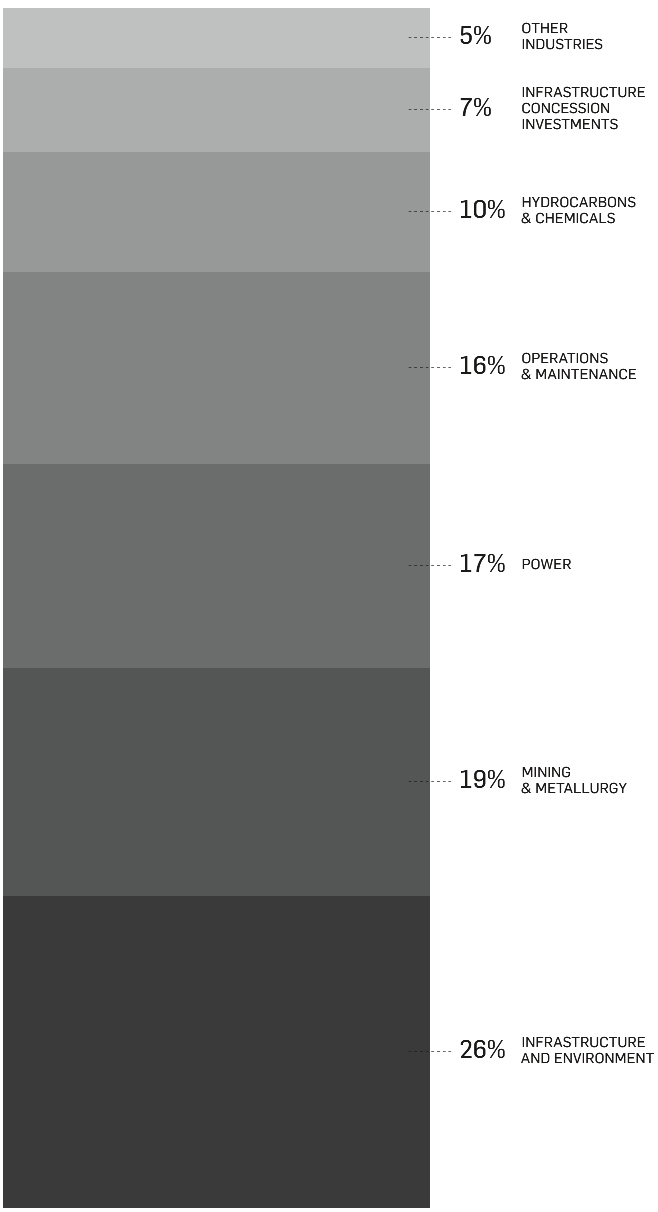
2012 FINANCIAL REPORT

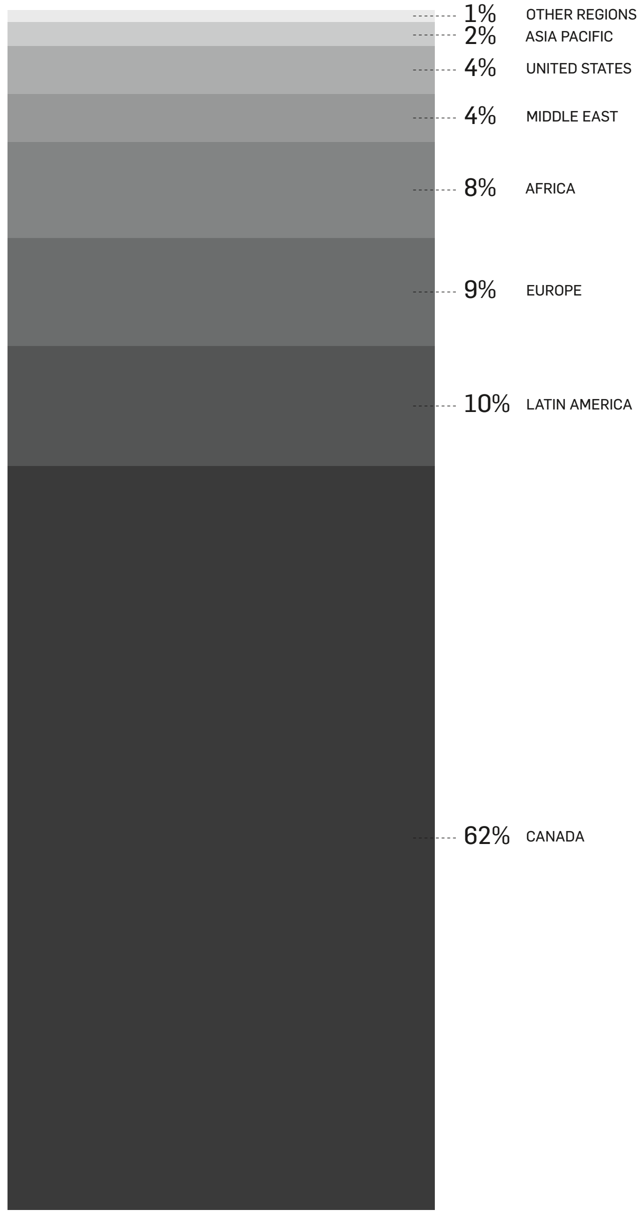
SNC·LAVALIN

2012 REVENUES

By industry segment



By geographic area

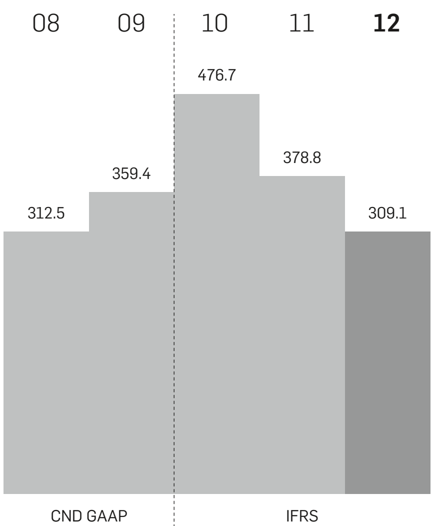


34,000 EMPLOYEES

ONGOING PROJECTS IN MORE THAN 100 COUNTRIES

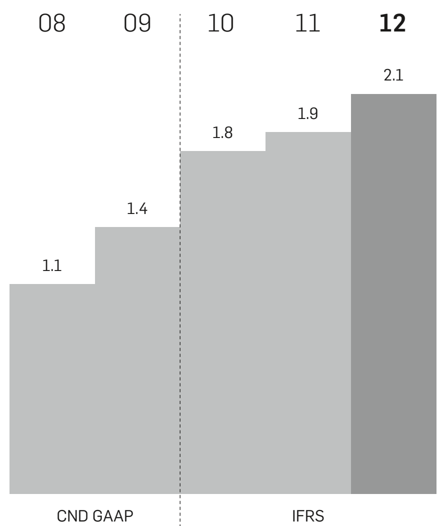
OVER $8 BILLION OF REVENUES

NET INCOME
(in millions CA$)



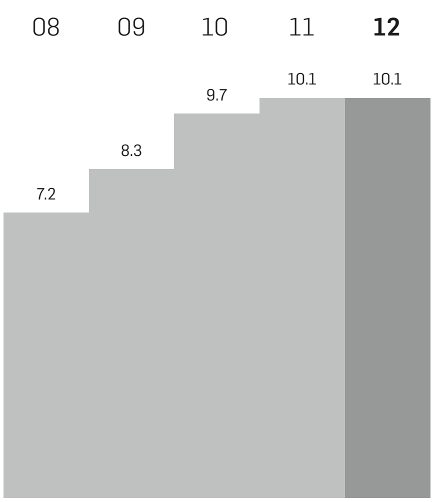
$309
MILLION
NET INCOME
IN 2012

EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS
(in billions CA$)



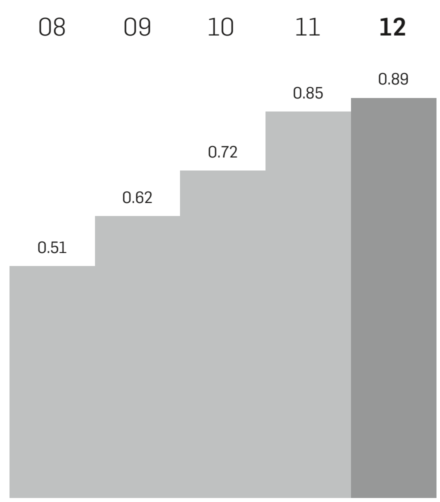
$2.1
BILLION
IN EQUITY AT
DECEMBER 31,
2012

BACKLOG
(in billions CA$)



$10
BILLION
BACKLOG AT
DECEMBER 31,
2012

DIVIDENDS
(in CA$)



15%
5-YEAR
DIVIDEND CAGR(1)

(1) Compound annual growth rate

March 8, 2013

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the audited annual consolidated financial statements and accompanying notes, and should therefore be read in conjunction with these documents, and should also be **read together with the text below on 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 ventures, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint ventures.

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on the Company's website (www.snclavalin.com) as well as on SEDAR (www.sedar.com), the system used for electronically filing most securities-related information with the Canadian securities regulatory authorities.

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").

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", "estimates", "expects", "goal", "intends", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. 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 March 8, 2013. The assumptions are set out throughout this 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 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) the Company is subject to ongoing investigations which could adversely affect its business, results of operations or reputation and which could subject it to sanctions, fines or monetary penalties, some of which may be significant; (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 civil enforcement actions; (d) a negative impact on the Company's public image could influence its ability to obtain future projects; (e) 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; (f) 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; (g) 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; (h) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (i) 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; (j) there are risks associated with the Company's ownership interests in ICI that could adversely affect it; (k) the Company is dependent on third parties to complete many of its contracts; (l) 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; (m) the competitive nature of the markets in which the Company does business could adversely affect it; (n) the Company's project execution activities may result in professional liability or liability for faulty services; (o) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (p) the Company may not have in place sufficient insurance coverage to satisfy its needs; (q) 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; (r) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (s) work stoppages, union negotiations and other labour matters could adversely affect the Company; (t) 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; (u) any acquisition or other investment may present risks or uncertainties; (v) a deterioration or weakening of the Company's financial position, including its net cash position, would have a material adverse effect on its business and results of operations; (w) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (x) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (y) 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; (z) 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; (aa) 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; (bb) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (cc) 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 this report.

The forward-looking statements in this document reflect the Company's expectations as at March 8, 2013, 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.

1. RECENT DEVELOPMENTS

ETHICS AND COMPLIANCE PROGRAM

The Company continues to develop and implement a comprehensive ethics and compliance program with the assistance of Freeh Group International Solutions and Fairfax Group. Over the course of the past twelve months, the Company has implemented a series of measures, including the adoption of an amended Code of Ethics and Business Conduct ("Code of Ethics"), an expansion of the mechanisms for reporting complaints, the establishment of an ethics and compliance 24/7 hotline, the creation of an ethics and compliance committee and an agent review committee, a process for the adherence of business partners to the Company's ethics values, the adoption of a management override policy, direct line reporting from business unit lawyers and finance staff to, respectively, the Executive Vice-President and General Counsel and the Chief Financial Officer ("CFO"), and the engagement of external consultants assisting in monitoring the implementation of these measures and in framing a compliance program that can be benchmarked against a number of outside sources and the Company's peer group. As part of this ongoing process, on February 22, 2013, the Company announced the appointment of the former Chief Compliance Officer of Siemens AG, Andreas Pohlmann, as its Chief Compliance Officer, effective March 1, 2013.

CORPORATE STRUCTURE AND MANAGEMENT CHANGES

On August 10, 2012, the Company announced that, effective October 1, 2012, Robert G. Card would become its new President and Chief Executive Officer (the "CEO"), and a member of the Board of Directors. Mr. Card has almost 40 years of experience in the operations and management of infrastructure and energy projects in the industry, including most recently with a Fortune 500 engineering services firm with 30,000 staff, a presence in more than 80 countries and approximately $6 billion in annual revenues.

Mr. Card replaced Ian A. Bourne, who, at the request of the Board of Directors, agreed to assume the functions of interim Chief Executive Officer (the "Interim CEO") and Vice-Chairman of the Board of Directors following the announcement on March 26, 2012 that Pierre Duhaime had stepped down from his position as Chief Executive Officer of the Company (the "Former CEO") and as a director of the Company. Mr. Bourne remains Vice-Chairman of the Board of Directors.

Under Mr. Card's leadership, the Company continues to assess and has begun to implement certain structural changes within the organization with goals, amongst others, to improve integration of products and services throughout the Company and increase global geographical presence to complement the existing global operating structure by sector of activity. As part of this process, the Company has also taken a number of measures to further strengthen its management structure and extend its scope. These measures include:

> Effective January 21, 2013, Neil Bruce assumed the newly created role of President, Resources & Environment, and became a member of the Office of the President. This newly formed group includes the Company's global business in Hydrocarbons & Chemicals, Mining & Metallurgy, Environment and Water;

> As announced on January 18, 2013, a Global Operations group has been created. Christian Jacqui, formerly Executive Vice-President, Europe, was assigned a new role as Executive Vice-President, Global Operations. This role will oversee the globalization of the Company's operations to complement the existing global operating structure by sector of activity;

> As announced on December 13, 2012, Gilles Laramée, CFO, assumed responsibility as Executive Vice-President Infrastructure, Concessions and Investments ("ICI"). The Company has initiated a search to replace Mr. Laramée as CFO. Mr. Laramée will continue as CFO until his replacement is in place;

> The following individuals were named Office of the President members in 2012 and early 2013: Charles Chebl, Executive Vice-President Infrastructure and Construction, Dale Clarke, Executive Vice-President Mining and Metallurgy, Réjean Goulet, Executive Vice-President and General Counsel, Ric Sorbo, Acting Executive Vice-President, Hydrocarbons and Chemicals, and Scott Thon, Acting Executive Vice-President, Power.

REMEDIATION OF PREVIOUSLY IDENTIFIED MATERIAL WEAKNESSES

The CEO and the CFO of the Company have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2012. Based on this evaluation, including an assessment of the remedial measures that have been implemented by the Company during 2012 (as described in section 15.3), the CEO and the CFO have concluded that the previously identified material weaknesses relating to the design and operating effectiveness of the Company's internal control over financial reporting no longer existed as at December 31, 2012. See section 15 "Controls and Procedures".

At the request of the Company's Audit Committee, its independent auditor, Deloitte LLP ("Deloitte"), conducted an audit of the effectiveness of the Company's internal control over financial reporting as at December 31, 2012 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). Deloitte has issued an audit report dated March 8, 2013 which concludes that, in Deloitte's opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2012, in accordance with criteria established in the COSO Framework. This report is reproduced in section 16 of this MD&A and should be read in its entirety.

2. 2012 FINANCIAL HIGHLIGHTS

DECREASE IN 2012 NET INCOME

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS PER SHARE)	2012	2011	CHANGE
Net income attributable to SNC-Lavalin shareholders:			
Excluding Infrastructure Concession—Investments ("ICI")	$ 152.2	$ 247.6	(38.5%)
From ICI	156.9	131.2	19.6%
Net income attributable to SNC-Lavalin shareholders	$ 309.1	$ 378.8	(18.4%)
Earnings per share (diluted) (in $)	$ 2.04	$ 2.49	(18.1%)

> For the year ended December 31, 2012, net income attributable to SNC-Lavalin shareholders was $309.1 million ($2.04 per share on a diluted basis), compared to $378.8 million ($2.49 per share on a diluted basis) for the comparable period in 2011. Net income attributable to SNC-Lavalin shareholders decreased in 2012 compared to 2011, reflecting lower net income attributable to SNC-Lavalin shareholders excluding Infrastructure Concession—Investments ("ICI"), partially offset by higher net income attributable to SNC-Lavalin shareholders from ICI.

> Net income attributable to SNC-Lavalin shareholders excluding ICI decreased in 2012 compared to 2011. The decrease mainly reflected higher selling, general and administrative expenses partially offset by a higher gross margin amount. The increase in gross margin reflected a higher level of activity, partially offset by a lower gross margin-to-revenue ratio, notably in Packages which was impacted particularly by unfavourable cost reforecasts on a major Power project with an adverse impact of $110.9 million on gross margin in 2012. On a segment basis, with the exception of Mining & Metallurgy, all other segments had lower operating income in 2012 compared to 2011, and Hydrocarbons & Chemicals had an operating loss in 2012.

> Net income attributable to SNC-Lavalin shareholders from ICI increased in 2012 compared to 2011, mainly due to higher dividends received from 407 International Inc. ("Highway 407") and higher net income of AltaLink, partially offset by lower net income from Shariket Kahraba Hadjret En Nouss S.p.A. ("SKH").

HIGHER REVENUES IN 2012

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2012	2011	CHANGE
Revenues	$ 8,091.0	$ 7,209.9	12.2%

> Revenues for the year ended December 31, 2012 increased by 12.2% compared to 2011, primarily reflecting a 30.2% increase in Services.

CASH POSITION

DECEMBER 31 (IN MILLIONS CA$)	2012	2011	CHANGE
Cash and cash equivalents	$ 1,174.9	$ 1,231.0	(4.6%)
Net cash position	$ 808.7	$ 851.7	(5.1%)

> Net cash position (cash and cash equivalents less cash and cash equivalents from ICI and recourse debt) decreased as at December 31, 2012 compared to December 31, 2011.

REVENUE BACKLOG

DECEMBER 31 (IN MILLIONS CA$)	2012	2011
Services	$ 2,151.3	$ 2,226.1
Packages	5,747.7	5,482.8
Operations & Maintenance ("O&M")	2,234.4	2,379.1
Total	$ 10,133.4	$ 10,088.0

> The Company's overall revenue backlog as at December 31, 2012 remained in line with December 31, 2011, as the increase in Packages was offset by a decrease in O&M and Services.

DIVIDEND INCREASE

> On March 8, 2013, the Company's Board of Directors approved a quarterly dividend of $0.23 per share, a 4.5% increase over the previous quarterly dividend declared.

3. OVERVIEW OF OUR BUSINESS

SNC-Lavalin is a leading international engineering and construction company, and a leader in Operations & Maintenance ("O&M") in Canada. The Company is also recognized for its select investments in infrastructure concessions.

SNC-LAVALIN CONSISTS OF:
A network of offices located across Canada and in over 40 other countries with 34,000 EMPLOYEES working in some 100 COUNTRIES, offering expertise that meets clients' needs and making selective investments in infrastructure concessions

➜ Engineering and construction expertise offered as **Services** or **Packages**, to clients in multiple industries:

- Infrastructure & Environment
- Mining & Metallurgy
- Power
- Hydrocarbons & Chemicals
- Other Industries (including agrifood, pharmaceuticals and biotechnology and sulphuric acid)

➜ **O&M** activities performed to efficiently manage clients' facilities and assets, in various lines of business:

- Integrated Real Estate Solutions
- Industrial
- Transportation
- Defence & logistics

➜ Selectively invest in **ICI** that, in general, offer potential complementary engineering and construction, and/or O&M contract opportunities, with a fair return for SNC-Lavalin shareholders, such as:

- Airports
- Bridges
- Cultural and public service buildings
- Mass transit systems
- Power
- Roads
- Water

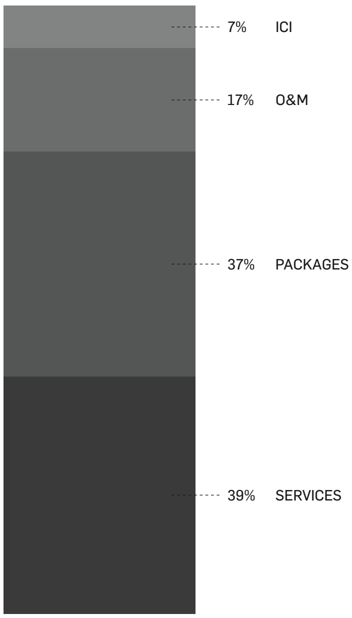
In certain parts of this MD&A, activities from Services, Packages and O&M are collectively referred to as "from other activities" or "excluding ICI" to distinguish them from ICI activities.

SNC-Lavalin has ongoing projects in multiple geographic regions and for multiple segments, showing the diversity of the Company's operations. The Company's geographic and industry diversification is one of the key factors that allows SNC-Lavalin to differentiate itself from its competitors.

The **diversity of the Company's revenue base** and its capacity to operate in different categories of activity, industry segments and geographic areas are illustrated in the following 2012 revenue charts.

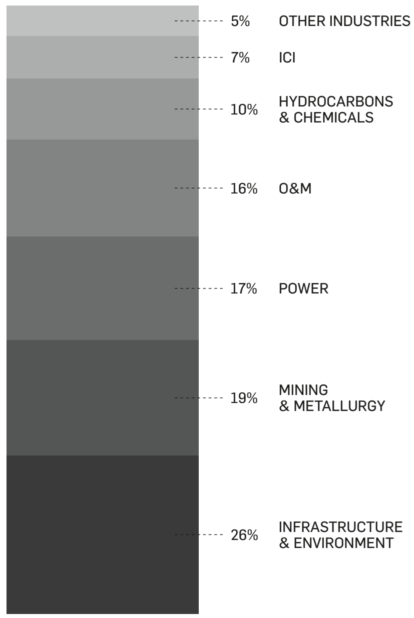
DIVERSITY OF THE COMPANY'S REVENUE BASE
2012 REVENUES ($8.1 BILLION)

CATEGORIES OF ACTIVITY



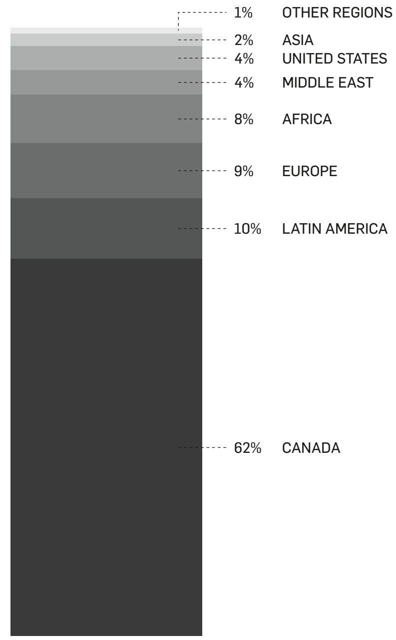
Four activities that are complimentary...

