$ 85.2** | $ 70.0 |
| Segment EBIT over revenues from Power (%) | **4.1%** | 6.1% | **6.6%** | 8.0% |

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

**Power revenues increased to $402.0 million in the third quarter of 2015,** compared with $269.1 million for the third quarter of 2014. **For the first nine months of 2015, revenues increased to $1,281.9 million,** compared with $874.1 million for the corresponding period of 2014. The Company is no longer required to eliminate E&C revenues generated between the Company and AltaLink since the latter's disposal in the fourth quarter of 2014, whereas only profits from these projects were recognized prior to the transaction date.

**For the third quarter of 2015, Power segment EBIT was $16.3 million,** in line with the corresponding quarter of 2014. There was a lower gross margin-to-revenue ratio in the third quarter of 2015 compared with the third quarter of 2014, mainly reflecting a net adverse impact of $16.5 million from reforecasts on certain major projects outside Canada, as well as a lower gross margin-to-revenue ratio in other Packages projects. The gross margin in the third quarter of 2014 was negatively impacted by an unfavourable cost reforecast on an unprofitable legacy fixed-price contract in North Africa and additional reserves, for a total amount of $23.6 million.

**For the first nine months of 2015, Power segment EBIT was $85.2 million,** compared with $70.0 million in the corresponding period of 2014, mainly reflecting a higher volume of Packages activities combined with lower selling, general and administrative expenses. The gross margin for the first nine months of 2015 included a net adverse impact of $15.1 million from reforecasts on certain major projects outside Canada, while the gross margin in the first nine months of 2014 included a $23.6 million impact from the unfavourable cost reforecast on a legacy fixed-price contract and additional reserves described above.

Due to the fact that revenues generated between the Company and AltaLink are not eliminated in 2015, the gross margin-to-revenue ratio in the third quarter and first nine-months of 2015 was lower compared with the corresponding periods of 2014.

# 7.4 – Infrastructure

## 7.4.1 – Infrastructure & Construction

| (IN MILLIONS OF CA$) | THIRD QUARTER | | | | NINE MONTHS ENDED SEPTEMBER 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2015** | | 2014[1] | | **2015** | | 2014[1] |
| Revenues from Infrastructure & Construction: | | | | | | | | |
| Services | **$** | **172.5** | $ | 170.5 | **$** | **493.2** | $ | 521.5 |
| Packages | | **340.3** | | 314.5 | | **857.1** | | 959.8 |
| **Total** | **$** | **512.7** | $ | 485.0 | **$** | **1,350.2** | $ | 1,481.3 |
| Sub-segment EBIT from Infrastructure & Construction | **$** | **41.2** | $ | (12.9) | **$** | **(12.7)** | $ | (5.4) |
| Sub-segment EBIT over revenues from Infrastructure & Construction (%) | | **8.0%** | | (2.7%) | | **(0.9%)** | | (0.4%) |

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

**Infrastructure & Construction revenues for the third quarter 2015 increased to $512.7 million,** compared with $485.0 million for the corresponding period of 2014, mainly reflecting a higher level of Packages activity.

**For the first nine months of 2015, revenues decreased to $1,350.2 million,** compared with $1,481.3 million for the first nine months of 2014, mainly reflecting a lower level of Packages activity, principally due to the substantial completion of a major hospital project in the second half of 2014.

**For the third quarter of 2015, Infrastructure & Construction sub-segment EBIT was $41.2 million,** compared with a negative sub-segment EBIT of $12.9 million in the corresponding quarter of 2014, reflecting a higher gross margin-to-revenue ratio, mainly attributable to a positive impact totalling $22.5 million principally from favourable outcome and reforecasts on certain major projects in Canada. The third quarter of 2014 negative sub-segment EBIT was mainly attributable to a net negative impact on gross margin of $13.1 million from the combination of an additional loss on a major hospital project and of a favourable outcome on certain claims.