INDUSTRY SEGMENTS



...serving multiple industry segments...

GEOGRAPHIC AREAS



...with good geographic coverage and Canada as its largest base

4. HOW WE ANALYZE AND REPORT OUR RESULTS

4.1 RESULTS BY CATEGORY OF ACTIVITY

The Company reports its results under **four categories of activity**, which are **Services** and **Packages** (together these regroup activities from engineering and construction), **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.

4.1.1 SERVICES ACTIVITIES

Services revenues are derived primarily from cost-plus reimbursable contracts and include contracts wherein SNC-Lavalin provides **engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning**. Services revenues from individual contracts are typically lower than those of Packages activities, which are discussed below, as they mainly reflect the professional services rendered and not the cost of the materials, equipment and/or construction. The Company's Services activities aim to generate a gross margin yield between 25% and 29%. Services contracts that provide for engineering, procurement and construction management are referred to as "EPCM" contracts.

4.1.2 PACKAGES ACTIVITIES

Packages activities are different from Services activities in that the Company is **responsible not only for providing one or more Services activities, but also undertakes the responsibility for providing materials and equipment, and usually also include construction activities**. In particular, Packages contracts that include engineering services, providing materials and equipment, and construction activities are referred to as "EPC" contracts. **Packages revenues** are derived primarily from fixed-price contracts. As such, Packages revenues include the cost of materials, equipment and, in most cases, construction activities. The Company aims to generate a gross margin yield between 7% and 10% on Packages projects.

4.1.3 O&M ACTIVITIES

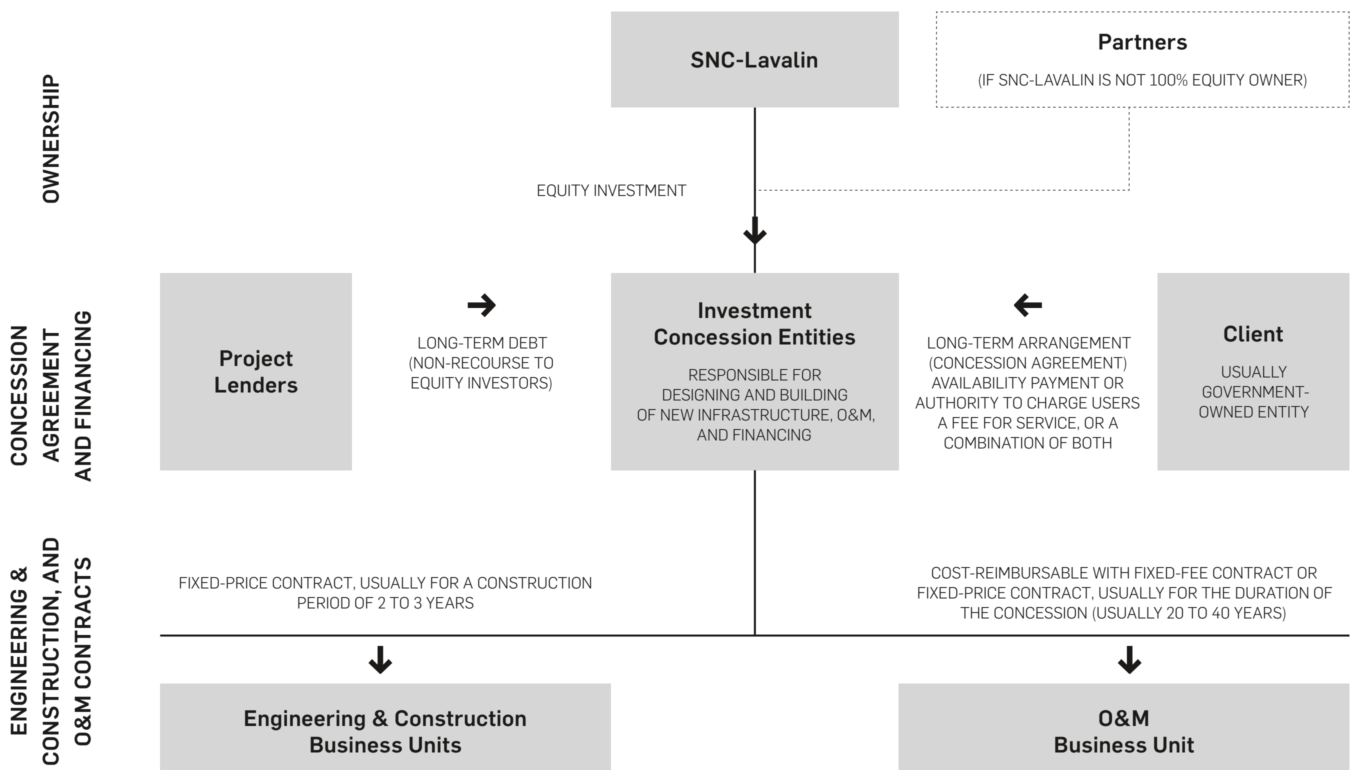
The Company provides **operations, maintenance and logistics solutions** for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, telecommunications infrastructure, highways, bridges, light rail transit systems, airports, ships, oil and gas facilities, and camps for construction operations and the military. **O&M revenues** are derived primarily from cost-reimbursable with fixed-fee contracts, and from fixed-price contracts. O&M activities usually involve a high volume of transactions, which are mainly cost-reimbursable by the client, and therefore result in a lower gross margin-to-revenue ratio than Services and Packages activities. O&M activities have historically generated a gross margin yield between 3% and 5%.

4.1.4 ICI ACTIVITIES

The Company's ICI are typically infrastructure for public services, such as **airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water**. These types of infrastructure are commonly provided by government-owned entities, however, many countries are now turning to the private sector to take ownership, finance, operate and maintain the assets, usually for a defined period of time. These public-private partnership arrangements allow for the transfer to the private sector of many of the risks associated with designing, building, operating, maintaining and financing such assets. In return, the government will either: i) commit to making regular payments, usually in the form of availability payments, upon the start of operations of the infrastructure for a defined period of time (typically 20 to 40 years); ii) authorize the infrastructure concession entity to charge users of the infrastructure for a defined period of time; or iii) a combination of both.

ICI revenues are generated mainly from dividends or distributions received by SNC-Lavalin from the investment concession entities, or from all or a portion of an investment concession entity's net results or revenues, depending on the accounting method required by IFRS, summarized in section 4.1.4.2.

For SNC-Lavalin, a typical structure when investing in a "greenfield" infrastructure concession (meaning that the infrastructure needs to be built, as there is none on the site) is illustrated below:



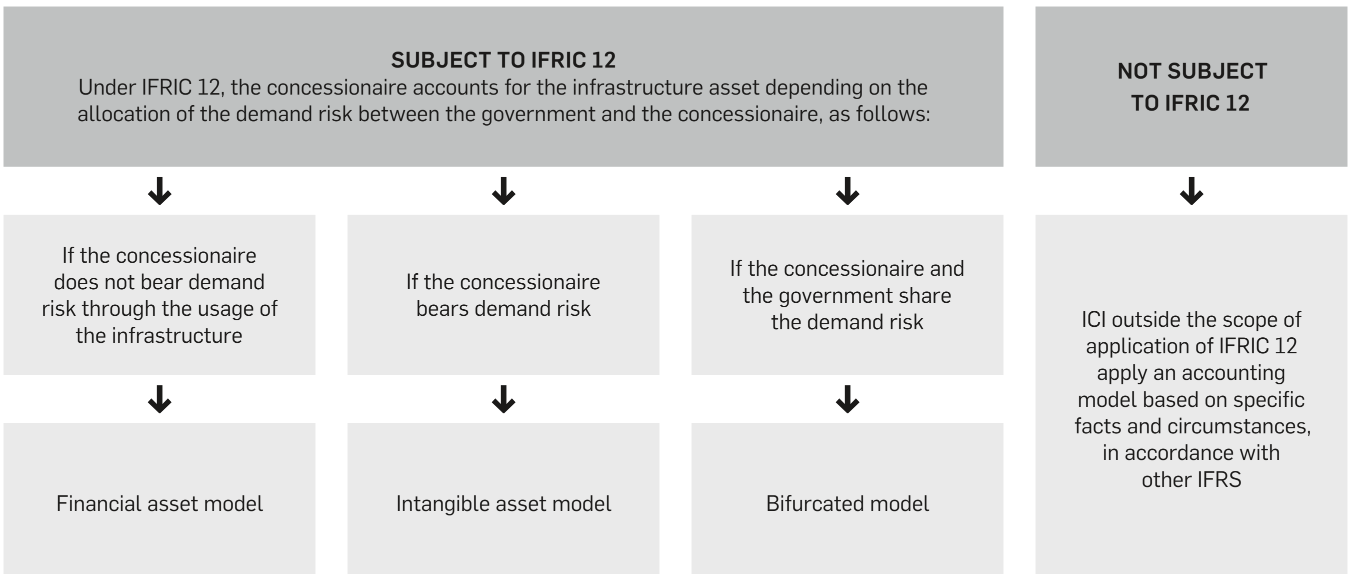
4.1.4.1 ACCOUNTING MODELS USED BY CONCESSION ENTITIES

Certain of the Company's ICI that are public-private partnership arrangements qualify for accounting under IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"), which provides guidance on the accounting for such arrangements, whereby the grantor (usually a government):

i) controls or regulates what services the operator ("the concessionaire") must provide with the infrastructure, to whom it must provide them, and at what price; and

ii) controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

The contractual arrangement between the government and the concessionaire is referred to as a "concession agreement", under which the government specifies the responsibilities of the concessionaire and governs the basis upon which the concessionaire will be remunerated. The concessionaire is usually responsible for the construction of the infrastructure, its O&M and its rehabilitation, and is usually paid by the government, the users, or both. In certain cases, the concessionaire can receive payments from the government during the initial construction phase. At the end of the term of a concession agreement, the infrastructure is returned to the government, often for no additional consideration. Here are the accounting models used by concession entities, depending if the concession agreement is subject, or not, to IFRIC 12:



4.1.4.2 ACCOUNTING METHODS FOR THE COMPANY'S INVESTMENTS IN CONCESSION ENTITIES

For the purposes of the Company's audited annual consolidated financial statements, SNC-Lavalin's Infrastructure Concession Investments ("ICI") are accounted for as follows:

ACCOUNTING METHOD APPLIED BY SNC-LAVALIN FOR ITS INVESTMENTS IN ICI, DEPENDING ON THE TYPE OF INFLUENCE EXERCISED ON THE CONCESSION ENTITIES

Non-significant influence	Significant influence	Joint control	Control
Cost method	Equity method	Equity method	Full consolidation method

4.1.4.3 ADDITIONAL FINANCIAL INFORMATION ON ICI TO BETTER UNDERSTAND OUR FINANCIAL STATEMENTS

The Company's consolidated statement of financial position includes the line by line impact of ICI that are fully consolidated. Unlike Services, Packages, and O&M activities, ICI are often capital intensive due to the ownership of infrastructure assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company.

The following information on the Company's ICI is included in its audited annual consolidated financial statements:

Consolidated statement of financial position	> Property and equipment from ICI controlled by the Company > The net book value of ICI accounted for by the equity and cost methods, distinctively > Non-recourse debt from ICI controlled by the Company
Consolidated statement of cash flows	For the ICI controlled by the Company: > Depreciation and amortization from ICI, and acquisition of property and equipment from ICI > Repayment and increase of non-recourse debt from ICI
Notes to the annual consolidated financial statements	> Main accounts of the statement of financial position impacted by ICI controlled by the Company are shown on separate lines in Note 5 > Net income attributable to SNC-Lavalin shareholders from ICI > Certain other notes provide information regarding ICI separately from other activities

Section 9.3 of the current MD&A also presents specific information on the Company's ICI, including snapshots on Highway 407 and AltaLink, which are considered to represent the most significant portion of the total fair value of the Company's ICI portfolio.

4.2 RESULTS BY SEGMENT

In addition to analyzing its results by categories of activity, the Company presents information in the way management performance is evaluated, by regrouping its engineering and constructions projects within the related industries, as follows: i) Infrastructure & Environment; ii) Mining & Metallurgy; iii) Power; iv) Hydrocarbons & Chemicals, and; v) Other Industries. The O&M and ICI segments correspond to the O&M and ICI categories of activity.

4.3 HOW WE BUDGET AND FORECAST OUR RESULTS

The Company prepares a formal annual budget ("Annual Budget") in the fourth quarter of each year.

PROJECT LEVEL ➔	DIVISIONAL LEVEL ➔	CONSOLIDATED LEVEL ➔	BOARD OF DIRECTORS
The budget information is prepared for individual projects and/or prospects, which will form the primary basis for the Company's consolidated Annual Budget	The project information is then compiled by each division and approved by the Company's divisional management	The divisional budgets are subsequently reviewed by the Company's senior executives	Final approval is provided by the Board of Directors in the fourth quarter of the current year

The Annual Budget is a key tool used by management to monitor the Company's performance and progress against key financial objectives. The Annual Budget is updated during the year to reflect current information as the Company prepares forecasts of its annual expected results in the first, second and third quarters ("Quarterly Forecasts"), which are presented to the Board of Directors. In addition, the performance of projects (i.e., its estimated revenues and costs to complete) is reviewed by its respective project manager and, depending on the size and risk profile of the project, by key management personnel, including the divisional manager, the business unit executive vice-president, the CFO and the CEO.

The key elements taken into account when estimating revenues and gross margin for budget and forecast purposes from Services, Packages and O&M activities are the following:

KEY ELEMENTS	IMPACT ON THE ANNUAL BUDGET
Backlog	Firm contracts used to estimate a portion of future revenues taking into account the execution and expected performance of each individual project.
Prospects list	Unsigned contracts that the Company is currently bidding on, and/or future projects on which it intends to bid. For prospects, the Company applies, on the value of a contract, what is referred to as a "Go-Get Percentage", which is the product of the expectation that the client will go forward with the contract ("Go"), and the probability that it will be awarded to the Company ("Get").
Execution and expected performance	Revenues and costs (or execution) of projects are determined on an individual project basis, and take into consideration assumptions on risks and uncertainties that can have an impact on the progress and/or profitability of that project, such as, but not limited to, performance of the Company's employees and of subcontractors or equipment suppliers, as well as price and availability of labour, equipment and materials.

In regards to its ICI budget and forecast, expected results based on assumptions specific to each investment are used.

One of the key management tools for monitoring the Company's performance is the monthly evaluation and analysis of actual results compared to the Annual Budget or the Quarterly Forecasts, for revenues, gross margin and profitability. This enables management to analyze its performance and, if necessary, take remedial actions. Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
Level of activity for Services, Packages and O&M	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period. The revenue mix between the categories of activity will also affect, among other elements, the gross margin of the Company.
Changes in the estimated costs to complete each individual project ("cost reforecasts")	Variation of the estimated costs to complete projects for fixed-price contracts result in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution.
Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables, contracts in progress and other financial assets, may impact the financial results of the Company.
Changes in the results of its ICI	Variation in the financial results of each ICI accounted for under the full consolidation or equity methods will impact the financial results of the Company. Additions to the Company's ICI portfolio, or divestitures from it, can also impact the Company's results.
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses have a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance, that can be recurring or not.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, as, amongst others, the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company as well as tax assessments made by authorities.

4.4 NON-IFRS FINANCIAL MEASURES

Some of the indicators used by the Company's management 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. 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 include the following indicators:

PERFORMANCE		LIQUIDITY	
NON-IFRS FINANCIAL MEASURE	REFERENCE	NON-IFRS FINANCIAL MEASURE	REFERENCE
Gross margin by category of activity	Section 6.2	Net cash position	Section 11.2
Revenue backlog	Section 7	Working capital	Section 11.4
Booking-to-revenue ratio	Section 7	Recourse debt-to-capital ratio	Section 11.5
Operating income by segment	Section 9		

Definitions of all non-IFRS financial 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. OUR KEY FINANCIAL PERFORMANCE INDICATORS

To enable the Company to continuously strive to create value for its shareholders it regularly evaluates its overall performance using key financial indicators, namely:

> **Net income attributable to SNC-Lavalin shareholders**, which is used by the Company to evaluate its profitability; and

> **Net cash position**, which is a key indicator of the Company's financial capability.

While the Return on Average Shareholders Equity ("ROASE") continues to be presented in the Company's MD&A (see section 11.8), management no longer views ROASE as a key financial performance indicator.

The following table presents a summary of the Company's key financial performance indicators and outlines the results achieved as at or for the years ended December 31, 2012, 2011 and 2010.

KEY FINANCIAL PERFORMANCE INDICATORS

FINANCIAL INDICATOR	ACTUAL RESULTS		
	2012	2011	2010
Growth (decrease) in net income attributable to SNC-Lavalin shareholders	**(18.4%)**	(20.5%)	21.6%
Net cash position (cash and cash equivalents less cash and cash equivalents from ICI and recourse debt)	**$808.7M**	$851.7M	$870.1M

Net income attributable to SNC-Lavalin shareholders in 2012 decreased by 18.4% to $309.1 million ($2.04 per share on a diluted basis), compared to $378.8 million ($2.49 per share on a diluted basis) in 2011. Net income attributable to SNC-Lavalin shareholders of the past three years is discussed in section 6.1.

The **Company's net cash position of $808.7 million as at December 31, 2012** contributes to the capacity of the Company to meet operating, investing and financing needs. The Company's liquidity and capital resources are discussed in section 11.2.

6. BREAKDOWN OF INCOME STATEMENT

$8.1 BILLION REVENUES

$1.4 BILLION GROSS MARGIN

$309.1 MILLION NET INCOME ATTRIBUTABLE TO SNC LAVALIN SHAREHOLDERS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS PER SHARE)	2012		2011		2010	
Revenues by activity:						
Services	$ 3,175.0		$ 2,437.8		$ 2,053.8	
Packages	3,020.4		2,871.5		2,137.4	
O&M	1,330.5		1,399.2		1,330.4	
ICI	565.1		501.4		472.3	
	$ 8,091.0		$ 7,209.9		$ 5,993.9	
Gross margin by activity:						
Services	$ 747.3	23.5%	$ 592.5	24.3%	$ 543.0	26.4%
Packages	227.1	7.5%	301.9	10.5%	434.2	20.3%
O&M	64.0	4.8%	78.4	5.6%	59.6	4.5%
ICI	316.6	56.0%	279.3	55.7%	264.2	55.9%
	$ 1,355.0	16.7%	$ 1,252.1	17.4%	$ 1,301.0	21.7%
Selling, general and administrative expenses	851.2		654.7		581.7	
Net financial expenses:						
From ICI	112.5		99.7		85.1	
From other activities	13.7		15.5		26.0	
	126.2		115.2		111.1	
Income before income tax expense	377.6		482.2		608.2	
Income tax expense	68.1		94.9		120.8	
Net income	$ 309.5		$ 387.3		$ 487.4	
Net income attributable to:						
SNC-Lavalin shareholders	$ 309.1		$ 378.8		$ 476.7	
Non-controlling interests	0.4		8.5		10.7	
Net income	$ 309.5		$ 387.3		$ 487.4	
Earnings per share ($)						
Basic	$ 2.05		$ 2.51		$ 3.16	
Diluted	$ 2.04		$ 2.49		$ 3.13	
Supplementary information						
Net income attributable to SNC-Lavalin shareholders:						
From ICI	$ 156.9		$ 131.2		$ 134.9	
Excluding ICI	152.2		247.6		341.8	
Net income attributable to SNC-Lavalin shareholders	$ 309.1		$ 378.8		$ 476.7	

6.1 NET INCOME ANALYSIS

The analysis that follows is for 2012, 2011 and 2010.

Net income attributable to SNC-Lavalin shareholders decreased in 2012 compared to 2011, reflecting lower net income attributable to SNC-Lavalin shareholders excluding ICI, partially offset by higher net income attributable to SNC-Lavalin shareholders from ICI. The decrease in net income in 2011 compared to 2010 was mainly reflective of a lower net income attributable to SNC-Lavalin shareholders excluding ICI.

Net income attributable to SNC-Lavalin shareholders excluding ICI decreased in 2012 compared to 2011. The decrease mainly reflected higher selling, general and administrative expenses partially offset by a higher gross margin amount. The increase in gross margin reflected a higher level of activity, partially offset by a lower gross margin-to-revenue ratio, notably in Packages which was impacted particularly by unfavourable cost reforecasts on a major Power project with an adverse impact of $110.9 million on gross margin in 2012. On a segment basis, with the exception of Mining & Metallurgy, all other segments had lower operating income in 2012 compared to 2011, and Hydrocarbons & Chemicals had an operating loss in 2012. Net income attributable to SNC-Lavalin shareholders excluding ICI decreased in 2011 compared to 2010, excluding a 2010 gain after taxes of $19.6 million from the disposal of certain technology solution assets, mainly reflecting a lower gross margin-to-revenue ratio, primarily in Packages, partially offset by a higher level of activity.

Net income attributable to SNC-Lavalin shareholders from ICI increased in 2012 compared to 2011, mainly due to higher dividends received from Highway 407 and higher net income of AltaLink, partially offset by lower net income from SKH. Net income attributable to SNC-Lavalin shareholders from ICI increased in 2011 compared to 2010, excluding the 2010 net gain after taxes of $26.1 million from the disposal of Trencap and Valener, mainly due to higher dividends received from Highway 407, as well as a higher contribution from AltaLink, partially offset by the absence of contributions in 2011 from the Company's investments in Trencap and Valener, which were sold in the fourth quarter of 2010.

6.2 REVENUE AND GROSS MARGIN ANALYSIS

Revenues increased in 2012 compared to 2011, primarily reflecting a 30.2% increase in Services. The increase in 2011 compared to 2010 reflected an increase in all the Company's categories of activity, with most of the increase from Packages and Services.

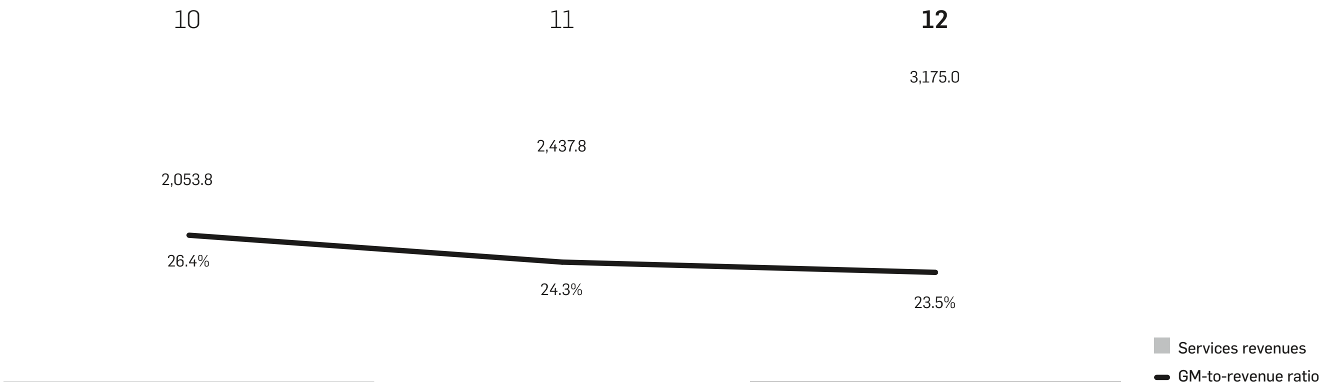
Gross margin in 2012 increased, compared to the previous period, reflecting a higher volume of activity, primarily in Services, partially offset by a lower gross margin-to-revenue ratio, notably in Packages. The decrease in gross margin in 2011, compared to 2010, mainly reflected a lower gross margin-to-revenue ratio, partially offset by a higher level of activity.

6.2.1 SERVICES REVENUES AND GROSS MARGIN

Services revenues increased in 2012 compared to 2011, reflecting an increase in Mining & Metallurgy, Hydrocarbons & Chemicals, Power and Infrastructure & Environment.

In 2010, Services activities generated a gross margin-to-revenue ratio within the Company's target, ranging from 25% to 29%. In 2011 and 2012, the gross margin-to-revenue ratio was lower, while the revenues increased. The 2011 and 2012 gross margin-to-revenue ratios were below the historical range mainly due to lower gross margins on certain major projects.

SERVICES REVENUES AND GROSS MARGIN
(IN MILLIONS CA$)



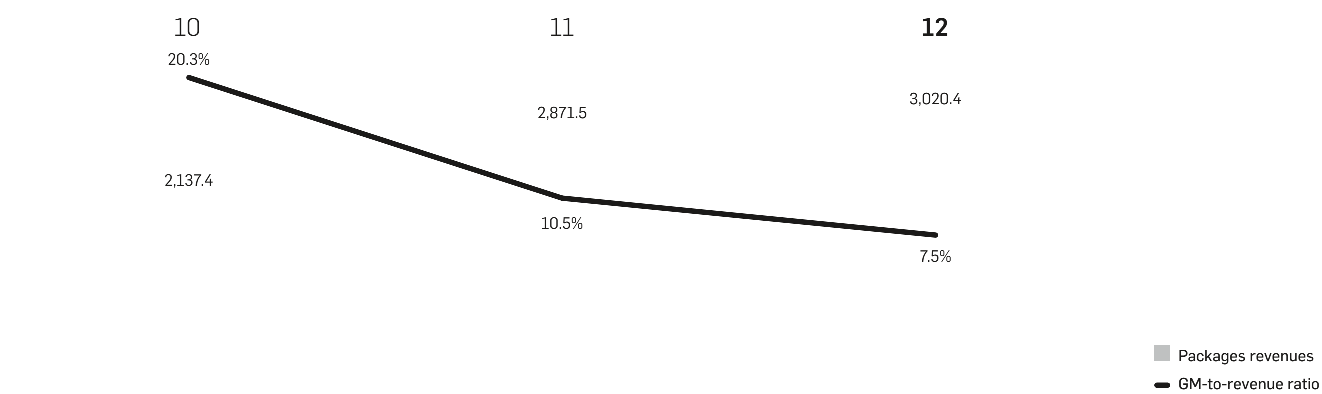
Services gross margin increased in 2012 compared to 2011, primarily reflecting a higher level of activity, partially offset by a lower gross margin-to-revenue ratio, mainly in Infrastructure & Environment and Power.

6.2.2 PACKAGES REVENUES AND GROSS MARGIN

Packages revenues increased in 2012 compared to 2011, reflecting an increase in Power and Mining & Metallurgy, partially offset by a decrease mainly in Hydrocarbons & Chemicals.

Packages activities increased in 2011 and 2012, following a higher level of activity. The Company aims to generate a gross margin-to-revenue ratio between 7% and 10% on Packages projects. In 2010, the range was surpassed, mainly due to favourable reforecasts on certain major projects. The gross margin-to-revenue ratio was lower in 2012 compared to 2011, mainly due to unfavourable cost reforecasts on a major Power project.

PACKAGES REVENUES AND GROSS MARGIN
(IN MILLIONS CA$)



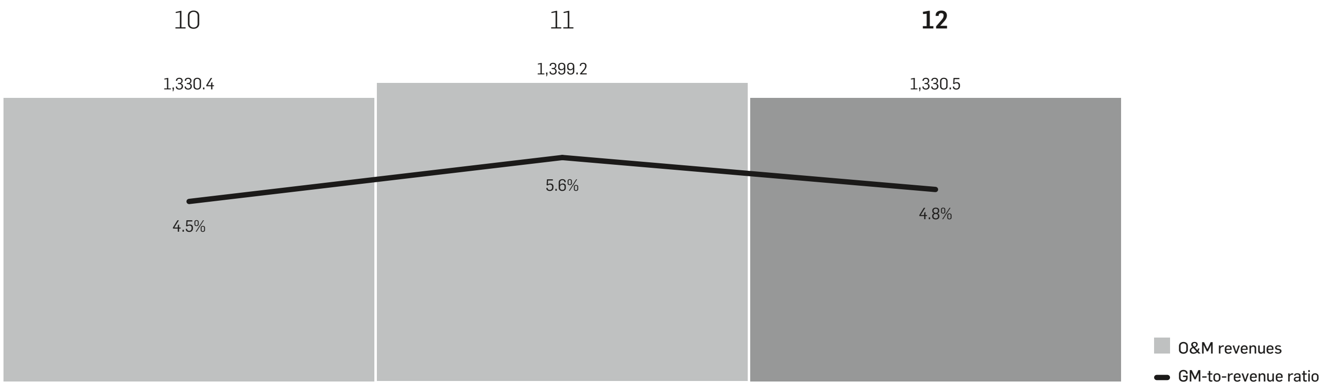
Gross margin for Packages decreased in 2012 compared to 2011. The decrease was mainly due to unfavourable cost reforecasts on a major Power project with an adverse impact of $110.9 million on gross margin, partially offset by a higher level of activity.

6.2.3 O&M REVENUES AND GROSS MARGIN

O&M revenues decreased in 2012 compared to 2011, mainly due to a lower level of activity on certain ongoing contracts in Canada.

As illustrated in the table below, O&M revenues increased in 2011 compared to 2010, and decreased in 2012. In 2010 and 2012, the gross margin-to-revenue ratio varied between the historical range of 3% to 5%, while it was surpassed in 2011.

O&M REVENUES AND GROSS MARGIN
(IN MILLIONS CA$)



O&M gross margin decreased in 2012 compared to the previous year, mainly reflecting a lower gross margin-to-revenue ratio on certain ongoing contracts.

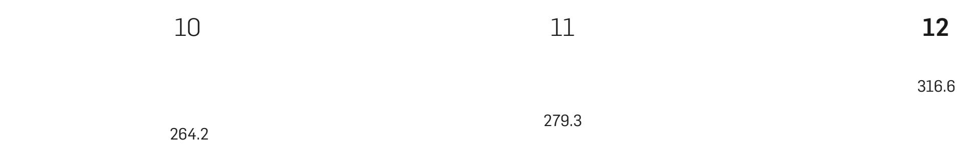
6.2.4 ICI REVENUES AND GROSS MARGIN

The relationship between revenues and gross margin for ICI activities is not meaningful, as a significant portion of the investments are accounted for under either the equity or cost methods, which do not reflect the line by line items of the individual ICI's financial results. Management relies on net income attributable to SNC-Lavalin shareholders from ICI as a key indicator when assessing and evaluating the performance of its ICI. The analysis presented and discussed in the present section is to provide a better understanding of the gross margin generated from ICI to the reader.

The Company's **ICI revenues increased in 2012** compared to 2011, mainly due to higher revenues of AltaLink and higher dividends received from Highway 407, partially offset by lower revenues from SKH. Gross margin increased in 2012 compared to 2011, mainly for the same reasons with respect to the revenues increase outlined above.

As illustrated in the table below, the Company's gross margin from ICI steadily increased over the past three years, mainly reflecting the growth from AltaLink and Highway 407.

ICI GROSS MARGIN
(IN MILLIONS CA$)



6.3 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

(IN MILLIONS CA$)	2012	2011	CHANGE
Selling costs	$ 225.5	$ 191.3	17.9%
General and administrative expenses	625.7	463.4	35.0%
Selling, general and administrative expenses	$ 851.2	$ 654.7	30.0%

Selling, general and administrative expenses increased in 2012 compared to 2011, notably reflecting i) additional selling, general and administrative expenses of $72.4 million from businesses acquired; ii) a $16.2 million increase in selling costs, excluding $18.0 million from businesses acquired, as well as; iii) $15.6 million of expenses related to compliance and other related costs; iv) $15.3 million of expenses related to certain retention measures, and; v) an expense of $5.0 million in connection with the terms of the Former CEO's departure arrangement, which is mainly held in escrow, as well as; vi) a $72.0 million increase in the other general and administrative expenses which included, amongst others, expenses related to restructuring and reorganisation of certain offices and higher occupancy-related expenses. The additional selling, general and administrative expenses from businesses acquired included expenses of 2012 for which there were no comparative figures in the comparative period.

The above-mentioned expenses related to compliance and other related costs, to certain retention measures and in connection with the terms of the Former CEO's departure arrangement are **corporate** selling, general and administrative expenses. In accordance with the methodology described in Note 4 to the Company's 2012 audited annual consolidated financial statements, **corporate** selling, general and administrative expenses are allocated to each of the Company's segments.

6.4 NET FINANCIAL EXPENSES

Net financial expenses increased in 2012 compared to 2011, reflecting higher net financial expenses from ICI, as net financial expenses from other activities of 2012 remained comparable to 2011.

Net financial expenses from ICI increased in 2012 compared to 2011, mainly due to a higher interest expense from AltaLink, primarily due to additional non-recourse debt, partially offset by a loss before taxes of $5.0 million recorded in the third quarter of 2011, in other net financial expenses from ICI, resulting from the acquisition of a subsidiary's debenture related to the AltaLink transaction, as described in Note 5A to the Company's 2012 audited annual consolidated financial statements.

Net financial expenses from other activities in 2012 remained in line with the previous year.

(IN MILLIONS CA$)	2012			2011		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	$ (5.0)	$ (8.4)	$ (13.4)	$ (7.1)	$ (10.2)	$ (17.3)
Interest on debt:						
Recourse	–	21.9	21.9	–	21.9	21.9
Non-recourse						
AltaLink	104.6	–	104.6	87.9	–	87.9
Other	7.7	–	7.7	7.9	–	7.9
Other	5.2	0.2	5.4	11.0	3.8	14.8
Net financial expenses	$ 112.5	$ 13.7	$ 126.2	$ 99.7	$ 15.5	$ 115.2

6.5 INCOME TAXES ANALYSIS

The effective income tax rate from other activities in 2012 remained in line with 2011.

The effective income tax rate from ICI increased in 2012 compared to 2011, mainly reflecting the increase in income before income tax expense from AltaLink and lower non-taxable income from SKH, partially offset by an increase in the non-taxable dividends received from Highway 407.

The following table shows a summary of the Company's effective income tax rate presented separately from ICI and from other activities.

(IN MILLIONS CA$)	2012			2011		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Income before income tax expense	$ 175.5	$ 202.1	$ 377.6	$ 151.3	$ 330.9	$ 482.2
Income tax expense	$ 18.6	$ 49.5	$ 68.1	$ 12.6	$ 82.3	$ 94.9
Effective income tax rate (%)	10.6%	24.5%	18.0%	8.4%	24.9%	19.7%

7. REVENUE BACKLOG

$10.1 BILLION
TOTAL REVENUE BACKLOG

$2.2 BILLION
SERVICES

$5.7 BILLION
PACKAGES

$2.2 BILLION
O&M

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 awarded**; and ii) **the next five years**. An indication of the total O&M backlog for the period beyond the five-year timeframe, that is not included in the Company's backlog, is disclosed in section 7.3.

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.

In the following section, the Company presents its "booking-to-revenue ratio" by category of activity, a non-IFRS measure. The ratio is obtained by dividing the contract bookings by the revenues, for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in section 4.3, which can be a significant portion of the budgeted and/or forecasted revenues.

REVENUE BACKLOG BY SEGMENT, GEOGRAPHIC AREA AND CATEGORY OF ACTIVITY

The following table provides a breakdown of revenue backlog by segment, geographic area and category of activity.

AT DECEMBER 31 (IN MILLIONS CA$)	2012			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Services and Packages				
Infrastructure & Environment	$ 721.3	$ 2,916.6	$ –	$ 3,637.9
Mining & Metallurgy	685.6	320.6	–	1,006.2
Power	434.7	2,151.1	–	2,585.8
Hydrocarbons & Chemicals	215.5	132.7	–	348.2
Other Industries	94.2	226.7	–	320.9
O&M	–	–	2,234.4	2,234.4
Total	$ 2,151.3	$ 5,747.7	$ 2,234.4	$ 10,133.4
FROM CANADA AND OUTSIDE CANADA				
From Canada	$ 959.7	$ 4,228.6	$ 1,574.5	$ 6,762.8
Outside Canada	1,191.6	1,519.1	659.9	3,370.6
Total	$ 2,151.3	$ 5,747.7	$ 2,234.4	$ 10,133.4

AT DECEMBER 31 (IN MILLIONS CA$)	2011			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Services and Packages				
Infrastructure & Environment	$ 804.7	$ 2,051.2	$ –	$ 2,855.9
Mining & Metallurgy	646.4	476.6	–	1,123.0
Power	360.8	1,601.1	–	1,961.9
Hydrocarbons & Chemicals	248.9	971.8	–	1,220.7
Other Industries	165.3	382.1	–	547.4
O&M	–	–	2,379.1	2,379.1
Total	$ 2,226.1	$ 5,482.8	$ 2,379.1	$ 10,088.0
FROM CANADA AND OUTSIDE CANADA				
From Canada	$ 727.7	$ 3,885.1	$ 1,792.4	$ 6,405.2
Outside Canada	1,498.4	1,597.7	586.7	3,682.8
Total	$ 2,226.1	$ 5,482.8	$ 2,379.1	$ 10,088.0

The Company's revenue backlog at December 31, 2012 remained in line with the end of 2011, as the increase in Packages was offset by a decrease in O&M and Services.

Backlog from Canada increased, due to an increase in Infrastructure & Environment and Power, partially offset by a decrease mainly in Hydrocarbons & Chemicals and O&M.

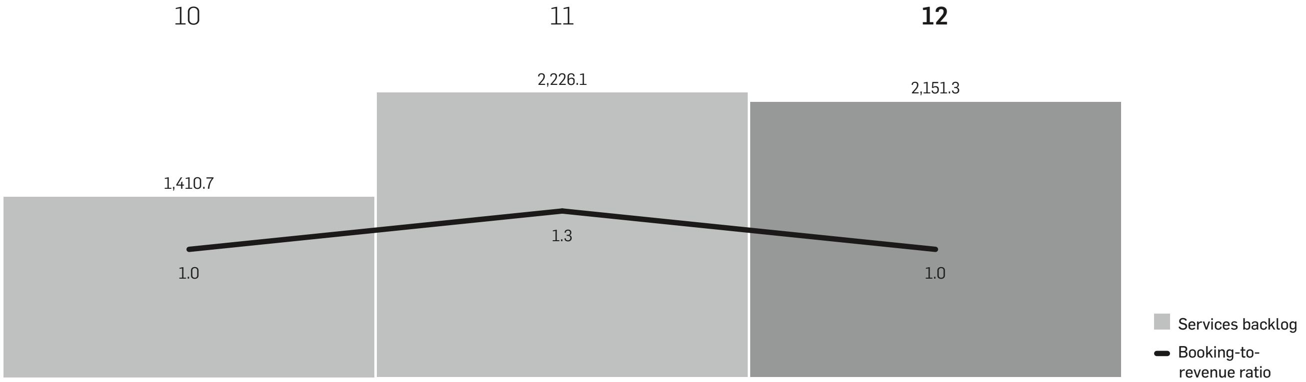
Backlog from Outside Canada decreased, primarily due to a decrease in Hydrocarbons & Chemicals and Other Industries, partially offset by an increase in Power and O&M.

7.1 SERVICES BACKLOG

Services backlog decreased at the end of 2012 compared to the end of the previous year, reflecting a decrease in Infrastructure & Environment and Other Industries, partially offset by an increase in Power.

SERVICES BACKLOG

(IN MILLIONS CA$)



RECONCILIATION OF SERVICES BACKLOG

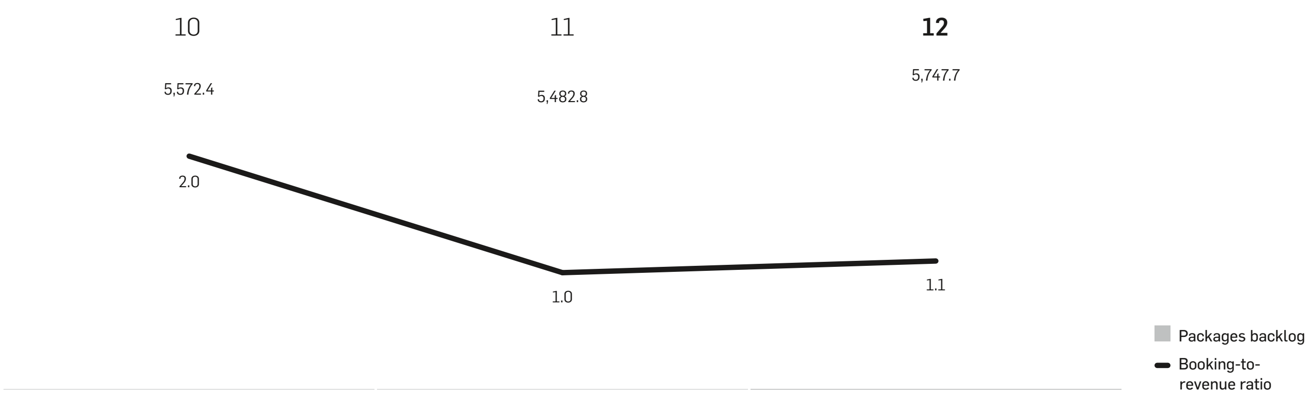
YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2012	2011
Opening backlog		$ 2,226.1	$ 1,410.7
Add:	Contract bookings during the year	3,096.7	3,021.1
	Backlog from business acquisitions	3.5	232.1
Less:	Revenues recognized during the year	3,175.0	2,437.8
Ending backlog		$ 2,151.3	$ 2,226.1

7.2 PACKAGES BACKLOG

Packages backlog increased at the end of 2012 compared to 2011, resulting from an increase in Infrastructure & Environment and Power, partially offset by a decrease in Hydrocarbons & Chemicals, Mining & Metallurgy and Other Industries. The decrease in Hydrocarbons & Chemicals was primarily due to debooking of backlog in the fourth quarter of 2012 following the reception of a notice of termination for convenience from its client related to a fixed-price EPC contract awarded in 2011 for a froth treatment plant in Alberta.

PACKAGES BACKLOG

(IN MILLIONS CA$)



RECONCILIATION OF PACKAGES BACKLOG

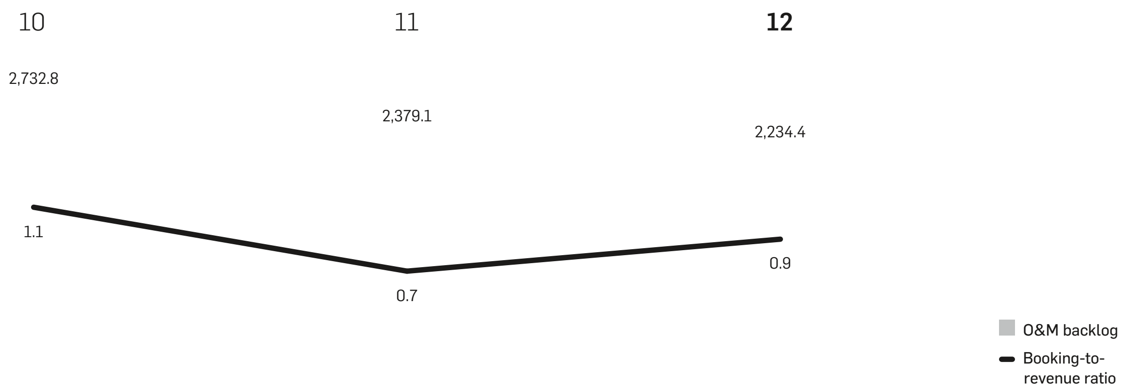
YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2012	2011
Opening backlog		$ 5,482.8	$ 5,572.4
Add:	Contract bookings during the year	3,883.4	2,764.6
	Backlog from business acquisitions	–	17.3
Less:	Revenues recognized during the year	3,020.4	2,871.5
	Debooking of backlog of an Hydrocarbons & Chemicals project	598.1	–
Ending backlog		$ 5,747.7	$ 5,482.8

7.3 O&M BACKLOG

O&M backlog at the end of 2012 decreased compared to 2011, reflecting the normal fluctuations in the timing of the long-term contracts, primarily in Canada.