**For the first nine months of 2015, Infrastructure & Construction sub-segment EBIT was negative $12.7 million,** compared with a negative sub-segment EBIT of $5.4 million in the first nine months of 2014, reflecting a lower gross margin-to-revenue ratio combined with a lower volume of activity, partially offset by lower selling, general and administrative expenses. The gross margin for the first nine months of 2015 included an adverse impact due to challenging soil conditions relating to the tunnel portion of a mass transit project and additional costs to secure the completion date on a major highway project, both in Canada, which led to a revised cost forecast with a total adverse impact of $37.8 million on gross margin, which was partially offset by the favourable outcome and reforecasts described above. The gross margin for the first nine months of 2014 included, in addition to the items explained in the third quarter analysis above, a net favourable impact of $35.3 million explained by i) the reversal of a risk provision on a Libyan project, partially offset by ii) a risk provision recorded in the first quarter of 2014 covering in full the cash held in Libya caused by the increasing risk on the availability of such funds.

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

### 7.4.2 – O&M

| (IN MILLIONS OF CA$) | THIRD QUARTER | | | | NINE MONTHS ENDED SEPTEMBER 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2015** | | 2014[(1)] | | **2015** | | 2014[(1)] |
| Revenues from O&M | **$** | **213.1** | $ | 311.6 | **$** | **790.3** | $ | 970.8 |
| Sub-segment EBIT from O&M | **$** | **15.3** | $ | 10.6 | **$** | **39.4** | $ | 38.8 |
| Sub-segment EBIT over revenues from O&M (%) | | **7.2%** | | 3.4% | | **5.0%** | | 4.0% |

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

**O&M revenues in the third quarter of 2015 were $213.1 million,** compared with $311.6 million in the corresponding period of 2014. **For the first nine months of 2015, revenues were $790.3 million,** compared with $970.8 million in the corresponding period of 2014, mainly reflecting a lower level of activity, principally attributable to the non-renewal of an unprofitable contract for the management of government buildings, facilities and land in Canada.

**O&M sub-segment EBIT was $15.3 million in the third quarter of 2015,** compared with $10.6 million in the third quarter of 2014, mainly reflecting a higher gross margin-to-revenue ratio, partially offset by a lower volume of activity.

**For the first nine months of 2015, O&M sub-segment EBIT was $39.4 million,** in line with the corresponding period of 2014, as a lower volume of activity was offset by a higher gross margin-to-revenue ratio.

## 7.5 – ICI

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

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

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

### 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.

## 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 and the balance of its loans to a shareholder of Ambatovy (the "loans").

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 (its "investment in Ambatovy") for a cash consideration of US$449.7 million (CA$600.7 million).

### 7.5.1 – Net Book Value of ICI

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

| (IN MILLIONS OF CA$) | | **September 30 2015** | | December 31 2014 |
|---|---|---|---|---|
| ICI accounted for by the full consolidation method | **$** | **(18.4)** | $ | 9.7 |
| ICI accounted for by the equity method | | **425.7** | | 362.3 |
| ICI accounted for by the cost method | | **47.4** | | 440.8 |
| Total net book value of ICI | **$** | **454.6** | $ | 812.8 |

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

### 7.5.2 – EBIT of the ICI Segment

| (IN MILLIONS OF CA$) | THIRD QUARTER | | | | NINE MONTHS ENDED SEPTEMBER 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2015** | | 2014[(1)] | | **2015** | | 2014[(1)] |
| Revenues from ICI | **$** | **56.9** | $ | 243.3 | **$** | **167.5** | $ | 703.4 |
| EBIT: | | | | | | | | |
| From Highway 407 | **$** | **31.5** | $ | 29.4 | **$** | **94.4** | $ | 88.1 |
| From AltaLink | | **–** | | 130.2 | | **–** | | 312.1 |
| From other ICI [(2)] | | **193.3** | | 22.0 | | **225.0** | | 66.0 |
| Segment EBIT from ICI | **$** | **224.8** | $ | 181.6 | **$** | **319.4** | $ | 466.2 |

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

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

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

**The ICI segment EBIT amounted to $224.8 million in the third quarter of 2015,** compared with $181.6 million for the same period last year, mainly reflecting a $174.4 million gain before taxes on disposal of the Company's investment in Ambatovy and a higher dividend received from Highway 407, partially offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing to the Company's EBIT in 2015.