O&M BACKLOG

(IN MILLIONS CA$)



RECONCILIATION OF O&M BACKLOG

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2012	2011
Opening backlog		$ 2,379.1	$ 2,732.8
Add:	Contract bookings during the year	1,185.8	1,021.7
	Backlog from business acquisitions	–	23.8
Less:	Revenues recognized during the year	1,330.5	1,399.2
Ending backlog		$ 2,234.4	$ 2,379.1

A large number of the Company's O&M contracts have been signed for a period that extends well beyond the five-year timeframe for which revenues are included in the Company's O&M backlog. The following table indicates the revenue backlog for the O&M category by year for the five years that have been included in backlog, per the Company's booking policy, as well as the anticipated revenues to be derived thereafter, based on its firm contracts, which are not included in backlog.

	INCLUDED IN BACKLOG						NOT INCLUDED IN BACKLOG
(IN MILLIONS CA$)	2013	2014	2015	2016	2017	TOTAL	THEREAFTER
O&M backlog	$ 1,006.7	$ 478.5	$ 271.1	$ 241.2	$ 236.9	$ 2,234.4	$ 3,032.6

8. GEOGRAPHIC BREAKDOWN OF REVENUES BY CATEGORY OF ACTIVITY

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2012					
	SERVICES	PACKAGES	O&M	ICI	TOTAL	
Canada	$ 1,373.0	$ 1,941.8	$ 1,133.5	$ 560.9	$ 5,009.2	62%
Outside Canada						
Latin America	676.2	110.1	27.3	–	813.6	10%
Europe	338.8	306.5	50.9	2.1	698.3	9%
Africa	253.9	286.1	109.8	–	649.8	8%
Middle East	183.5	171.4	7.7	–	362.6	4%
United States	167.5	134.0	0.7	2.1	304.3	4%
Asia Pacific	145.3	67.2	0.6	–	213.1	2%
Other Regions	36.8	3.3	–	–	40.1	1%
	1,802.0	1,078.6	197.0	4.2	3,081.8	38%
Total	$ 3,175.0	$ 3,020.4	$ 1,330.5	$ 565.1	$ 8,091.0	100%

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2011					
	SERVICES	PACKAGES	O&M	ICI	TOTAL	
Canada	$ 981.2	$ 1,344.7	$ 1,195.9	$ 480.7	$ 4,002.5	56%
Outside Canada						
Latin America	443.4	37.5	45.8	–	526.7	7%
Europe	319.5	252.5	49.7	2.4	624.1	9%
Africa	237.6	798.2	85.6	19.3	1,140.7	16%
Middle East	147.9	240.3	3.0	–	391.2	5%
United States	137.4	110.1	–	(1.0)	246.5	3%
Asia Pacific	147.2	75.0	19.2	–	241.4	3%
Other Regions	23.6	13.2	–	–	36.8	1%
	1,456.6	1,526.8	203.3	20.7	3,207.4	44%
Total	$ 2,437.8	$ 2,871.5	$ 1,399.2	$ 501.4	$ 7,209.9	100%

8.1 REVENUES IN CANADA

Revenues in Canada increased in 2012 compared to 2011, primarily due to a higher level of Packages and Services activities.

Services activities in Canada for 2012 increased compared to 2011, primarily reflecting a higher level of activity in Mining & Metallurgy, Power and Infrastructure & Environment.

Packages activities in Canada increased in 2012 compared to the previous year, reflecting mainly a higher level of activity from Mining & Metallurgy, Infrastructure & Environment and Power.

O&M activities in Canada decreased in 2012 compared to the previous year, mainly due to a lower level of activity on certain ongoing contracts.

The increase in ICI revenues in Canada for 2012 compared to 2011 was mainly due to higher revenues of AltaLink and higher dividends received from Highway 407.

8.2 REVENUES FROM OUTSIDE CANADA

The Company's revenue from outside Canada decreased in 2012 compared to 2011. The decrease was primarily from Africa, partially offset by an increase mainly in Latin America. The variance is analyzed as follows:

> Revenues in Latin America increased in 2012 compared to the previous year, mainly reflecting increased Services activities, in Hydrocarbons & Chemicals, Mining & Metallurgy and Power, as well as increased Packages activities, primarily in Power.

> Revenues from Europe increased in 2012 compared to 2011, primarily due to an increase in Packages activities, mainly in Other Industries and Power, partially offset by Hydrocarbons & Chemicals, as well as a higher level of Services activity, mainly in Infrastructure & Environment, partially offset by Other Industries.

> Revenues from Africa decreased in 2012 compared to 2011, primarily due to a decrease in Packages activities, mainly from a lower level of activities in Hydrocarbons & Chemicals and Infrastructure & Environment, partially offset by an increase in Power.

> Revenues from the Middle East decreased in 2012 compared to 2011, due to a decrease in Packages activities, mainly from Infrastructure & Environment, partially offset mainly by a higher level of Services activity, primarily in Mining & Metallurgy and Hydrocarbons & Chemicals.

> United States revenues increased in 2012 compared to 2011, due to increased Services activities, mainly in Mining & Metallurgy and Power, and a higher level of Packages activity, mainly in Power.

> In Asia Pacific, revenues decreased in 2012 compared to the previous year, mainly reflecting a decrease in Mining & Metallurgy, as well as a lower level of O&M activity, partially offset by an increase mainly in Power.

> In Other Regions, revenues of 2012 remained in line with 2011.

9. OPERATING RESULTS BY SEGMENT

$425.2 MILLION TOTAL OPERATING INCOME

$225.0 MILLION SERVICES AND PACKAGES

$43.3 MILLION O&M

$156.9 MILLION ICI

As mentioned previously, the Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. The Company presents the information in the way management performance is evaluated, and regroups its projects within the related industries.

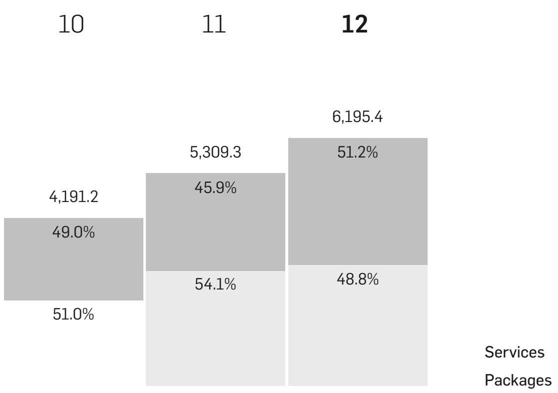
The following discussion reviews the Company's revenues and operating income by segment. Refer to Note 4 to its 2012 audited annual consolidated financial statements to obtain information on the way the Company determines operating income.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2012			2011		
	REVENUES	OPERATING INCOME (LOSS)	OPERATING INCOME (LOSS) OVER REVENUES	REVENUES	OPERATING INCOME	OPERATING INCOME OVER REVENUES
Services and Packages						
Infrastructure & Environment	$ 2,070.9	$ 22.5	1.1%	$ 1,945.1	$ 46.8	2.4%
Mining & Metallurgy	1,519.2	98.7	6.5%	1,022.0	80.6	7.9%
Power	1,388.5	80.2	5.8%	894.1	119.7	13.4%
Hydrocarbons & Chemicals	840.4	(11.0)	(1.3%)	1,075.6	33.8	3.1%
Other Industries	376.4	34.6	9.2%	372.5	43.2	11.6%
O&M	1,330.5	43.3	3.3%	1,399.2	50.1	3.6%
ICI	565.1	156.9	27.8%	501.4	131.2	26.2%
Total	$ 8,091.0	$ 425.2	5.3%	$ 7,209.9	$ 505.4	7.0%

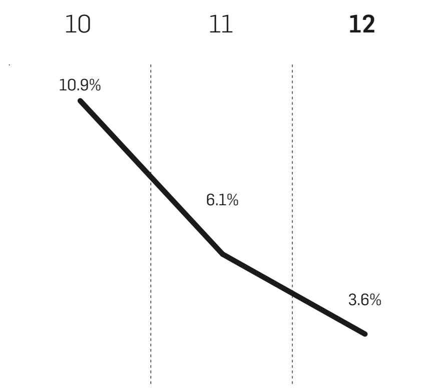
9.1 SERVICES AND PACKAGES ACTIVITIES

Engineering and construction expertise is provided by the Company's employees to clients as either Services or Packages activities. The graphs below illustrate the distribution of revenues between Services and Packages (i.e., Services contracts which are typically cost-plus and Packages contracts which are typically fixed-price) as well as the operating income-to-revenue ratio.

REVENUES BY CATEGORY OF ACTIVITY
(IN MILLIONS CA$)



OPERATING INCOME OVER REVENUES

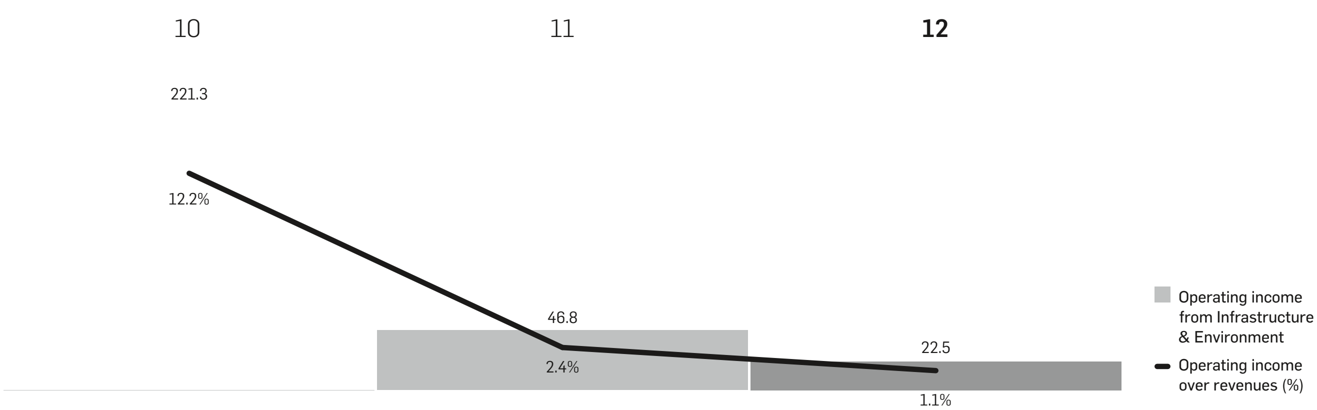


The proportion of Services activities in the Services and Packages mix increased from 49.0% in 2010 to 51.2% in 2012, favourably impacting the operating income-to-revenue ratio. The higher operating income-to-revenue ratio for 2010 is explained by the proportion of Services in the Services and Packages mix combined with favourable reforecasts on certain major Packages projects. The decrease in 2011 and 2012 was mainly due to higher selling, general and administrative expenses as well as a lower gross margin-to-revenue ratio.

9.1.1 INFRASTRUCTURE & ENVIRONMENT

Infrastructure & Environment includes a full range of infrastructure projects for the public and private sectors including airports, buildings, health care, educational and recreational facilities, seaports, marine and ferry terminals, flood control systems, urban transit systems, railways, roads and bridges, and water and wastewater treatment and distribution facilities. The Company also provides environmental services worldwide, and has specialized expertise in the power, infrastructure, hydrocarbons & chemicals, mining, industrial, rural development and climate change sectors.

OPERATING INCOME FROM INFRASTRUCTURE & ENVIRONMENT
(IN MILLIONS CA$)



(IN MILLIONS CA$)	2012	2011	CHANGE
Revenues from Infrastructure & Environment			
Services	$ 868.8	$ 708.7	22.6%
Packages	1,202.1	1,236.4	(2.8%)
Total	$ 2,070.9	$ 1,945.1	6.5%
Operating income from Infrastructure & Environment	$ 22.5	$ 46.8	(51.9%)
Operating income over revenues from Infrastructure & Environment (%)	1.1%	2.4%	N/A
Revenue backlog at year end	$ 3,637.9	$ 2,855.9	27.4%

Revenues from Infrastructure & Environment increased in 2012 compared to 2011, mainly reflecting a higher level of Services activity, including the impact from the acquisition of Interfleet Technology in October 2011.

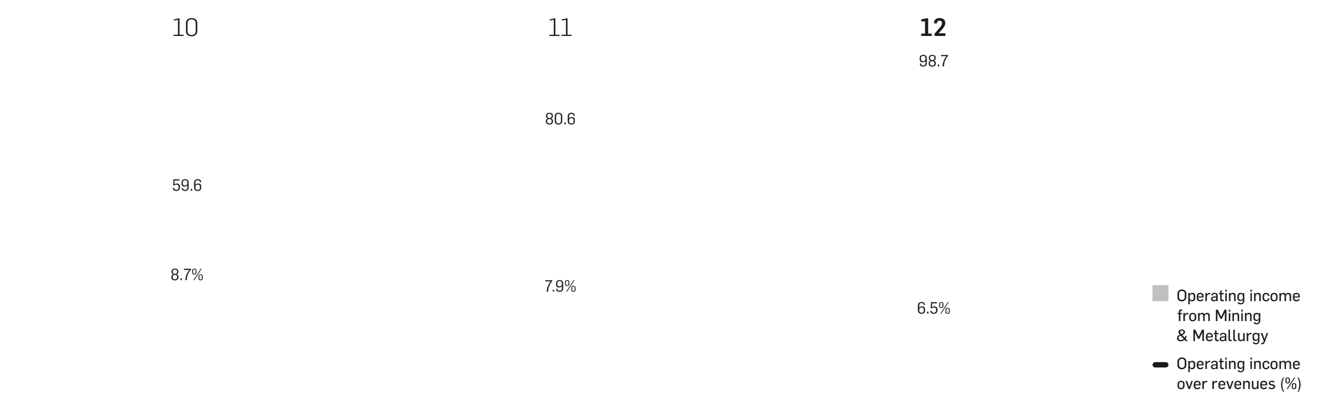
The **major revenue contributors in 2012** included work on highways and mass transit systems in Western Canada, healthcare centres in Eastern Canada, district cooling plants in the Middle East, as well as on a cog railway project in Europe.

The Company's **operating income from Infrastructure & Environment decreased in 2012** compared to 2011, mainly due to higher selling, general and administrative expenses, partially offset by a higher gross margin. The increase in gross margin was mainly due to the unfavourable impact of the Libyan events in 2011, as well as to a gain before taxes of $7.0 million from the disposal of a subsidiary in the third quarter of 2012.

9.1.2 MINING & METALLURGY

Mining & Metallurgy includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers.

OPERATING INCOME FROM MINING & METALLURGY
(IN MILLIONS CA$)



(IN MILLIONS CA$)	2012	2011	CHANGE
Revenues from Mining & Metallurgy			
Services	$ 1,096.4	$ 869.2	26.1%
Packages	422.8	152.8	176.8%
Total	$ 1,519.2	$ 1,022.0	48.6%
Operating income from Mining & Metallurgy	$ 98.7	$ 80.6	22.5%
Operating income over revenues from Mining & Metallurgy (%)	6.5%	7.9%	N/A
Revenue backlog at year end	$ 1,006.2	$ 1,123.0	(10.4%)

Mining & Metallurgy revenues increased in 2012 compared to 2011, primarily due to a higher level of activity in both categories of activity. The higher level of activities in Packages mainly related to a potash project in Western Canada awarded in 2009 on which procurement and construction activities have ramped up in 2012, while the increase in Services was a result of activities on various projects.

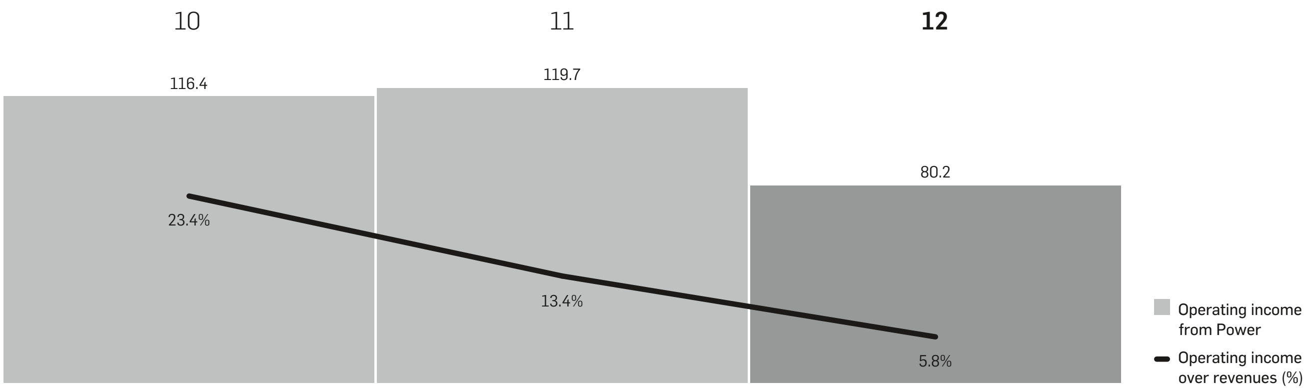
The **major revenue contributors in 2012** included projects related to potash in Western Canada, aluminium-related projects in Canada and the Middle East, an iron ore mine expansion in Quebec, the development of a copper mine in Latin America, an atmospheric emissions reduction project in Ontario, as well as a mineral sands extraction and processing project in West Africa.

The Company's **operating income from Mining & Metallurgy increased in 2012** compared to 2011, mainly due to a higher volume of activity, partially offset by higher selling, general and administrative expenses.

9.1.3 POWER

Power includes projects in hydro, thermal and nuclear power generation, energy from waste, green energy solutions, and transmission and distribution.

OPERATING INCOME FROM POWER
(IN MILLIONS CA$)



(IN MILLIONS CA$)	2012	2011	CHANGE
Revenues from Power			
Services	$ 487.5	$ 322.2	51.3%
Packages	901.0	571.9	57.5%
Total	$ 1,388.5	$ 894.1	55.3%
Operating income from Power	$ 80.2	$ 119.7	(33.0%)
Operating income over revenues from Power (%)	5.8%	13.4%	N/A
Revenue backlog at year end	$ 2,585.8	$ 1,961.9	31.8%

Power revenues increased in 2012 compared to 2011, reflecting a higher volume of activity from both categories of activity, mainly from Packages. The increase in revenues in 2012 mainly reflected the steady growth in revenue backlog since the end of 2010 and the acquisition of certain assets of Atomic Energy of Canada Limited's commercial reactor division in October 2011.

The **major revenue contributors in 2012** included work on hydroelectric power facilities in Western and Eastern Canada, a nuclear generating station in Latin America, a dam rehabilitation project in Southern Africa, CO_2 compressor and dehydration packages in Canada, a natural gas fired combined cycle power plant in United States, a geothermal plant project in New Zealand, as well as a thermal power plant in North Africa.

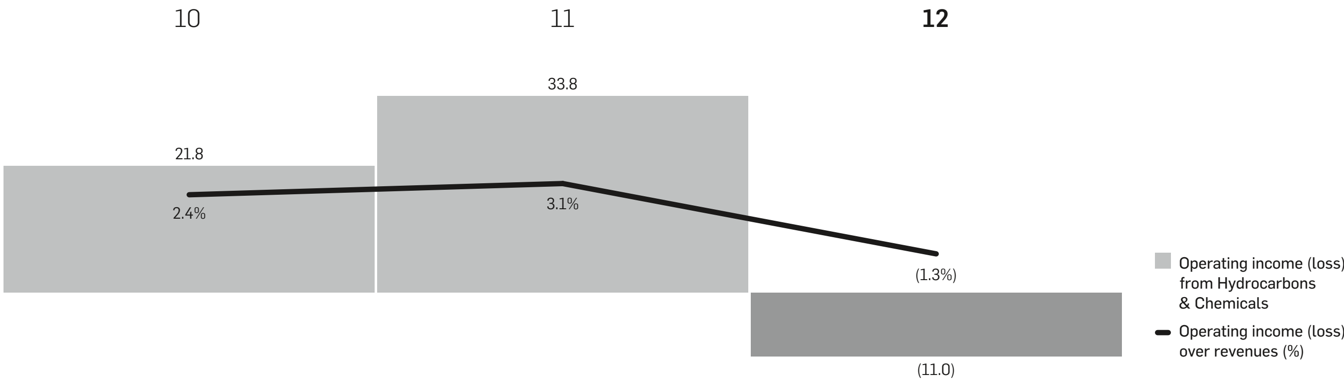
The Company's **operating income from Power decreased in 2012** compared to 2011, mainly reflecting unfavourable cost reforecasts on a major Packages project, with an adverse impact of $110.9 million on gross margin, as well as higher selling, general and administrative expenses in 2012, partially offset by a higher volume of activity.

9.1.4 HYDROCARBONS & CHEMICALS

Hydrocarbons & Chemicals includes projects in the areas of bitumen production, heavy oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, specialty chemicals, biofuels, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture, transportation and storage, pipelines, terminals and pump stations.

OPERATING INCOME FROM HYDROCARBONS & CHEMICALS

(IN MILLIONS CA$)



(IN MILLIONS CA$)	2012	2011	CHANGE
Revenues from Hydrocarbons & Chemicals			
Services	$ 562.1	$ 375.2	49.8%
Packages	278.3	700.4	(60.3%)
Total	$ 840.4	$ 1,075.6	(21.9%)
Operating income (loss) from Hydrocarbons & Chemicals	$ (11.0)	$ 33.8	(132.5%)
Operating income (loss) over revenues from Hydrocarbons & Chemicals (%)	(1.3%)	3.1%	N/A
Revenue backlog at year end	$ 348.2	$ 1,220.7	(71.4%)

Hydrocarbons & Chemicals revenues decreased in 2012 compared to the previous year, reflecting a lower level of Packages activities, mainly due to certain major projects nearing completion, partially offset by a higher level of Services activities.

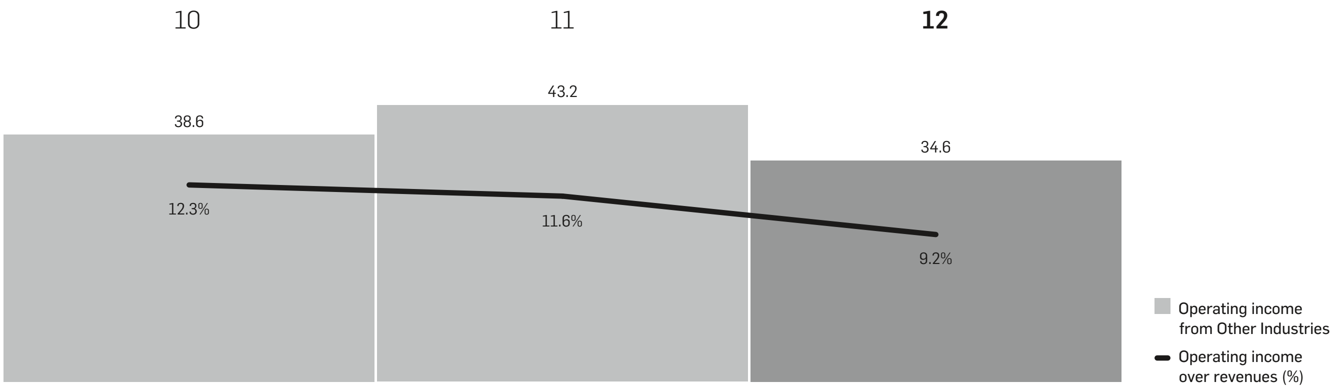
The **major revenue contributors in 2012** included work on a refinery and chemical complex in United States, a froth treatment plant in Western Canada, project management services contracts for various types of facilities and infrastructure in Latin America, and a natural gas treatment and process facility in North Africa.

There was an operating loss from Hydrocarbons & Chemicals in 2012 compared to an operating income in 2011, mainly reflecting a lower level of activity, mainly in Packages, as well as a lower gross margin-to-revenue ratio, also mainly in Packages. There were unfavourable cost reforecasts in both 2012 and 2011, on certain major Packages and Services projects, as well as $35 million of period expenses relating to certain payments made in the fourth quarter of 2011 that were documented to projects to which they did not relate and, consequently, had to be recorded as expenses in the fourth quarter of 2011, and which were subject to an independent investigation initiated by SNC-Lavalin's Board of Directors and led by its Audit Committee in the first quarter of 2012.

9.1.5 OTHER INDUSTRIES

Other Industries combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid as well as projects related to other industrial facilities not already identified as part of any other preceding industry segments.

OPERATING INCOME FROM OTHER INDUSTRIES
(IN MILLIONS CA$)



(IN MILLIONS CA$)	2012	2011	CHANGE
Revenues from Other Industries			
Services	$ 160.2	$ 162.5	(1.3%)
Packages	216.2	210.0	2.9%
Total	$ 376.4	$ 372.5	1.1%
Operating income from Other Industries	$ 34.6	$ 43.2	(20.0%)
Operating income over revenues from Other Industries (%)	9.2%	11.6%	N/A
Revenue backlog at year end	$ 320.9	$ 547.4	(41.4%)

Other Industries revenues remained in line in 2012 compared to 2011.

Operating income derived from Other Industries in 2012 decreased compared to 2011, mainly due to a lower gross margin-to-revenue ratio.

9.2 O&M

O&M activities are provided by the Company's employees to clients in the following lines of business:

> **Integrated Real Estate Solutions**: includes all aspects of building operations and management, realty management, project delivery and commissioning, energy management and sustainability initiatives, and program management;

> **Industrial**: includes specialized expertise to oversee the O&M of assets such as turbines, steam generators, boilers, water supply and treatment systems, oil and gas facilities, electrical systems, mechanical systems and manufacturing installations, from start-up mobilization to steady-state operation;

> **Transportation**: includes operations, maintenance and rehabilitation management for large infrastructure assets including airports, public transit systems, highways, bridges and tunnels; and

> **Defence & logistics**: includes support to Canada's Navy, servicing many different types of vessels, from research and defence boats to tugs and many other classes of ships, and also includes support to Canada's Armed Forces, strategic airlift as well as large mining, metallurgy, petrochemical, and oil and gas operations by building and maintaining temporary camps and living facilities around the world.

The Company currently manages more than 9,000 facilities that include buildings, workforce lodges, light rail transit systems, bridges, power plants, oil and gas facilities, ships, highways and airports, spread across approximately 15 million square metres of real estate and 250,000 infrastructure sites, making SNC-Lavalin one of the largest facility operations and management providers in Canada, and a service provider in Brazil, the Middle East and North Africa.

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.

(IN MILLIONS CA$)	2012	2011	CHANGE
Revenues from O&M			
Integrated Real Estate Solutions	$ 865.8	$ 939.9	(7.9%)
Industrial	187.2	161.7	15.8%
Transportation	118.5	109.5	8.3%
Defence & logistics	159.0	188.1	(15.5%)
Total	$ 1,330.5	$ 1,399.2	(4.9%)
Operating income from O&M	$ 43.3	$ 50.1	(13.6%)
Operating income over revenues from O&M (%)	3.3%	3.6%	N/A
Revenue backlog at year end	$ 2,234.4	$ 2,379.1	(6.1%)

O&M revenues decreased in 2012 compared to 2011, mainly due to a lower level of activity on certain ongoing contracts in Canada.

Operating income decreased in 2012 compared to 2011, mainly reflecting a lower gross margin-to-revenue ratio.

9.3 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

As mentioned previously, SNC-Lavalin makes investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water. As at December 31, 2012, SNC-Lavalin held equity investments in 20 infrastructure concessions.

It is the Company's view that the aggregate fair value of its ICI is much higher than their net book value of $1.7 billion. Highway 407 and AltaLink are considered to represent the most significant portion of the total fair value of the Company' ICI portfolio.

The following is a brief description of these two investments:

> SNC-Lavalin owns a 16.77% ownership interest in 407 International Inc. ("Highway 407"). 407ETR, which is a wholly-owned subsidiary of Highway 407, operates, maintains and manages highway 407, which is a 108 km all-electronic toll highway in the Greater Toronto Area ("GTA") with a 99-year concession agreement that expires in 2098.

> SNC-Lavalin also owns a 100% ownership interest in AltaLink Holdings L.P. ("AltaLink"). Through AltaLink L.P., AltaLink is a rate-regulated entity that owns and operates approximately 12,000 km of transmission lines and over 280 substations in Alberta. AltaLink is undertaking the construction of additional transmission lines that will increase its revenue base.

The ICI net book value, as at December 31, 2012 and 2011, can be summarized as followed:

(IN MILLIONS CA$)	NET BOOK VALUE	
	DECEMBER 31 2012	DECEMBER 31 2011
Highway 407 (1)	$ –	$ –
AltaLink	820.4	602.0
Others	844.4	763.3
Total	$ 1,664.8	$ 1,365.3

(1) The net book value is $nil as the Company had previously stopped recognizing its share of the losses of Highway 407 when the recognition of such losses resulted in a negative balance for the Company's investment in Highway 407.

The Company provides, in this section, additional information on Highway 407 and AltaLink due to the significance that these ICI could have on the Company's share price and net income. The following information is intended to provide the reader with a general understanding of the operations and key metrics of these ICIs. As 407 International Inc. and AltaLink L.P. issue public debt, 407 International Inc. and AltaLink L.P. financial statements, MD&A and other relevant financial materials can be found on www.sedar.com, which is the website maintained by the Canadian Securities regulators. The following snapshots are only intended to provide the reader with a general understanding of the operations and key metrics of these two ICIs, for full financial disclosure, the reader should refer to 407 International and AltaLink L.P. official documents.

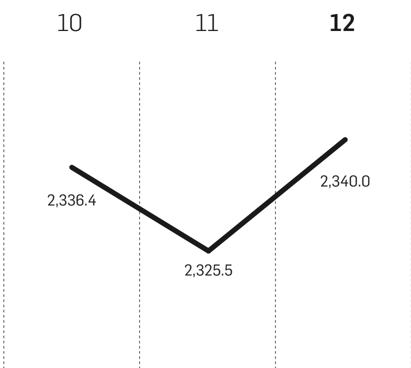
9.3.1 ICI SNAPSHOTS

HIGHWAY 407–SNAPSHOT

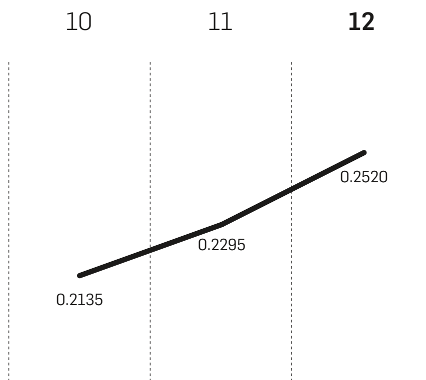
The Company's investment in Highway 407 is accounted for by the equity method, however the Company recognized in its 2012, 2011 and 2010 income statement the dividends from Highway 407 instead of its share of Highway 407's net income because the carrying amount of its investment was $nil at the end of each of these years. The dividends received by SNC-Lavalin are not taxable.

407 INTERNATIONAL INC.–KEY HISTORICAL INDICATORS

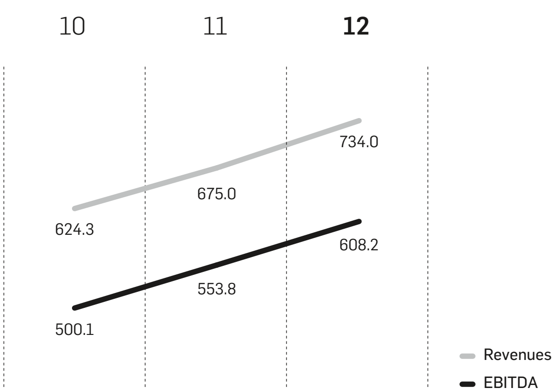
GROSS VEHICLE KILOMETRES TRAVELLED
(IN MILLIONS)



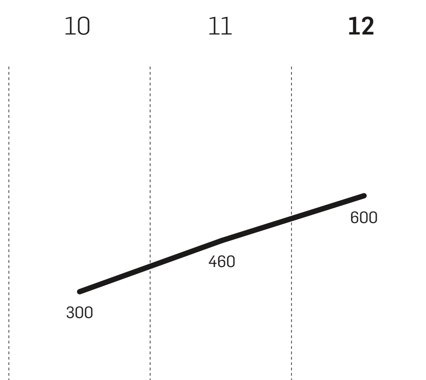
TOLL RATE PER KM
(LIGHT VEHICLE - PEAK HOURS - REGULAR ZONE)



REVENUES/EBITDA (1)
(IN MILLIONS CA$)



DIVIDENDS PAID
(IN MILLIONS CA$)



(1) EBITDA: Earnings before interest, taxes, depreciation and amortization.

407 INTERNATIONAL INC. 2012 FINANCIAL HIGHLIGHTS

(IN MILLIONS CA$)	2012	2011
Revenues	$ 734.0	$ 675.0
Operating expenses	125.8	121.2
EBITDA	608.2	553.8
Depreciation and amortization	60.6	58.4
Interest and other expenses	304.0	325.5
Deferred income tax expense	69.2	41.6
Net income	$ 174.4	$ 128.3

407 INTERNATIONAL INC. 2012 TRAFFIC RESULTS

	2012	2011
Traffic/trips (in millions)	114.8	114.7
Average Workday Number of Trips (in thousands)	380.8	381.5
Vehicle Kilometres Travelled ("VKTs" in millions)	2,340.0	2,325.5
Average Trip Length ("ATL" in kilometres)	20.4	20.3
Unbillable traffic (percent)	2.4	2.7
Transponder Penetration Rate (percent)	80.7	80.3
Transponders in Circulation at December 31	1,103,455	1,076,013

407 International Inc. is owned by Cintra Infraestructuras S.A., a wholly owned subsidiary of Ferrovial S. A. (43.23%), by indirectly owned subsidiaries of Canada Pension Plan Investment Board (total 40%), and by SNC-Lavalin (16.77%). 407 International Inc., through its wholly-owned subsidiary, 407 ETR, operates, maintains and owns the right to toll an all-electronic, open-access toll highway which is situated just north of Toronto.

Based on Government of Ontario reports, the population of the GTA and Hamilton-Wentworth exceeds six million and is projected to exceed eight million by the year 2031. Future growth in the GTA and Hamilton-Wentworth will spread further north, north-west and northeast past the Highway 407 corridor, as Lake Ontario prevents growth to the south. What makes Highway 407 particurlarly attractive is that unlike many other toll roads, Highway 407 is an "urban highway", i.e. the majority of users make it an integral part of their daily routine, providing stable and recurring revenues. Another attractive factor is that the GTA road network is already congested and this situation will only worsen over time. Highway 401, QEW and several other main arteries are already running at full capacity. The Province has few alternatives to add capacity on the existing road network and is limited to iniating minor projects that provide little relief. Highway 407 is therefore a convenient alternative in the region, with minimal congestion during peak hours of the day, and a growing capacity to provide further congestion relief. What also differentiates Highway 407 from most private toll highways in the world is that the concession agreement provides the operator of the highway flexibility in setting toll rates. No approval is required from the province of Ontario before increasing rates, however the concession needs to ensure traffic volume remain above a certain threshold, failing to do so oblige the concession to pay a financial penalty. The concession continues to improve the Highway through construction projects designed to improve traffic flow and customer convenience.

The concession is investing in widening bridge structures and adding new lanes to the highway to increase capacity and improve traffic flow.

407 International Inc.'s acquisition of 407 ETR in May 1999 was, and the development of Highway 407 is, partially financed with debt. In conjunction with its financial advisors, 407 International Inc. developed a financing plan referred as the "Capital Markets Platform". This financing plan encompasses an ongoing program capable of accomodating a variety of corporate debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly issued and privately placed debt securities, commercial paper, medium-term notes, interest rate and currency swaps and other hedging instruments. Standard & Poor's Ratings Services ("S&P") has assigned "A", "A-" and "BBB" ratings to 407 International Inc.'s Senior Debt, Junior Debt and Subordinated Debt, respectively. DBRS Limited ("DBRS") has assigned "A", "A low" and "BBB" ratings to 407 International Inc.'s Senior Debt, Junior Debt and Subordinated Debt, respectively.

ALTALINK–SNAPSHOT

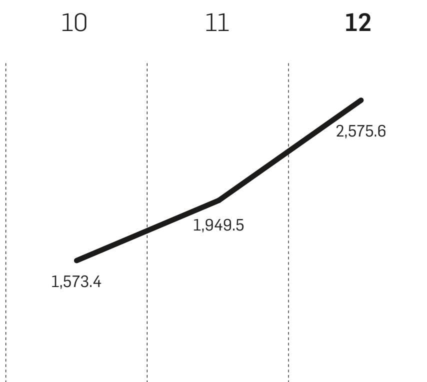
SNC-Lavalin's investment in AltaLink is accounted for by the full consolidation method. Consequently, the statements of financial position, income statements and cash flow of SNC-Lavalin include AltaLink's corresponding line by line items.

AltaLink, L.P. ("ALP") was formed as a limited partnership under the laws of Alberta on July 3, 2001 pursuant to the provisions of the Limited Partnership Agreement. AltaLink Investments, L.P., ("AILP"), is the sole limited partner of ALP under the Limited Partnership Agreement. The sole limited partner of AILP is AltaLink Holdings, L.P., ("AHLP" or "AltaLink"). The limited partners of AHLP are subsidiaries of SNC-Lavalin. In February 2011, SNC-Lavalin announced that it had accepted an offer from Macquarie Essential Assets Partnership ("MEAP"), formerly an indirect owner of ALP, to sell the entire indirect interest of MEAP in ALP, subject to regulatory approval from the Alberta Utilities Commission ("AUC"). The AUC approved the proposed purchase and sale transaction on September 14, 2011. The transaction was completed as of September 20, 2011 and as a result SNC-Lavalin holds an ownership interest of 100% in AHLP, and ultimately owns 100% of all of its subsidiaries, including ALP, the owner and operator of transmission lines and substations subject to rate regulation.

ALP–KEY HISTORICAL INDICATORS

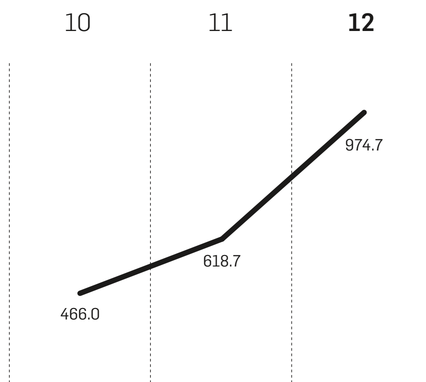
MID-YEAR RATE BASE AND CONSTRUCTION WORK IN PROGRESS (ALP)(1)

(IN MILLIONS CA$)



CAPITAL EXPENDITURES (ALP)

(IN MILLIONS CA$)



(1) Rate base and construction work in progress are part of AltaLink's regulated capital assets.

ALP 2012 FINANCIAL HIGHLIGHTS

(IN MILLIONS CA$)	2012	2011
Revenues	$ 406.6	$ 365.6
Operating expenses, property taxes and other	124.1	118.4
Depreciation and amortization	99.2	93.1
Finance costs	73.0	62.4
Other	2.1	5.9
Net income	$ 108.2	$ 85.8

ALP 2012 DEEMED CAPITAL STRUCTURE AND GENERIC RETURNS

DEEMED CAPITAL STRUCTURE AND GENERIC RETURNS APPROVED BY THE ALBERT UTILITIES COMMISSION	2012	2011	2010
Deemed Captial Structure			
Approved common equity ratio	37.00%	37.00%	36.00%
Approved debt ratio	63.00%	63.00%	64.00%
Generic returns			
Approved return on equity	8.75%	8.75%	9.00%

Under the Electric Utilities Act, ALP must prepare and file applications with the AUC for approval of tariffs to be paid by the Alberta Electric System Operator (AESO) for the use of ALP's transmission facilities, and the terms and conditions governing the use of those facilities. The AUC reviews and approves such tariff applications based on a cost of service regulatory model under a forward test year basis. Under this model, the AUC provides ALP with a reasonable opportunity to (i) earn a fair return on equity; and (ii) recover their forecast costs, including operating expenses, depreciation, borrowing costs and taxes (including deemed income taxes of the partner) associated with their regulated transmission business. The AUC must approve tariffs that are just, reasonable, and not unduly preferential, arbitrary or unjustly discriminatory. ALP transmission tariffs are not dependent on the price or volume of electricity transmitted through their transmission system. ALP receives their annual transmission tariffs from the AESO in equal monthly installments, based on the revenue requirement approved by the AUC for the applicable year.

The increasing reliability risks of Alberta's aging transmission system, combined with limited capacity within the system to support the province's economic growth, requires the development of new transmission infrastructure. For more than 30 years there has been limited expansion of the main backbone of the transmission grid in Alberta (transmission lines operating at 240 kV and higher). This lack of expansion, together with an increased demand for electricity and the construction of new generation facilities, has resulted in increased loading and congestion on the transmission system. To cope with these increased demands, ALP expects that the AESO will direct ALP and other transmission facility owners to upgrade and expand the transmission system, consistent with:

> The Alberta Government energy strategy, which includes commitments to strengthen Alberta's transmission system;

> The Transmission Regulation, which among other things, requires the expansion and enhancement of the Alberta Integrated Electric System to allow for a congestion free transmission system that enables the transmission of all anticipated in merit electricity under normal conditions;

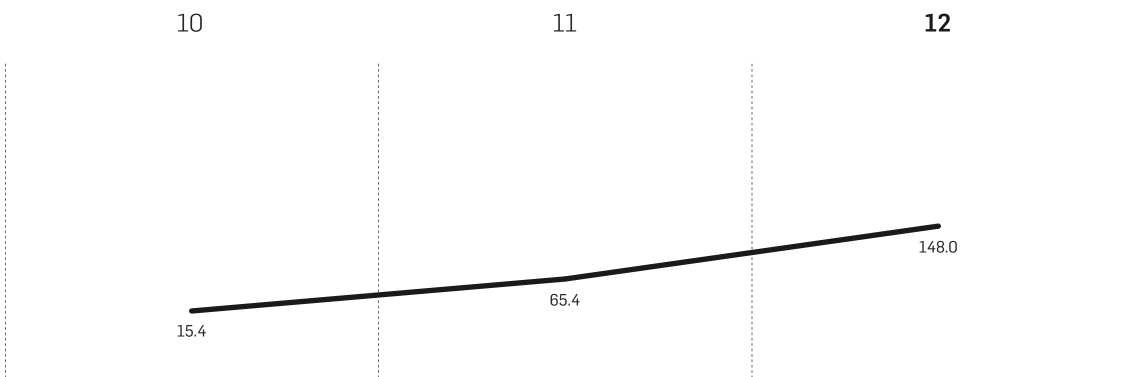
> The Electric Statutes Amendment Act, 2009, as amended; and

> The AESO's Long Term Transmission System Plans.

The AESO's 2011 Long Range Transmission System Plan identified the potential for $13.5 billion in existing and proposed transmission development projects over the next 10 years, to ensure a reliable supply of electricity in Alberta. In addition to the transmission projects for which the AESO has filed a need application, the 10 year transmission system plan also identified additional transmission facilities that could be required depending on how power generation and demand scenarios unfold, including a number of regional upgrades. ALP expects to develop a portion of the plan, as either or both of the AESO's need applications and ALP facility applications have been filed with the AUC. After the AUC approves ALP's facility applications, ALP is responsible for constructing and operating the related transmission facilities.

ALP is committed to maintaining its existing financing formula to finance future capital expenditures, which consists of cash flow generated by the current rate base, contributions from customers, medium term notes issued by ALP (63% debt ratio), and equity capital provided by AILP. AILP's equity capital is provided by the issuance of AILP bonds (72.5% consolidated debt ratio), the reinvestment of earnings, as well as SNC-Lavalin's cash equity contributions to AHLP. The table below summarizes SNC-Lavalin's cash equity contributions over the last three years:

SNC-LAVALIN'S EQUITY CONTRIBUTIONS
(IN MILLIONS CA$)



ALTALINK 2012 CREDIT RATINGS

		CREDIT RATINGS (AS AT DECEMBER 31, 2012)	
ENTITY	LONG-TERM DEBT (IN MILLIONS CA$)	S&P	DBRS
AHLP	$ 90.0	Non-rated	Non-rated
AILP	350.0	BBB-	BBB
ALP	1,801.7	A-	A
Total	$ 2,241.7		

9.3.2 ICI ACCOUNTING METHODOLOGY

The Company's investments are accounted for by either the cost, equity or full consolidation methods depending on whether SNC-Lavalin exercises, or not, significant influence, joint control or control (refer to section 4.1.4.2 for details). The revenues included in the Company's consolidated income statement are influenced by the consolidation method applied to an ICI, as described below:

ACCOUNTING METHODS FOR THE COMPANY'S INVESTMENTS IN ICI	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Full consolidation	**Revenues** that are recognized and reported by the ICI
Equity method	SNC-Lavalin's **share of net results** of the ICI or **dividends** from its ICI for which the carrying amount is $nil
Cost method	**Dividends and distributions** from the ICI

In evaluating the performance of the segment, the relationship between revenues and net income (which equals operating income for ICI) is not meaningful, as a significant portion of the investments 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.