**The ICI segment EBIT decreased to $319.4 million for the first nine months of 2015,** compared with $466.2 million for the corresponding period of 2014, mainly reflecting the gain on disposal of the Company's investment in Ambatovy and higher dividends received from Highway 407, more than offset by the disposal of the Company's ownership interest in AltaLink in the fourth quarter of 2014, which is no longer contributing to the Company's EBIT in 2015.

# 8 – Liquidity and Capital Resources

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

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

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

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

## 8.1 – Cash Net of Recourse Debt

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

| (IN MILLIONS OF CA$) | **September 30 2015** | December 31 2014 |
|---|---|---|
| Cash and cash equivalents | **$ 1,455.7** | $ 1,702.2 |
| Less: | | |
| Cash and cash equivalents of ICI accounted for by the full consolidation method | **15.8** | 29.3 |
| Recourse debt: | | |
| Credit facility | **80.0** | - |
| Debentures | **349.1** | 348.9 |
| **Cash net of recourse debt** | **$ 1,010.8** | $ 1,324.0 |

**The cash net of recourse debt at September 30, 2015 was $1,010.8 million,** compared with $1,324.0 million at December 31, 2014, mainly due to a decrease in cash and cash equivalents as explained in section 8.2, as well as an increase in current recourse debt.

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

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

# 8.2 – Cash Flows Analysis

| NINE MONTHS ENDED SEPTEMBER 30<br>(IN MILLIONS OF CA$) | | 2015 | | 2014 |
|---|---|---|---|---|
| Net cash flows generated from (used for): | | | | |
| Operating activities | $ | **(759.1)** | $ | (171.4) |
| Investing activities | | **579.2** | | (3,254.4) |
| Financing activities | | **(87.4)** | | 3,471.2 |
| Increase from exchange differences on translating cash and cash equivalents | | **20.8** | | 1.2 |
| Net increase (decrease) in cash and cash equivalents | | **(246.5)** | | 46.5 |
| Cash and cash equivalents at beginning of period | | **1,702.2** | | 1,108.7 |
| Cash and cash equivalents at end of period | $ | **1,455.7** | $ | 1,155.2 |
| Less: Cash and cash equivalents included in the disposal group classified as held for sale and asset held for sale | | **–** | | (11.6) |
| Cash and cash equivalents at end of period as presented on the consolidated statement of financial position | $ | **1,455.7** | $ | 1,143.6 |

**Cash and cash equivalents were $1,455.7 million at September 30, 2015,** compared with $1,155.2 million at September 30, 2014, as discussed further below.

## 8.2.1 – Cash Flows Related to Operating Activities

**Net cash used for operating activities was $759.1 million for the first nine months of 2015,** compared with $171.4 million for the corresponding period of 2014. The major elements impacting operating activities were as follows:

> Net cash used for operating activities before net change in non-cash working capital items, totalled $61.2 million in the first nine months of 2015, compared with net cash generated of $307.2 million in the first nine months of 2014, mainly reflecting :

- A net income of $369.0 million in the first nine months of 2015, compared with $187.6 million in the corresponding period of 2014;
- Income taxes paid of $301.0 million in the first nine months of 2015, mainly due to income taxes paid on the net gain on disposal of AltaLink which was completed in the fourth quarter of 2014, compared with $63.9 million in the corresponding period of 2014;

- A net financial income of $10.2 million in the first nine months of 2015, compared with net financial expenses totalling $187.7 million in the first nine months of 2014 as explained in section 5.8, while interest paid in the first nine months of 2015 amounted to $59.6 million, compared with $172.1 million in the first nine months of 2014, principally due to the disposal of AltaLink in the fourth quarter of 2014; and
- A non-cash gain of $174.4 million on disposal of Ambatovy in the first nine months of 2015, compared with a non-cash loss of $4.1 million on disposal of Ovation Real Estate Group (Quebec) Inc. in the first nine months of 2014.

> As detailed in Note 12 to the unaudited interim condensed consolidated financial statements for the third quarter of 2015, cash used for the net change in non-cash working capital items totalled $697.9 million in the first nine months of 2015, compared with $478.6 million in the corresponding period of 2014, mainly reflecting working capital requirements on certain major projects.

### 8.2.2 – Cash Flows Related to Investing Activities

**Net cash generated from investing activities was $579.2 million for the first nine months of 2015,** compared with net cash used for investing activities of $3,254.4 million for the corresponding period of 2014. The major investing activities were as follows:

> Following the disposal of AltaLink in the fourth quarter of 2014, the acquisition of property and equipment from fully consolidated ICI used a total cash outflow of $nil in the first nine months of 2015, compared with $1,156.4 million in the corresponding period of 2014, which was due to AltaLink;

> The acquisition of property and equipment from E&C activities amounted to a total cash outflow of $71.9 million in the first nine months of 2015, compared with $39.5 million in the first nine months of 2014;

> Payments for ICI amounted to $16.9 million in the first nine months of 2015, reflecting payments for Ambatovy Nickel Project, compared with $124.0 million in the corresponding period of 2014, which primarily reflected payments for Groupe immobilier santé McGill and Ambatovy Nickel Project;

> Costs net of recovery of $34.7 million associated to a foreign exchange hedge in the first nine months of 2014, as described in Note 16 to the Company's interim condensed consolidated financial statements for the third quarter of 2015;

> Net cash used for the acquisition of Kentz amounted to $1,763.0 million in the first nine months of 2014, as described in Note 16 to the unaudited interim condensed consolidated financial statements for the third quarter of 2015. The difference between the purchase price of $2,073.6 million and the net cash used for the acquisition of Kentz represented cash and cash equivalents held by Kentz at the date of acquisition;

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

> Net cash inflow on disposal of an ICI of $600.7 million in the first nine months of 2015, resulting from the disposal of the Company's investment in Ambatovy, compared with a net cash inflow on disposal of an ICI of $72.8 million in the first nine months of 2014, resulting from the sale of the Company's 100% ownership interest in Ovation as described in Note 4 to the unaudited interim condensed consolidated financial statements for the third quarter of 2015.

### 8.2.3 – Cash Flows Related to Financing Activities

**Net cash used for financing activities was $87.4 million in the first nine months of 2015,** compared with net cash generated from financing activities of $3,471.2 million for the corresponding period of 2014. The major financing activities were as follows:

> An increase of $430.0 million in recourse debt, as well as the repayment of recourse debt of $340.0 million in the first nine months of 2015, compared with an increase of $2,630.0 million in recourse debt, related to the acquisition of Kentz, to finance the purchase price of the Acquisition, as well as for repayment of $482.4 million of recourse debt of Kentz;

> The increase in non-recourse debt from ICI amounted to $1.4 million in the first nine months of 2015, compared with $1,406.3 million for the corresponding period of 2014, which primarily related to AltaLink Holdings, L.P. and other related holding entities as well as to InPower BC General Partnership.

> The repayment of non-recourse debt from ICI amounted to $7.6 million in the first nine months of 2015, compared with $153.3 million in the first nine months of 2014, which related primarily to AltaLink;

> An increase in advances under contract financing arrangements of $77.2 million in the first nine months of 2015, compared with $173.9 million in the corresponding period of 2014;

> During the first nine months of 2015 and 2014, the Company paid dividends totalling $113.4 million and $109.6 million, respectively;

> The redemption of shares for $121.8 million (2,803,900 shares at an average price of $43.43) in the first nine months of 2015, compared with $nil in the first nine months of 2014. On June 3, 2015, the Company announced that it had received the required regulatory approval to proceed with its previously-announced normal course issuer bid renewal through the facilities of the Toronto Stock Exchange ("TSX") and/or alternative trading systems to purchase, for cancellation, up to 13,287,774 of its Common Shares commencing June 5, 2015 and ending June 4, 2016; and

> The issuance of shares pursuant to the exercise of stock options generated $4.0 million of cash in the first nine months of 2015 (105,539 stock options at an average price of $38.07), compared with $26.8 million in the corresponding period of 2014 (655,835 stock options at an average price of $40.93). As at October 26, 2015, there were 1,973,316 stock options outstanding with exercise prices varying from $37.04 to $57.07 per common share. At that same date there were 149,768,158 common shares issued and outstanding.