9.3.3 REVENUES, NET INCOME AND DIVIDENDS OF THE ICI SEGMENT

As at December 31, 2012, the ICI net income represented approximately 50% of SNC-Lavalin's total net income, compared to 35% in 2011 and 28% in 2010. Net income from Highway 407, which correspond to the dividends paid to SNC-Lavalin (see explanations below), increased to $100.6 million in 2012 from $77.2 million in 2011, while net income from AltaLink increased to $54.5 million from $33.8 million in 2011.

(IN MILLIONS CA$)		2012		2011		2010
Revenues from ICI	$	565.1	$	501.4	$	472.3
Net income attributable to SNC-Lavalin shareholders from ICI:						
From Highway 407	$	100.6	$	77.2	$	50.3
From AltaLink (1)		54.5		33.8		22.9
From a net gain on disposal of Trencap and Valener		–		–		26.1
From other ICI (2)		1.8		20.2		35.6
Total	$	156.9	$	131.2	$	134.9
Dividends and distributions received by SNC-Lavalin:						
From Highway 407	$	100.6	$	77.2	$	50.3
From other ICI		11.8		12.2		1.6
Total	$	112.4	$	89.4	$	51.9

(1) Prior to the acquisition of MEAP's 23.08% ownership interest in AltaLink, completed in September 2011, the Company held an ownership interest of 76.92% in AltaLink.
(2) Net income from other ICI is net of divisional and allocated corporate selling, general and administratives expenses, as well as from selling, general and administrative expenses from all other ICI accounted for by the full consolidation method.

Note that historically AltaLink has not made distributions, because it is a capital intensive business in a growing phase, investing significant amounts in capital expenditures.

Under the equity method of accounting, distributions from a jointly controlled entity reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a jointly controlled entity when the recognition of such losses results in a negative balance for its investment, or where dividends payable by the jointly controlled entity are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to $nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. The excess amount of dividends payable by a jointly controlled entity is recognized in the net income of the Company.

The Company recognized in its income statement dividends received from Highway 407 of $100.6 million in 2012 (2011: $77.2 million) and did not recognize its share of Highway 407's net income of $29.3 million (2011: $21.5 million) in the same period, as the carrying amount of its investment in Highway 407 was $nil at December 31, 2012 and December 31, 2011.

The **Company's ICI revenues increased in 2012** compared to 2011, mainly due to higher revenues of AltaLink and higher dividends received from Highway 407, while partially offset by lower revenues from SKH. Gross margin increased in 2012 compared to 2011, mainly for the same reasons with respect to the revenues increase outlined above.

Net income from the ICI segment increased in 2012 compared to 2011, mainly due to higher dividends received from Highway 407 and higher net income of AltaLink. The increase was partially offset by lower net income from other ICI, which amounted to $1.8 million in 2012, compared to $20.2 million in 2011, primarily reflecting lower net income from SKH.

9.3.4 ICI PORTFOLIO

Two new investments were added during 2012.

> In May 2012, the Company announced that 407 EDGGP, 50%-owned by SNC-Lavalin, was awarded a contract by the Province of Ontario, in Canada, to design, build, finance, and maintain Phase 1 of the new highway 407 East, which will add 32 kilometres to the existing highway. The 407 EDGGP subcontracted the design and build as well as the operation and maintenance portions to two partnerships that are 50%-owned by SNC-Lavalin. Once construction is completed, the 407 EDGGP will maintain and rehabilitate the road until 2045.

> In June 2012, the Company acquired from India Infrastructure Fund an equivalent to 10% of the issued and paid up capital of Piramal Roads Infra Private Limited, an entity that engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure, in the roads sector of India, for a total cash consideration of approximately $10 million.

The following table presents a list of all SNC-Lavalin's ICI.

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 East Development Group General Partnership ("407 EDGGP")	50%	Equity	Yes	2012	2045	Under construction	Upon completion of the design and construction, it will operate, maintain and rehabilitate Phase 1 of the new highway 407 East.
Chinook Roads Partnership ("Chinook")	50%	Equity	Yes	2010	2043	Under construction	Upon completion of the construction, it will operate and maintain the southeast Stoney Trail, being the southeast leg of the Ring Road for the City of Calgary.
Groupe immobilier santé McGill ("MIHG ")	60%	Equity	Yes	2010	2044	Under construction	Once construction is completed, it will operate and maintain the McGill University Health Centre's new Glen Campus.
Rainbow Hospital Partnership ("Rainbow")	100%	Full consolidation	Yes	2011	2044	Under construction	Designs, builds, commissions, finances and, once construction is completed, will operate and maintain certain functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick.
Rayalseema Expressway Private Limited ("REPL")	36.9%	Equity	Yes	2010	2040	Under construction	Builds and will operate a 189-kilometre section of a toll highway in India, under a 30-year concession agreement.
Société d'Exploitation de l'Aéroport de Mayotte S.A.S. ("Mayotte")	100%	Full consolidation	Yes	2011	2026	Under construction	Upgrades the infrastructure, builds a new terminal building, manages and maintains the airport under a 15-year concession agreement.
Ambatovy Nickel Project ("Ambatovy") (see section 9.3.4.1 for more details on the investment in Ambatovy)	5%	Cost	N/A	2007	N/A	In operation	An open-pit mine operation, and a hydrometallurgical processing plant in Madagascar that produces mainly nickel and cobalt.
Astoria Project Partners LLC ("Astoria")	21.0%	Equity	No	2004	N/A	In operation	Owns and operates a 500 MW natural gas-fired combined cycle power plant in Queens, New York.

N/A: not applicable

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
Astoria Project Partners II LLC ("Astoria II")	18.5%	Equity	No	2008	N/A	In operation	Astoria II owns and operates a 550 MW natural gas-fired combined cycle power plant in Queens, New York. Astoria II signed a 20-year firm Power Purchase Agreement with the New York Power Authority ("NYPA").
407 International Inc. ("Highway 407")	16.77%	Equity	No	1999	2098	In operation	Operates, maintains and manages highway 407, a 108 km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
InTransit BC Limited Partnership ("InTransit BC")	33.3%	Equity	Yes	2005	2040	In operation	InTransit BC operates and maintains the Canada Line, a 19-kilometre rapid transit line connecting the cities of Vancouver and Richmond with Vancouver International Airport in British Columbia under a 35-year concession agreement.
Malta International Airport p.l.c.	15.5%	Equity	No	2002	2067	In operation	Has the right to own and manage the Malta International Airport under a 65-year concession agreement.
Myah Tipaza S.p.A. ("Myah Tipaza")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m^3pd seawater desalination plant in Algeria and will sell the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
Okanagan Lake Concession Limited Partnership ("Okanagan Lake Concession")	100%	Full consolidation	Yes	2005	2035	In operation	Operates, maintains and manages the new five-lane, 1.1-km William R. Bennett Bridge in Kelowna, British Columbia, under a 30-year concession agreement.
Ovation Real Estate Group ("Ovation")	100%	Full consolidation	Yes	2009	2038	In operation	Operates and maintains a 2,100-seat concert hall in downtown Montreal, under a 29-year concession agreement.
Shariket Kahraba Hadjret En Nouss S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227 MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
Société d'Exploitation de Vatry Europort ("SEVE")	51.1%	Equity	No	1999	2020	In operation	Manages and operates a cargo airport under a 20-year concession agreement.
TC Dôme S.A.S. ("TC Dôme")	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3 -km electric cog railway in France.
AltaLink Holdings, L.P. ("AltaLink")	100%	Full consolidation	No	2002	N/A	Ongoing activities (construction and operation)	Owns and operates approximately 12,000 km of transmission lines and over 280 substations in Alberta on a rate-regulated basis.
Piramal Roads Infra Private Limited ("PRIPL")	10%	Cost	N/A	2012	N/A	Ongoing activities (construction and operation)	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India.

N/A: not applicable

9.3.4.1 AMBATOVY

SNC-Lavalin has a 5% ownership interest in Ambatovy, in Madagascar, on which it was awarded an EPCM contract in 2007. In March 2008, Ambatovy obtained senior debt project financing whereupon each shareholder concurrently provided the Ambatovy senior lenders with a financial guarantee in proportion to their respective ownership interests. Also, to support the portion of the financial guarantee issued by one of the shareholders who is also the project operator of Ambatovy ("Project Operator"), the remaining shareholders ("Other Shareholders"), including SNC-Lavalin, provided cross guarantees to the Ambatovy senior lenders. Until completion of construction and commissioning of the project and the satisfaction of certain legal, financial and operating conditions (the "Completion Date"), the financial guarantee of US$105 million and cross-guarantee of US$70 million will remain outstanding. The guarantees were initially recognized at their fair value of approximately $9 million in the Company's consolidated statement of financial position, and not at their aggregated nominal value of US$175 million. Both guarantees could be called by the lenders if such conditions are not met by September 2013.

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

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

The following table summarizes SNC-Lavalin's disbursements and remaining commitments at December 31, 2012 related to the Ambatovy project, presented in "ICI accounted for by the cost method":

(IN MILLIONS CA$)	DECEMBER 31 2012
Equity contributions in Ambatovy [1]	
Amount disbursed	$ 245.9
Remaining commitments	13.2
Loans to Project Operator [1][2]	70.0
Net book value of SNC-Lavalin's investment in Ambatovy	$ 329.1

(1) SNC-Lavalin's total equity contributions, disbursed and committed, and Loans to Project Operator are presented as "ICI accounted for by the cost method". The remaining commitment to invest in Ambatovy, representing the amount of commitment not yet disbursed, is presented in "Other current financial liabilities" on the Company's consolidated statement of financial position.

(2) This interest-bearing variable-rate loans have a 15-year term and will be repaid from a portion of the Project Operator's share of the project's future distributions.

9.3.5 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.

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, in accordance with IFRS.

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink	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 government 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.

For the year ended December 31, 2012, SNC-Lavalin recognized revenues of $763.6 million (2011: $559.5 million) 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 $114.5 million for the year ended December 31, 2012 (2011: $102.8 million). Intragroup revenues generated from transactions with AltaLink, which amounted to $784.7 million for the year ended December 31, 2012 (2011: $419.6 million), were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to $23.3 million as at December 31, 2012 (2011: $43.7 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $172.4 million as at December 31, 2012 (2011: $83.0 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $141.5 million at December 31, 2012 (2011: $129.0 million).

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

10. FOURTH QUARTER RESULTS

For the fourth quarter of 2012, net income attributable to SNC-Lavalin shareholders was $94.6 million ($0.63 per share on a diluted basis), compared to $76.0 million ($0.50 per share on a diluted basis) for the comparable quarter in 2011, mainly reflecting an increase in net income attributable to SNC-Lavalin shareholders from ICI, partially offset by a lower net income attributable to SNC-Lavalin shareholders excluding ICI.

For the fourth quarter of 2012, **net income attributable to SNC-Lavalin shareholders excluding ICI decreased to $24.2 million**, compared to $36.5 million for the same period last year, mainly reflecting a higher level of selling, general and administrative expenses, partially offset by a higher gross margin amount, due to a higher level of activity. The fourth quarter 2012 gross margin included unfavourable cost reforecasts on two major Packages projects outside Canada, one in Power and one in Hydrocarbons & Chemicals, with adverse impacts of $49.0 million and $27.6 million, respectively. The 2011 gross margin included unfavourable cost reforecasts on certain projects in Infrastructure & Environment and Hydrocarbons & Chemicals, a $22.4 million loss from a revised position of the Company's net financial position that related to its Libyan infrastructure projects and period expenses of $35 million in Hydrocarbons & Chemicals.

Net income attributable to SNC-Lavalin shareholders from ICI increased to $70.4 million, compared to $39.5 million for the fourth quarter of 2011, mainly due to higher dividends received from Highway 407.

Revenues for the fourth quarter of 2012 increased by 14.3% to $2.4 billion, compared to $2.1 billion for the fourth quarter of 2011, mainly due to increases of 15.8% and 21.7% in Services and Packages, respectively.

The Company's backlog increased to $10.1 billion as at December 31, 2012, compared to $9.9 billion as at the end of the third quarter of 2012, primarily reflecting an increase in Packages, mainly in Power and Infrastructure & Environment, partially offset by a decrease in Hydrocarbons & Chemicals. The increase in Packages was partially offset by a decrease in O&M.

At the end of December 2012, the Company's cash and cash equivalents were $1.2 billion, compared to $1.1 billion at the end of September 2012, mainly reflecting net cash generated from operating activities, as well as net cash generated from financing activities, partially offset by net cash used for investing activities, mainly reflecting an increase in property and equipment from AltaLink, to reinforce and expand the transmission system.

11. LIQUIDITY AND CAPITAL RESOURCES

This Liquidity and Capital Resources section has been prepared to provide the reader with a better understanding of the major components of the Company's liquidity and financial position and has been structured as follows:

> A **financial position** analysis, which has been prepared with the objective of providing additional information on the major changes in the Company's consolidated statements of financial position in 2012 and 2011;

> A review of the **net cash position** of the Company;

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

> A discussion on the Company's **working capital, recourse revolving credit facilities, credit ratings**, and **recourse debt to capital**;

> A review of the Company's **contractual obligations** and **derivative financial instruments**, which provides additional information for a better understanding of the Company's financial situation; and finally

> The presentation of the Company's **dividends declared** and **ROASE** over the past three years.

In terms of the shareholders' capital adequacy, the Company seeks to maintain an adequate balance between ensuring sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time optimizing return on equity.

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed, which are all elements specifically discussed in the following section. While liquidity remains subject to numerous risks and limitations, including but not limited to the risks described under Section 14—"Risks and Uncertainties" and in this section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations will be sufficient to fund its operations for the foreseeable future.

The Company's liquidity strategy is driven by two key objectives:

i) the maintenance of an investment grade credit rating; and

ii) the maintenance of adequate available cash and/or credit facilities to a) meet ongoing working capital requirements, in particular for Packages projects, and b) meet ongoing commitments to invest in, or self-finance, ICI projects.

11.1 FINANCIAL POSITION ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2012	2011	2010
Current assets	$ 3,794.1	$ 3,546.3	$ 3,566.5
Non-current assets	5,816.8	4,807.7	3,954.3
Total assets	9,610.9	8,354.0	7,520.8
Current liabilities	3,958.2	3,514.3	2,886.6
Non-current liabilities	3,574.3	2,953.0	2,714.7
Total liabilities	7,532.5	6,467.3	5,601.3
Equity attributable to SNC-Lavalin shareholders	2,075.4	1,883.1	1,816.8
Non-controlling interests	3.0	3.6	102.7
Total liabilities and equity	$ 9,610.9	$ 8,354.0	$ 7,520.8

11.1.1 TOTAL CURRENT ASSETS

Total current assets increased by $247.8 million between December 31, 2011 and **December 31, 2012**, reflecting primarily:

FROM ICI	FROM OTHER ACTIVITIES
An increase of **$60.6 million** mainly reflecting: > An increase of $113.4 million in trade receivables, mainly due to AltaLink; partially offset by > A decrease of $30.3 million in Other current financial assets; and > A decrease of $13.3 million in cash and cash equivalents.	An increase of **$187.2 million** mainly reflecting: > An increase of $207.3 million in contracts in progress, due to various ongoing projects; > An increase of $62.6 million in other current financial assets, primarily due to an increase in retentions on client contracts, mainly from MIHG, partially offset mainly by a decrease in advances to suppliers, subcontractors and employees and deposits on contracts; and > An increase of $60.5 million in other current assets; partially offset by > A decrease of $93.8 million in trade receivables, due to various ongoing projects; and > A decrease of $42.9 million in cash and cash equivalents.

Current assets decreased by $20.2 million between December 31, 2010 and December 31, 2011, reflecting primarily:

FROM ICI	FROM OTHER ACTIVITIES
An increase of $45.4 million mainly reflecting: > An increase of $30.6 million in trade receivables; and > An increase of $14.1 million in cash and cash equivalents.	A decrease of $65.6 million mainly reflecting: > A decrease of $148.6 million in trade receivables; and > A decrease of $50.9 million in contracts in progress; partially offset by > An increase of $101.7 million in other current financial assets; and > An increase of $44.4 million in other current assets.

11.1.2 TOTAL NON-CURRENT ASSETS

Total non-current assets increased by $1,009.1 million from December 31, 2011 to **December 31, 2012**, mainly due to:

FROM ICI	FROM OTHER ACTIVITIES
An increase of **$891.7 million** mainly reflecting: > An increase of $832.3 million in property and equipment, from AltaLink, to reinforce and expand the transmission system; and > An increase of $76.5 million in other non-current assets, primarily reflecting an increase in intangible assets from AltaLink.	An increase of **$117.4 million** mainly reflecting: > An increase of $45.7 million in ICI accounted for by the cost method, mainly reflecting an increase in the investment in Ambatovy; > An increase of $33.2 million in property and equipment; and > An increase of $23.2 million in ICI accounted for by the equity method.

Non-current assets increased by $853.4 million from December 31, 2010 to December 31, 2011, mainly due to:

FROM ICI	FROM OTHER ACTIVITIES
An increase of $664.5 million mainly reflecting: > An increase of $564.9 million in property and equipment, from AltaLink; and > An increase of $72.0 million in non-current financial assets.	An increase of $188.9 million mainly reflecting: > An increase of $97.4 million in goodwill resulting from acquisition of businesses in 2011; and > An increase of $44.7 million in property and equipment.

11.1.3 TOTAL CURRENT LIABILITIES

Total current liabilities increased by $443.9 million between December 31, 2011 and **December 31, 2012**, reflecting the following items:

FROM ICI	FROM OTHER ACTIVITIES
An increase of **$210.7 million** mainly reflecting: > An increase of $157.2 million in non-recourse short-term debt and current portion of non-recourse long-term debt, primarily from AltaLink; and > An increase of $49.8 million in trade payables.	An increase of **$233.2 million** mainly reflecting: > An increase of $79.6 million in trade payables; > An increase of $61.3 million in deferred revenues; and > An advance under contract financing arrangement of $43.3 million; and > An increase of $30.1 million in downpayments in contracts.

Current liabilities increased by $627.7 million between December 31, 2010 and December 31, 2011, reflecting the following items:

FROM ICI	FROM OTHER ACTIVITIES
An increase of $392.6 million mainly reflecting: > An increase of $288.6 million in non-recourse short-term debt and current portion of non-recourse long-term debt, primarily from AltaLink; and > An increase of $97.9 million in trade payables.	An increase of $235.1 million mainly reflecting: > An increase of $171.1 million in deferred revenues; and > An increase of $147.9 million in trade payables; partially offset by > A decrease of $106.2 million in downpayments in contracts.

11.1.4 TOTAL NON-CURRENT LIABILITIES

Total non-current liabilities increased by $621.3 million from December 31, 2011 to **December 31, 2012**, mainly reflecting:

FROM ICI	FROM OTHER ACTIVITIES
An increase of **$511.1 million** mainly reflecting: > An increase of $439.3 million in the non-recourse long-term debt, primarily relating to AltaLink mainly to finance its capital expenditures; and > An increase of $107.5 million in other non-current liabilities, primarily to an increase in third party contributions of AltaLink; partially offset by > A decrease of $37.4 million in other non-current financial liabilities, mainly reflecting a decrease in third party deposits of AltaLink.	An increase of **$110.2 million** mainly reflecting: > An increase of $96.8 million in provisions, mainly reflecting increased provisions for losses on projects.

Total non-current liabilities increased by $238.3 million from December 31, 2010 to December 31, 2011, mainly reflecting:

FROM ICI	FROM OTHER ACTIVITIES
An increase of $135.1 million mainly reflecting: > An increase of $57.6 million in other non-current liabilities; > An increase of $44.0 million in other non-current financial liabilities; and > An increase of $32.4 million in the non-recourse long-term debt, primarily relating to AltaLink.	An increase of $103.2 million mainly reflecting: > An increase of $49.6 million in deferred income tax liability; and > An increase of $46.7 million in provisions.

11.1.5 TOTAL FINANCIAL LIABILITIES

The Company's total financial liabilities, as presented in Note 27A to the 2012 audited annual consolidated financial statements, **were $5.3 billion as at December 31, 2012**, compared to $4.5 billion and $4.1 billion as at December 31, 2011 and 2010, respectively.

11.1.6 TOTAL EQUITY

Equity attributable to SNC-Lavalin shareholders increased by $192.3 million as at December 31, 2012, compared to December 31, 2011, mainly reflecting net income attributable to SNC-Lavalin shareholders for 2012, partially offset by dividends declared to SNC-Lavalin shareholders.

The increase of $66.3 million from December 31, 2010 to December 31, 2011 mainly reflected net income attributable to SNC-Lavalin shareholders for 2011, partially offset by the acquisition of non-controlling interests of AltaLink, and by dividends declared to SNC-Lavalin shareholders.

11.2 NET CASH POSITION

The Company's net cash position, 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:

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2012	2011	2010
Cash and cash equivalents	$ 1,174.9	$ 1,231.0	$ 1,235.1
Less:			
Cash and cash equivalents of ICI accounted for by the full consolidation method	17.6	30.9	16.8
Recourse debt	348.6	348.4	348.2
Net cash position	$ 808.7	$ 851.7	$ 870.1

The net cash position as at December 31, 2012 was $808.7 million, compared to $851.7 million as at December 31, 2011.

In previous periods, the Company reported an estimated "freehold cash" position, which was a non-IFRS measure and was based on certain management estimates and assumptions. Following a review of the Company's disclosure and of other North-American reporting issuers and Company peers, which do not use or report this measure, the Company will no longer disclose or report on "freehold cash" position, but will continue to disclose its cash and cash equivalents and net cash position. The Company believes that its current liquidity position, including the Company's cash position and unused credit capacity, will be sufficient to fund its operations over the foreseeable future.