## 8.3 – Dividends

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

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

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

**ROASE was 48.6% for the 12-month period ended September 30, 2015,** compared with 13.4% for the same period last year, mainly due to the gain on disposal of AltaLink in the fourth quarter of 2014 as well as the gain on disposal of the Company's investment in Ambatovy in the third quarter of 2015.

## 8.5 – Financial Instruments

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

# 9 – Related Party Transactions

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

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

The accounting treatment of intragroup profits is summarized below:

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

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

For the 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.

# 10 – Accounting Policies and Changes

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

The key judgments, assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements, were disclosed in the Company's 2014 annual audited consolidated financial statements and remain unchanged for the third quarter of 2015. In addition, during the first quarter of 2015, the Company conducted a formal review of its computer equipment and accordingly reassessed its useful life. As a result of the review, the depreciation period of the Company's computer equipment was changed from 2 years to a period varying between 2 and 5 years. This resulted in a decrease estimated to $3.2 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.

# 10.1 – 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.

# 10.2 – 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.

# 10.3 – Standards and Amendments Issued to be Adopted at a Later Date

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

> *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, Intangible Assets, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.

> *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*): i) when an entity sells or contributes assets that constitute a business to a joint venture or an associate or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognized in full; and ii) when an entity sells or contributes assets that do not constitute a business to a joint venture or associate or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence in a transaction involving an associate or a joint venture, the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investors' interests in the joint venture or associate, i.e., the entity's share of the gain or loss is eliminated.

> *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.

> Annual Improvements to IFRS (2012-2014 Cycle):

- Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
- Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.
- Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
- Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

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

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

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

# 11 – Risks and Uncertainties

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

# 12 – Quarterly Information and Restated 2014 Quarterly Segmented Information

## 12.1 – Quarterly Information

| (IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE AND DIVIDENDS PER SHARE) | **2015** | | | 2014[(1)] | | | | 2013 |
|---|---|---|---|---|---|---|---|---|
| | THIRD QUARTER | SECOND QUARTER | FIRST QUARTER | FOURTH QUARTER | THIRD QUARTER | SECOND QUARTER | FIRST QUARTER | FOURTH QUARTER |
| Revenues | **$ 2,433.2** | $ 2,250.4 | $ 2,257.1 | $ 2,818.0 | $ 2,004.1 | $ 1,696.5 | $ 1,720.1 | $ 2,124.3 |
| EBIT | **$ 303.3** | $ 43.6 | $ 101.2 | $ 1,439.1 | $ 155.7 | $ 113.7 | $ 168.9 | $ 190.0 |
| Net income (loss) attributable to SNC-Lavalin shareholders from E&C | **$ 33.3** | $ (18.5) | $ 67.0 | $ (255.6) | $ (28.9) | $ (46.9) | $ 30.8 | $ (31.3) |
| Net income attributable to SNC-Lavalin shareholders from ICI: | | | | | | | | |
| From Highway 407 | **31.5** | 31.5 | 31.5 | 34.4 | 29.4 | 29.4 | 29.4 | 41.9 |
| From AltaLink | **–** | – | – | 48.8 | 58.9 | 44.7 | 23.2 | 39.3 |
| From other ICI | **159.4** | 13.6 | 5.9 | 1,319.0 | 0.7 | 4.9 | 11.2 | 42.6 |
| Net income attributable to SNC-Lavalin shareholders | **224.2** | 26.5 | 104.4 | 1,146.6 | 60.0 | 32.1 | 94.6 | 92.5 |
| Net income attributable to non-controlling interests | **9.1** | 4.4 | 0.4 | 0.3 | 0.7 | 0.1 | 0.1 | 0.1 |
| Net income | **$ 233.3** | $ 30.9 | $ 104.8 | $ 1,147.0 | $ 60.8 | $ 32.1 | $ 94.7 | $ 92.6 |
| Basic earnings per share ($) | **$ 1.50** | $ 0.17 | $ 0.68 | $ 7.52 | $ 0.39 | $ 0.21 | $ 0.62 | $ 0.61 |
| Diluted earnings per share ($) | **$ 1.49** | $ 0.17 | $ 0.68 | $ 7.51 | $ 0.39 | $ 0.21 | $ 0.62 | $ 0.61 |
| Dividends declared per share ($) | **$ 0.25** | $ 0.25 | $ 0.25 | $ 0.25 | $ 0.24 | $ 0.24 | $ 0.24 | $ 0.24 |