The Company's net cash position as at December 31, 2012 included $12.8 million of cash and cash equivalents held in a Libyan bank (2011: $22.9 million). Although the Company believes that there is risk to its current ability to repatriate such funds, the Company has no current intention of attempting to do so or ceasing to do business in Libya and continues to explore opportunities to resume its existing projects in Libya, as well as new business opportunities. Accordingly, the Company believes that such cash and cash equivalents are fully available to fund its business operations in that country. The Company will continue to assess the risks associated with the political conditions in Libya as developments occur or the circumstances otherwise warrant.

11.3 CASH FLOWS ANALYSIS

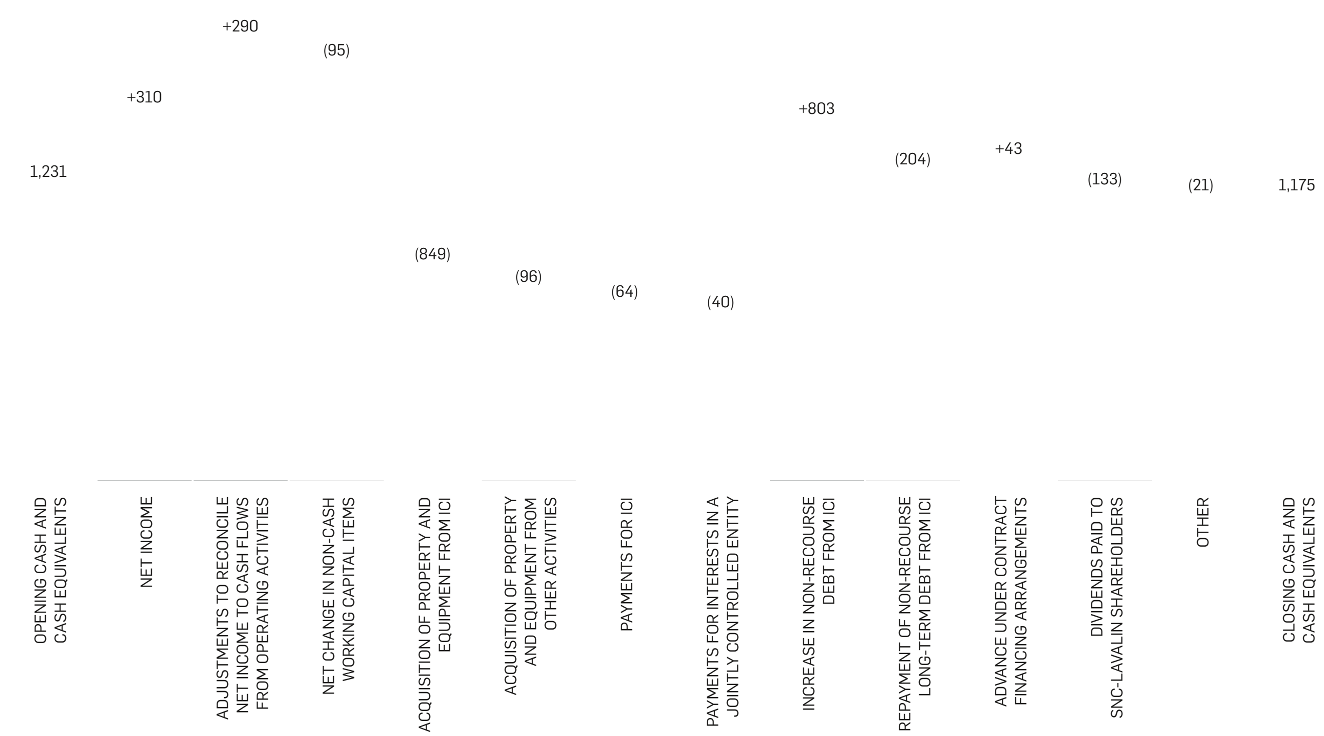
SUMMARY OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2012	2011
Cash flows generated from (used for):		
Operating activities	$ 504.3	$ 919.6
Investing activities	(1,062.9)	(863.6)
Financing activities	505.1	(56.8)
Decrease from exchange differences on translating cash and cash equivalents held in foreign operations	(2.6)	(3.3)
Net decrease in cash and cash equivalents	(56.1)	(4.1)
Cash and cash equivalents at beginning of year	1,231.0	1,235.1
Cash and cash equivalents at end of year	$ 1,174.9	$ 1,231.0

The graph below displays the major cash flow items that impacted the movement of the Company's cash and cash equivalents for the year ended December 31, 2012. These items are further explained in this section.

2012 VARIATION OF CASH AND CASH EQUIVALENTS

(IN MILLIONS CA$)



Operating Activities	**Cash generated from operating activities decreased to $504.3 million in 2012** compared to cash generated of $919.6 million in 2011, mainly reflecting cash used by the net change in non-cash working capital items, which totalled $95.2 million in 2012, compared to cash generated of $341.8 million in 2011, primarily reflecting higher working capital requirements.
Investing Activities	**Cash used for investing activities increased to $1,062.9 million in 2012** compared to cash used of $863.6 million in 2011. The major investing activities were as follows: > The acquisition of property and equipment from fully consolidated ICI used a total cash outflow of $849.2 million in 2012 compared to $545.8 million in 2011, due to AltaLink in both years, mainly relating to capital expenditures for transmission projects; > Payments of $40.3 million in the second quarter of 2012 for interests in SNC-Lavalin Fayez Engineering, a jointly controlled entity in Saudi Arabia; > The acquisition of businesses for a total cash outflow of $17.8 million in 2012 compared to $140.4 million in 2011; > The cash outflow of $64.1 million relating to payments for ICI in 2012, reflecting payments mainly for Ambatovy and PRIPL, compared to $101.1 million in 2011, reflecting payments for Ambatovy, Astoria II and REPL; and > The acquisition of property and equipment from other activities used a total cash outflow of $96.2 million in 2012 compared to $67.2 million in 2011. Approximately 46% and 47%, in 2012 and 2011 respectively, of the acquisitions of property and equipment from these activities were related to information technology.
Financing Activities	**Cash generated from financing activities totalled $505.1 million in 2012** compared to cash used for financing activities of $56.8 million in 2011. The major financing activities were as follows: > An increase in non-recourse long-term debt from ICI totaling $802.9 million in 2012 compared to $374.8 million in 2011, primarily due to AltaLink in both years; > An increase in repayment of non-recourse long-term debt from ICI totaling $203.6 million in 2012, primarily due to AltaLink, compared to $7.7 million in 2011; > An advance under contract financing arrangements of $43.3 million in 2012; > The acquisition of Macquarie Essential Assets Partnership's 23.08% ownership interest in AltaLink in the third quarter of 2011, for a total consideration of $228.8 million in cash. As part of that transaction, the Company also acquired a subsidiary's debenture for $50.0 million; > Dividends paid to SNC-Lavalin shareholders amounted to $132.9 million in 2012 compared to $126.8 million in 2011, reflecting an increase in dividends per share. The increase in dividends reflects dividends paid of $0.88 per share in 2012 compared to $0.84 per share for 2011; > Under its normal course issuer bid, the Company repurchased shares for a total amount of $6.9 million in 2012 (175,700 shares at an average redemption price of $39.12), compared to $44.3 million in 2011 (819,400 shares at an average redemption price of $54.03). The Company expects to repurchase some of its shares in 2013, based on the general practice that the Company tries to repurchase its common shares under its normal course issuer bid mainly to offset the dilutive effect of stock issuance under its stock option programs; > The issuance of shares pursuant to the exercise of stock options generated $6.9 million of cash in 2012 (210,140 stock options at an average price of $32.98), compared to $26.9 million in 2011 (820,216 stock options at an average price of $32.84). In 2012, 664,908 stock options expired, compared to none in 2011, mainly because their exercise price exceeded the market price of the Company's common share at the end of the life of the options. As at February 27, 2013, there were 4,984,596 stock options outstanding with exercise prices varying from $31.59 to $57.07 per common share. At that same date there were 151,346,737 common shares issued and outstanding.

11.4 WORKING CAPITAL

WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS CA$, EXCEPT CURRENT RATIO)	2012	2011
Current assets	$ 3,794.1	$ 3,546.3
Current liabilities	3,958.2	3,514.3
Working Capital	$ (164.1)	$ 32.0
Current Ratio	0.96	1.01

The working capital and current ratio decreased as at December 31, 2012 compared to the previous year, reflecting the increase in property and equipment from AltaLink, and dividends paid to SNC-Lavalin shareholders, partially offset by additional non-recourse long-term debt from AltaLink, and 2012 net income attributable to SNC-Lavalin shareholders.

11.5 RECOURSE DEBT AND NON-RECOURSE DEBT

Recourse debt	Recourse Revolving Credit Facility	**The Company has access to committed long-term revolving lines of credit with banks, totalling $590.0 million**, upon which it may either issue letters of credit, or borrow at variable rates not exceeding the prime rate. As at December 31, 2012, $123.4 million of these lines of credit remained unused, while the balance of $466.6 million was exclusively used for the issuance of letters of credit. In addition, the Company has other lines of credit specifically available for the issuance of letters of credit. All the above-mentioned lines of credit are unsecured and subject to negative pledge clauses.
	Recourse Debenture–Credit Ratings	On September 14, 2012, **DBRS confirmed** the credit rating of the Company's debentures at **BBB (high) with Stable trend**. On April 20, 2012, **S&P affirmed** the credit rating of SNC-Lavalin's debentures at **BBB+ and revised the outlook to negative from stable**. The negative outlook reflects S&P concerns regarding a potential impact on the Company's competitive position following its disclosure of the results of a voluntary independent review in the Company's 2011 MD&A. Refer to the "Risks and Uncertainties" section for more details of the potential impact of a deterioration of the Company's debentures' credit ratings.
	Recourse Debt-to-Capital Ratio	This ratio compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. **As at December 31, 2012** and 2011, the **Company's recourse debt-to-capital ratio was 14:86** and 15:85, respectively, below the Company's objective, which is not to surpass a ratio of 30:70.
Non-recourse debt	SNC-Lavalin does not consider non-recourse debt when monitoring its capital because such debt results from the full consolidation of certain ICI held by the Company. As such, the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the ICI they finance. The Company's ICI accounted for by the full or equity consolidation methods may, however, be at risk if such investments were unable to repay their non-recourse long-term debt.	

11.6 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

11.6.1 CONTRACTUAL OBLIGATIONS

In the normal course of business, SNC-Lavalin has various contractual obligations. The following table provides a summary of SNC-Lavalin's future contractual commitments specifically related to short-term debt and long-term debt repayments, commitments to invest in ICI and rental obligations:

(IN MILLIONS CA$)	2013	2014-2015	2016-2017	THEREAFTER	TOTAL
Short-term debt and long-term debt repayments:					
Recourse	$ –	$ –	$ –	$ 350.0	$ 350.0
Non-recourse from ICI	484.6	52.8	158.9	1,805.5	2,501.8
Commitments to invest in ICI	154.7	–	–	–	154.7
Rental obligations under long-term operating leases	111.0	176.5	104.4	80.0	471.9
Total	$ 750.3	$ 229.3	$ 263.3	$ 2,235.5	$ 3,478.4

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 17D to the Company's 2012 audited annual consolidated financial statements. The commitments to invest in ICI result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to its 2012 audited annual consolidated financial statements. The commitments to invest in ICI are recognized for investments accounted for by the equity or cost methods and mainly relate to MIHG, Chinook, 407 EDGGP and Ambatovy. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 31 to its 2012 audited annual consolidated financial statements.

11.6.2 FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 27 to its 2012 audited annual consolidated financial statements.

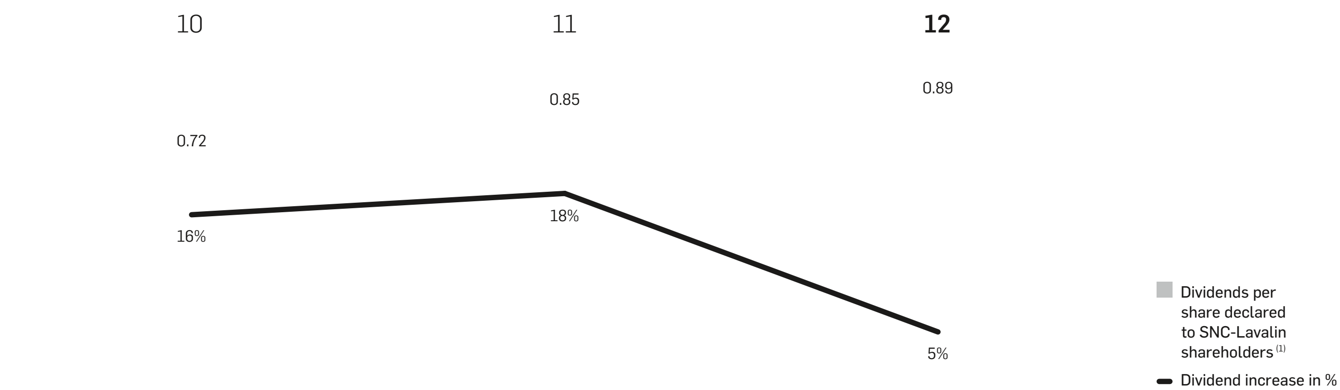
DERIVATIVE FINANCIAL INSTRUMENTS	FINANCIAL ARRANGEMENT
SNC-Lavalin enters into derivative financial instruments, namely: i. forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii. interest-rate swaps to hedge the variability of interest rates relating to financing arrangements.	The Company has a financial arrangement with an investment grade financial institution to limit its exposure to the variability of its cash-settled share-based payment arrangements caused by fluctuations in its share price (refer to Note 21C to the 2012 audited annual consolidated financial statements).
All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.	

The Company does not hold or issue any derivative instruments for speculative purposes, but rather for hedging purposes only. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures.

11.7 DIVIDENDS DECLARED

The Board of Directors has decided to **increase the quarterly cash dividend payable to shareholders from $0.22 per share to $0.23 per share for the fourth quarter of 2012, resulting in total cash dividends declared of $0.89 per share relating to 2012**. The table below summarizes the dividends declared for each of the past three years:

DIVIDENDS DECLARED PER SHARE
(IN CA$)



(1) The dividends declared are classified in the period for which the financial results are publicly announced, notwithstanding the declaration or payment date.

Total cash dividends paid in 2012 were $132.9 million, compared to $126.8 million in 2011. The Company has paid quarterly dividends for 23 consecutive years and has increased its yearly dividend paid per share for each of the past 12 years.

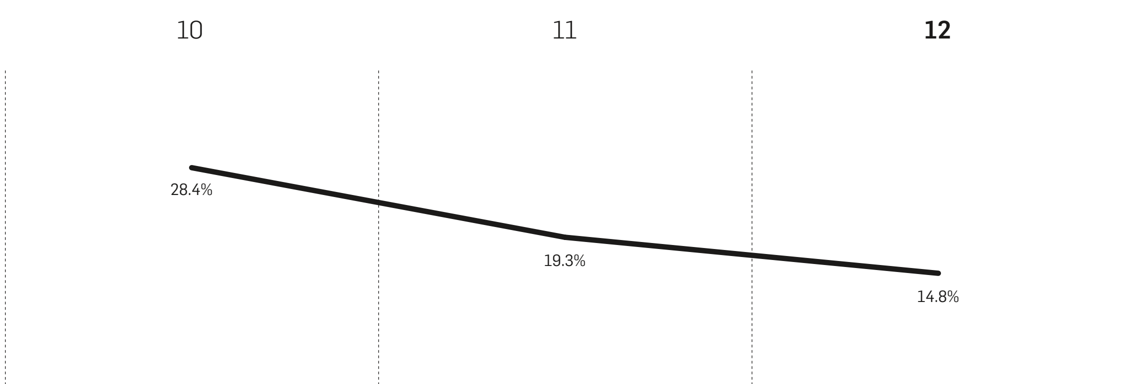
11.8 RETURN ON AVERAGE SHAREHOLDERS EQUITY

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".

The Company excludes "other components of equity" because this element results mainly from the accounting treatment of cash flow hedges, and is not representative of the way the Company evaluates the management of its foreign currency exchange risk. Accordingly, the "other components of equity" are not representative of the Company's financial position.

For 2012, ROASE was 14.8%, compared to 19.3% for 2011.

ROASE



12. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2 to the Company's 2012 audited annual consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the Company's 2012 audited annual consolidated financial statements.

13. ACCOUNTING POLICIES AND CHANGES

13.1 STANDARDS AND INTERPRETATIONS ISSUED TO BE ADOPTED AT A LATER DATE

The following standards and amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on or after January 1, 2013, with earlier application permitted:

> IFRS 10, *Consolidated Financial Statements*, ("IFRS 10") replaces consolidation requirements in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation—Special Purpose Entities*, and establishes principles for identifying when an entity controls other entities.

> IFRS 11, *Joint Arrangements*, ("IFRS 11") replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*, and requires a single method to account for interests in jointly controlled entities.

> IFRS 12, *Disclosure of Interests in Other Entities*, ("IFRS 12") establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles.

> IFRS 13, *Fair Value Measurement*, provides a single source of fair value measurement and disclosure requirements in IFRS.

> Amended and re-titled IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the new IFRS 10, IFRS 11 and IFRS 12.

> Amendments to IAS 1, *Presentation of Financial Statements*, to require entities to group items within other comprehensive income that may be reclassified to net income.

> Amendments to IAS 19, *Employee Benefits*, ("IAS 19") to eliminate the corridor method that defers the recognition of gains and losses, to eliminate the concept of the expected return on assets, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans.

> The International Accounting Standards Board also issued a collection of amendments to IFRS as follows:

- Amendments to IFRS 1, *First-Time Adoption of IFRS*, ("IFRS 1") related to repeated application of IFRS 1 and to borrowing costs.
- Amendments to IAS 1, *Presentation of Financial Statements*, related to clarification of the requirements for comparative information.
- Amendments to IAS 16, *Property, Plant and Equipment*, related to classification of servicing equipment.
- Amendments to IAS 32, *Financial Instruments: Presentation*, related to tax effect of distribution to holders of equity instruments.
- Amendments to IAS 34, *Interim Financial Reporting*, related to interim financial reporting and segment information for total assets and liabilities.

The amendments to IAS 19 are expected to result in an increase (decrease) in the net defined benefit pension cost recognized in the income statement and in an equivalent decrease (increase) in actuarial losses recognized in the statement of comprehensive income arising from defined benefit pension plans and other post-employment benefits, with a $nil impact to the Company's retained earnings. The adoption of these amendments would have resulted in a decrease in net income of $3.2 million for the year ended December 31, 2012 (2011: $1.4 million) and in an equivalent decrease in actuarial losses recognized in the statement of comprehensive income for the years ended December 31, 2012 and 2011, with a $nil impact to the Company's retained earnings as at December 31, 2012 and 2011. This change relates mainly to the elimination of the expected return on plan assets, which will be replaced by a discount rate applied to the net accrued defined pension benefit liability under the amended IAS 19.

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

The following standard has been issued and is applicable to the Company for its annual periods beginning on or after January 1, 2015, with earlier application permitted:

> IFRS 9, *Financial Instruments*, covers the classification and measurement of financial assets and financial liabilities.

The Company is currently evaluating the impact of adopting this standard on its financial statements.

14. RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties in carrying out its activities and you should carefully consider the risks and uncertainties below before investing in its securities. Additional risks not currently known or that the Company currently believes are immaterial may also impair its business, results of operations, financial condition and liquidity.

RISKS RELATED TO LITIGATION, REGULATORY MATTERS AND INVESTIGATIONS

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.

SNC-Lavalin and its ICI are or can be party to litigation in the normal course of business. Since the Company engages in engineering and construction, and O&M activities for facilities and projects where design, construction or systems failures can result in substantial injury or damage to employees or others, the Company is exposed to substantial claims and litigation if there is a failure at any such project. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and be brought by clients or third parties, such as those who use or reside near clients' projects. SNC-Lavalin can also be exposed to claims if it agreed that a project will achieve certain performance standards or satisfy certain technical requirements and those standards or requirements are not met. In many contracts with clients, subcontractors, and vendors, the Company agrees to retain or assume potential liabilities for damages, penalties, losses and other exposures relating to projects that could result in claims that greatly exceed the anticipated profits relating to those contracts. In addition, while clients and subcontractors may agree to indemnify the Company against certain liabilities, such third parties may refuse or be unable to pay.

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

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

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

The Actions each seek damages based on the decline in market value of the securities purchased by proposed class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as other damages and costs. The Ontario Action seeks additional damages based on a further drop in share price on June 25, 2012.

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

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

SNC-Lavalin maintains insurance coverage for various aspects of its business and operations. The Company's insurance programs have varying coverage limits and maximums, and insurance companies may seek to deny claims the Company might make. In addition, SNC-Lavalin has elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under these programs. As a result, the Company may be subject to future liability for which it is only partially insured, or completely uninsured.

In addition, the nature of the Company's business sometimes results in clients, subcontractors, and vendors presenting claims for, among other things, recovery of costs related to certain projects. Similarly, SNC-Lavalin occasionally presents change orders and other claims to clients, subcontractors, and vendors. If the Company fails to document properly the nature of claims and change orders or are otherwise unsuccessful in negotiating reasonable settlements with clients, subcontractors and vendors, the Company could incur cost overruns, reduced profits or, in some cases, a loss for a project. A failure to promptly recover on these types of claims could have a material adverse impact on SNC-Lavalin's liquidity and financial results. Additionally, irrespective of how well the Company documents the nature of its claims and change orders, the cost to prosecute and defend claims and change orders can be significant.

Litigation and regulatory proceedings are subject to inherent uncertainties and unfavourable rulings can and do occur. Pending or future claims against SNC-Lavalin could result in professional liability, product liability, criminal liability, warranty obligations, and other liabilities which, to the extent the Company is not insured against a loss or its insurer fails to provide coverage, could have a material adverse impact on the Company's business, financial condition and results of operations.