(1) 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 ($8.9 million after taxes) in the amortization of intangible assets related to Kentz acquisition following the revision of the preliminary allocation of the purchase price of Kentz. Comparative figures have been adjusted accordingly. See Note 16C to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2015 for more details.

## 12.2 – Restated 2014 Quarterly Segmented Information

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

## 2014 Restated Segment Revenues by Quarter

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

## 2014 Restated Segment EBIT by Quarter

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

## 2014 Restated Revenue Backlog by Quarter

| AT SEPTEMBER 30 (IN MILLIONS OF CA$) | 2014 | | | |
|---|---|---|---|---|
| BY SEGMENT | SERVICES | PACKAGES | O&M | TOTAL |
| **Mining & Metallurgy** | $ 222.9 | $ 668.2 | $ – | $ 891.1 |
| **Oil & Gas** | 3,169.2 | 1,522.3 | – | 4,691.5 |
| **Power** | 349.1 | 2,033.2 | – | 2,382.3 |
| **Infrastructure** | | | | |
| Infrastructure & Construction | 584.6 | 1,861.7 | – | 2,446.3 |
| O&M | – | – | 2,102.6 | 2,102.6 |
| **Total** | $ 4,325.9 | $ 6,085.4 | $ 2,102.6 | $ 12,513.9 |

| AT JUNE 30 (IN MILLIONS OF CA$) | 2014 | | | |
|---|---|---|---|---|
| BY SEGMENT | SERVICES | PACKAGES | O&M | TOTAL |
| **Mining & Metallurgy** | $ 224.5 | $ 730.3 | $ – | $ 954.8 |
| **Oil & Gas** | 283.6 | 62.8 | – | 346.4 |
| **Power** | 406.1 | 1,885.1 | – | 2,291.2 |
| **Infrastructure** | | | | |
| Infrastructure & Construction | 611.8 | 2,165.2 | – | 2,776.9 |
| O&M | – | – | 1,843.9 | 1,843.9 |
| **Total** | $ 1,526.0 | $ 4,843.4 | $ 1,843.9 | $ 8,213.2 |

| AT MARCH 31 (IN MILLIONS OF CA$) | 2014 | | | |
|---|---|---|---|---|
| BY SEGMENT | SERVICES | PACKAGES | O&M | TOTAL |
| **Mining & Metallurgy** | $ 282.1 | $ 239.3 | $ – | $ 521.4 |
| **Oil & Gas** | 332.2 | 57.6 | – | 389.8 |
| **Power** | 360.7 | 2,053.1 | – | 2,413.8 |
| **Infrastructure** | | | | |
| Infrastructure & Construction | 629.3 | 2,430.9 | – | 3,060.2 |
| O&M | – | – | 1,988.9 | 1,988.9 |
| **Total** | $ 1,604.3 | $ 4,780.9 | $ 1,988.9 | $ 8,374.1 |

# 13 – Controls and Procedures

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

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

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

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

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

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

# 14 – 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 been incurred in the third quarter of 2015. These additional costs are now expected to be recognized in the fourth quarter of 2015.