The Company is subject to ongoing investigations which could adversely affect its business, results of operations or reputation and which could subject it to sanctions, fines or monetary penalties, some of which may be significant.

In February 2012, the Board of Directors initiated an independent investigation (the "Independent Review") led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements, the "Representative Agreements") to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by authorities remain ongoing in connection with this information. The Company also continues to review compliance matters (including matters beyond the scope of the Independent Review), including to assess whether amounts may, directly or indirectly, have been improperly paid to persons owing fiduciary duties to the Company.

The Royal Canadian Mounted Police (the "RCMP") is investigating the Company's involvement in projects in Bangladesh and certain countries in Africa and this investigation has led to charges being laid against two former employees of a subsidiary of the Company under the *Corruption of Foreign Public Officials Act* (Canada) in regard to the Bangladesh project. The World Bank is also investigating the project in Bangladesh and certain other World Bank projects and, in March 2012, it temporarily suspended the subsidiary of the Company from new World Bank projects pending a final conclusion and decision on this matter.

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters, including an investigation by the securities regulator in Quebec, the *Autorité des marchés financiers*, and investigations by the RCMP and Swiss authorities (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012). In addition, the Former CEO of the Company and a former Executive Vice-President of the Company have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec and the same former Executive Vice-President has been detained by Swiss authorities since April 2012 in connection with potential criminal charges, including fraud-related matters.

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

The Company is currently unable to determine when these investigations will be completed, whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. While the Company continues to cooperate with authorities in connection with ongoing investigations, if regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties including temporary or permanent debarment from participating in projects by certain administrative organizations or governments, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities. In addition, these investigations and any negative publicity associated with these investigations, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of these investigations may affect the course of the Class Action (described above).

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 civil enforcement actions.

The Company is subject to various rules, regulations, laws, and other legal requirements, enforced by governments or other authorities. Further regulatory developments, namely abrupt changes in foreign government policies and regulations, could have a significant adverse impact on the Company's results.

In addition, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of the Company's employees, agents or partners could have a significant negative impact on SNC-Lavalin's business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal control over financial reporting, environmental laws and any other applicable laws or regulations. For example, Canada's *Corruption of Foreign Public Officials Act* and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, SNC-Lavalin provides services that may be highly sensitive or that could relate to critical national security matters; if a security breach were to occur, the Company's ability to procure future government contracts could be severely limited.

SNC-Lavalin's policies mandate compliance with these regulations and laws, and the Company takes precautions intended to prevent and detect misconduct. However, since internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, SNC-Lavalin cannot assure that its controls will protect the Company from reckless or criminal acts committed by employees, agents or partners. Failure to comply with applicable laws or regulations or acts of misconduct could subject SNC-Lavalin to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm the Company's reputation, subject the Company to criminal and civil enforcement actions and have a negative impact on SNC-Lavalin's business.

A negative impact on the Company's public image could influence its ability to obtain future projects.

The consequence of reputational risk is a negative impact on the Company's public image, which may cause the cancellation of current projects and influence the Company's ability to obtain future projects. Reputational risk may arise under many situations including, among others, quality or performance issues on the Company's projects, a poor health and safety record, alleged or proven non-compliance with laws or regulations by the Company's employees, agents, subcontractors, suppliers and/or partners, and creation of pollution and contamination.

RISKS RELATING TO THE COMPANY'S OPERATIONS

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.

A significant portion of the Company's business and revenues is dependent on fixed-price contracts. The Company bears the risk for cost overruns from fixed-price contracts. Contract revenues and costs are established, in part, based on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, productivity, performance of the Company's employees and of subcontractors or equipment suppliers, price, availability of labour, equipment and materials and other requirements that may affect project costs or schedule, such as obtaining the required environmental permits and approvals on a timely basis. Cost overruns may also occur when unforeseen circumstances arise.

If cost overruns occur, the Company could experience reduced profits or, in some cases, a loss for that project. A significant cost overrun can occur on both large and smaller contracts or projects. If a large cost overrun occurs, or if cost overruns occur on multiple projects, such cost overruns could increase the unpredictability and volatility of the Company's profitability as well as have a material adverse impact on its business.

In addition, in certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs should the project or facility subsequently fail to meet the scheduled completion date or performance standards. A project's revenues could also be reduced in the event the Company is required to pay liquidated damages or in connection with contractual penalty provisions, which can be substantial and can accrue on a daily basis.

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.

Obtaining new contract awards, which is a key component for the sustainability of net income, is a risk factor in a competitive environment. A substantial portion of SNC-Lavalin's revenue and profitability is generated from large-scale project awards. The timing of when project awards will be made is unpredictable and outside of the Company's control. SNC-Lavalin operates in highly competitive markets where it is difficult to predict whether and when it will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a wide variety of factors including governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. In addition, the Company may not win contracts that it has bid upon due to price, a client's perception of the Company's reputation, ability to perform and/or perceived technology or other advantages held by competitors. SNC-Lavalin's competitors may be more inclined to take greater or unusual risks or accept terms and conditions in a contract that the Company might not otherwise deem market or acceptable. Because a significant portion of the Company's revenue is generated from large projects, the Company's results of operations can fluctuate from quarter to quarter and year to year depending on whether and when project awards occur and the commencement and progress of work under awarded contracts. As a result, SNC-Lavalin is subject to the risk of losing new awards to competitors or the risk that revenue may not be derived from awarded projects as quickly as anticipated.

In addition, fluctuating demand cycles are common in the engineering and construction industries and can have a significant impact on the degree of competition for available projects and the awarding of new contracts. As such, fluctuations in the demand for engineering and construction services or the ability of the private and/or public sector to fund projects in a depressed economic climate could adversely affect the awarding of new contracts and margin and thus SNC-Lavalin's results. Given the cyclical nature of the engineering and construction industries, the financial results of SNC-Lavalin, like others in such industries, may be impacted in any given period by a wide variety of factors beyond its control, and as a result there may, from time to time, be significant and unpredictable variations in the Company's quarterly and annual financial results.

SNC-Lavalin's estimates of future performance depend on, among other matters, whether and when the Company will receive certain new contract awards, including the extent to which the Company utilizes its workforce. The rate at which SNC-Lavalin utilizes its workforce is impacted by a variety of factors including: the Company's ability to manage attrition; the Company's ability to forecast its need for services which in turn allows the Company to maintain an appropriately sized workforce; the Company's ability to transition employees from completed projects to new projects or between internal business groups; and the Company's need to devote resources to non-chargeable activities such as training or business development. While SNC-Lavalin's estimates are based upon its good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when the Company will receive a contract award. The uncertainty of contract award timing can present difficulties in matching the Company's workforce size with its contract needs. If an expected contract award is delayed or not received, or if an ongoing contract is cancelled, the Company could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing the Company's operational efficiency, margins and profits.

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.

The Company's revenue backlog is derived from contract awards that are considered firm thus an indication of expected future revenues. Project delays, suspensions, terminations, cancellations or reductions in scope do occur from time to time in the Company's industry due to considerations beyond the control of SNC-Lavalin and may have a material impact on the amount of reported backlog with a corresponding adverse impact on future revenues and profitability. In addition, many of the Company's contracts contain "termination for convenience" provisions, which permit the client to terminate or cancel the contract at its convenience upon providing the Company with notice a specified period of time before the termination date and/or paying the Company equitable compensation, depending on the specific contract terms. In the event a significant number of the Company's clients were to avail themselves of such "termination for convenience" provisions, or if one or more significant contracts were terminated for convenience, the Company's reported backlog would be adversely affected with a corresponding adverse impact on expected future revenues and profitability.

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting.

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting. SNC-Lavalin's failure to comply with the terms of one or more government contracts or government statutes and regulations could result in the Company's contracts with government agencies being terminated or the Company being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties and the risk of public scrutiny of the Company's performance, and potential harm to its reputation, each of which could have a material adverse effect on SNC-Lavalin's business. Other remedies that the Company's government clients may seek for improper activities or performance issues include sanctions such as forfeiture of profits and suspension of payments. In addition, virtually all of the Company's contracts with governments contain "termination for convenience" provisions, as described in the risk factor above entitled "*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*."

Government contracts present SNC-Lavalin with other risks as well. Legislatures typically appropriate funds on a year-by-year basis, while contract performance may take more than one year. As a result, the Company's contracts with government agencies may be only partially funded or may be terminated, and the Company may not realize all of its potential revenues and profits from those contracts. Appropriations and the timing of payment may be influenced by, among other things, the state of the economy, competing political priorities, curtailments in the use of government contracting firms, budget constraints, the timing and amount of tax receipts and the overall level of government expenditures.

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.

A significant portion of SNC-Lavalin's revenues are attributable to projects in international markets outside of Canada. SNC-Lavalin's business is dependent on the continued success of its international operations, and the Company expects its international operations to continue to account for a significant portion of total revenues. The Company's international operations are subject to a variety of risks, including:

> recessions and other economic crises in other regions, such as Europe, or specific foreign economies and the impact on the Company's costs of doing business in those countries;

> difficulties in staffing and managing foreign operations, including logistical, security and communication challenges;

> changes in foreign government policies, laws, regulations and regulatory requirements, or the interpretation, application and/or enforcement thereof;

> difficulty or expense in enforcing contractual rights due to a lack of a developed legal system or otherwise;

> renegotiation or nullification of existing contracts;

> the adoption of new, and the expansion of existing, trade or other restrictions;

> difficulties, delays and expense that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions;

> embargoes;

> acts of war, civil unrest, force majeure and terrorism;

> social, political and economic instability;

> expropriation of property;

> tax increases or changes in tax laws, legislation or regulation or in the interpretation, application and/or enforcement thereof; and

> limitations on the Company's ability to repatriate cash, funds or capital invested or held in jurisdictions outside Canada.

To the extent SNC-Lavalin's international operations are affected by unexpected or adverse economic, political and other conditions, the Company's business, financial condition and results of operations may be adversely affected.

In addition, the Company's activities outside Canada expose SNC-Lavalin to foreign currency exchange risks, which could adversely impact its operating results. The Company is particularly vulnerable to fluctuations in Euros and U.S. dollars. While SNC-Lavalin has a hedging strategy in place to mitigate the effects of certain foreign currency exposures, there can be no assurance that such hedging strategy will be effective. Furthermore, the Company does not have hedging strategies in place with respect to all currencies in which it does business. The Company's hedging strategy includes the use of forward foreign exchange contracts, which also contain an inherent credit risk related to default on obligations by the counterparties to such contracts.

There are risks associated with the Company's ownership interests in ICI that could adversely affect it.

In accordance with its business strategy, SNC-Lavalin makes investments in ICI. When SNC-Lavalin holds an ownership interest in an ICI, it assumes a degree of risk associated with the financial performance of the ICI. The value of the Company's investment in such ICI is dependent on the ability of the ICI to attain its revenue and cost projections as well as the ability to secure initial and ongoing financing, which can be influenced by numerous factors, some partially beyond the ICI's control, including, but not limited to, political or legislative changes, lifecycle maintenance, operating revenues, collection success, cost management and the general state of the capital and/or credit markets. In addition, the Company is sometimes required to guarantee the obligations of the ICI or partners in such ICI, which may result in a liability for the Company in the event such guarantee is enforced or applied. See, for example, the discussion on the guarantee given by SNC-Lavalin in connection with its investment in Ambatovy (see section 9.3.4.1).

The Company makes investments in ICI where it does not hold a controlling interest. These ICI may not be subject to the same requirements regarding internal controls and internal control over financial reporting that SNC-Lavalin follows. To the extent the controlling entity makes decisions that negatively impact the ICI or internal control problems arise within the ICI, it could have a material adverse impact on the Company's business, financial condition and results of operations.

The Company's non-recourse debt from ICI can be affected by fluctuations in interest rates.

In addition, many of the Company's ICI investments are governed by shareholder, partnership or similar joint venture agreements or arrangements, many of which restrict the Company's ability or right to freely sell or otherwise dispose of its ICI and/or that affect the timing of any such sale or other disposition. Consequently, the Company's ability to efficiently or timely dispose of or monetize one or more of its ICI could be limited by such contractual arrangements, which could in turn have an adverse impact on SNC-Lavalin's liquidity or capital resources.

The Company is dependent on third parties to complete many of its contracts.

SNC-Lavalin undertakes contracts wherein it subcontracts a portion of the project or the supply of material and equipment to third parties. If the amount the Company is required to pay for subcontractors or equipment and supplies exceeds what was estimated, the Company may suffer losses on these contracts. If a supplier or subcontractor fails to provide supplies, equipment or services as required under a negotiated contract for any reason, or provides supplies, equipment or services that are not of an acceptable quality, the Company may be required to source those supplies, equipment or services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. In addition, faulty equipment or materials could impact the overall project, resulting in claims against SNC-Lavalin for failure to meet required project specifications. These risks may be intensified during an economic downturn if these suppliers or subcontractors experience financial difficulties or find it difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the services or supplies necessary for the Company's business. In addition, in instances where SNC-Lavalin relies on a single contracted supplier or subcontractor or a small number of subcontractors, there can be no assurance that the marketplace can provide these products or services on a timely basis, or at the costs the Company had anticipated. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact SNC-Lavalin's business and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on the Company.

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.

SNC-Lavalin undertakes certain contracts with joint venture partners, as a member of partnerships, and under other similar arrangements. This situation exposes the Company to a number of risks, including the risk that its partners may be unable to fulfill their obligations to the Company or its clients. SNC-Lavalin's partners may also be unable or unwilling to provide the required levels of financial support to the partnerships. If these circumstances occur, the Company may be required to pay financial penalties or liquidated damages, provide additional services, or make additional investments to ensure adequate performance and delivery of the contracted services. Under agreements with joint and several (or solidary) liabilities, SNC-Lavalin could be liable for both its obligations and those of its partners. These circumstances could also lead to disputes and litigation with the Company's partners or clients, all of which could have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

SNC-Lavalin participates in joint ventures and similar arrangements in which it is not the controlling partner. In these cases, the Company has limited control over the actions or decisions of the joint venture. These joint ventures may not be subject to the same requirements regarding internal controls and internal control over financial reporting that SNC-Lavalin follows. To the extent the controlling partner makes decisions that negatively impact the joint venture or internal control problems arise within the joint venture, it could have a material adverse impact on the Company's business, financial condition and results of operations.

The failure by a joint venture partner to comply with applicable laws, rules or regulations, or client requirements, could negatively impact SNC-Lavalin's business and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on the Company, which could have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

The competitive nature of the markets in which the Company does business could adversely affect it.

SNC-Lavalin operates businesses in highly competitive industry segments and geographic markets both in Canada and internationally. SNC-Lavalin competes with both large as well as many mid-size and smaller companies across a range of industry segments. In addition, an increase in international companies entering into the Canadian marketplace has also made such market more competitive. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which the Company operates. Fluctuations in demand in the segments in which the Company operates may impact the degree of competition for work. Competitive position is based on a multitude of factors, including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, availability of partners, suppliers and workforce, and reputation for quality, timeliness and experience. If the Company is unable to effectively respond to these competitive factors, results of operations and financial condition will be adversely impacted. In addition, a prolonged economic slump or slower than anticipated recovery may also result in increased competition in certain market segments, price or margin reductions or decreased demand which may adversely affect results.

The Company's project execution activities may result in professional liability or liability for faulty services.

The Company's failure to act or to make judgments and recommendations in accordance with applicable professional standards could result in large monetary damages awards against the Company. The Company's business involves making professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. A failure or event at one of SNC-Lavalin's project sites or completed projects resulting from the work it has performed could result in significant professional or product liability, warranty or other claims against the Company as well as reputational harm, especially if public safety is impacted. These liabilities could exceed the Company's insurance limits or the fees it generates, or could impact the Company's ability to obtain insurance in the future. In addition, clients or subcontractors who have agreed to indemnify SNC-Lavalin against any such liabilities or losses might refuse or be unable to pay. An uninsured claim, either in part or in whole, if successful and of a material magnitude, could have a material adverse impact on the Company's financial condition and results of operations.

In some jurisdictions where the Company does business, it may be held jointly and severally liable for both its obligations and those of other parties working on a particular project, notwithstanding the absence of a contractual relationship between the Company and such other parties.

The Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides.

SNC-Lavalin issues reports and opinions to clients based on its professional engineering expertise, as well as its other professional credentials. The Company's reports and opinions are often required to comply with professional standards, licensing requirements, securities regulations and other laws, regulations, rules and standards governing the performance of professional services in the jurisdiction where the services are performed. In addition, the Company could be liable to third parties who use or rely upon the Company's reports or opinions even if it is not contractually bound to those third parties, which may result in monetary damages or penalties.

The Company may not have in place sufficient insurance coverage to satisfy its needs.

As part of SNC-Lavalin's business operations, the Company maintains insurance coverage. There can be no assurance that the Company has in place sufficient insurance coverage to satisfy its needs, or that it will be able to secure all necessary or sufficient insurance coverage in the future. The Company's insurance is purchased from a number of third-party insurers, often in layered insurance arrangements. If any of its third-party insurers fail, refuse to renew or revoke coverage or otherwise cannot satisfy their insurance requirements to SNC-Lavalin, then the Company's overall risk exposure and operational expenses could be increased and its business operations could be interrupted.

SNC-Lavalin has obtained directors' and officers' liability insurance insuring directors and officers against liability for acts or omissions in their capacities as directors and officers, subject to certain exclusions. Such insurance also insures SNC-Lavalin against losses which the Company may incur in indemnifying officers and directors. In addition, SNC-Lavalin may enter into indemnification agreements with key officers and directors and such persons also have indemnification rights under applicable laws and the Company's constating documents. SNC-Lavalin's obligations to indemnify directors and officers may pose substantial risks to the Company's financial condition as the Company may not be able to maintain its insurance or, even if the Company is able to maintain its insurance, claims in excess of the Company's insurance coverage could materially deplete its assets.

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.

The nature of SNC-Lavalin's work places employees and others near large equipment, dangerous processes or highly regulated materials, and in challenging environments. Many clients require that the Company meet certain safety standards or criteria to be eligible to bid on contracts, and the payment of a portion of the Company's contract fees or profits may be subject to satisfying safety standards or criteria. Unsafe work conditions also have the potential of increasing employee turnover, increasing project and operating costs and could negatively impact the awarding of new contracts. If SNC-Lavalin fails to implement appropriate safety procedures and/or if its procedures fail, employees or others may suffer injuries. Failure to comply with such procedures, client contracts or applicable regulations could subject SNC-Lavalin to losses and liability and adversely impact the Company's business, financial condition and operating results as well as its ability to obtain future projects.

The Company's failure to attract and retain qualified personnel could have an adverse effect on its activities.

The success of SNC-Lavalin heavily depends on its workforce and the ability to attract and retain qualified personnel in a competitive work environment. The inability to attract and retain qualified personnel could result in, among other factors, lost opportunities, cost overruns, failure to perform on projects and inability to mitigate risks and uncertainties.

Work stoppages, union negotiations and other labour matters could adversely affect the Company.

A portion of the Company's workforce and employees working for various subcontractors are unionized. A lengthy strike or other work stoppages, caused by unionized or non-unionized employees, in connection with any of the Company's projects could have a material adverse effect on the Company. There is an inherent risk that on-going or future negotiations relating to collective bargaining agreements or union representation may not be favourable to the Company. From time to time, the Company has also experienced attempts to unionize the Company's non-unionized employees. Such efforts can often disrupt or delay work and present risk of labour unrest.

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.

Information is critical to SNC-Lavalin's success. The integrity, reliability and security of information in all forms are critical to the Company's daily and strategic operations. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, delayed reaction times to the resolution of problems, privacy breaches and/or inappropriate disclosure or leaking of sensitive information.

Any acquisition or other investment may present risks or uncertainties.

The integration of a business acquisition can be a challenging task that includes, but is not limited to, realization of synergies, cost management to avoid duplication, information systems integration, staff reorganization, establishment of controls, procedures, and policies, as well as cultural alignment. The inability to adequately integrate an acquired business in a timely manner might result in departures of qualified personnel, lost business opportunities and/or higher than expected integration costs.

RISKS RELATED TO THE COMPANY'S LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

A deterioration or weakening of the Company's financial position, including its net cash position, would have a material adverse effect on its business and results of operations.

The Company relies both on its cash position as well as on the credit and capital markets to provide some of its capital requirements and it is, in certain instances, required to obtain bank guarantees as a means to secure its various contractual obligations. Significant instability or disruptions of the capital markets, including the credit markets, or a deterioration in or weakening of its financial position, including its net cash position, due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the cost of one or more of these financing sources, including credit facilities, the issuance of long-term debt, or the availability of letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate net cash position and generate sufficient cash flow from operations in an amount to enable itself to fund its operations and liquidity needs, service its debt and/or maintain its ability to obtain and secure bank guarantees.

A deterioration in the Company's financial condition could also result in a reduction or downgrade of its credit ratings, including to below investment grade, which could prohibit or restrict the Company from utilizing letters of credit or performance guarantees or accessing external sources of short- and long-term debt financing or could significantly increase the costs associated with utilizing such letters of credit and performance guarantees, bank credit facilities and issuing long-term debt, which would in turn have a material adverse effect on the Company's business, financial condition and results of operations.

A draw on letters of credit or bank guarantees by one or more third parties could, among other things, significantly reduce the Company's cash position and have a material adverse effect on its business and results of operations.

The Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows.

In some cases, SNC-Lavalin may require significant amounts of working capital to finance the purchase of materials and/or the performance of engineering, construction and other work on certain projects before it receives payment from clients. In some cases, the Company is contractually obligated to its clients to fund working capital on projects. Increases in working capital requirements could negatively impact SNC-Lavalin's business, financial condition and cash flows.

Additionally, the Company could temporarily experience a liquidity shortfall if it is unable to access its cash balances and short-term investments to meet the Company's working capital requirements. SNC-Lavalin's cash balances and short-term investments are in accounts held by banks and financial institutions, and some of the Company's deposits exceed available insurance. There is a risk that such banks and financial institutions may, in the future, go into bankruptcy or forced receivership, or be seized by governments, which may cause the Company to experience a temporary liquidity shortfall or fail to recover its deposits in excess of available insurance.

Further significant deterioration of the current global economic and credit market environment, particularly in the Eurozone countries, could challenge SNC-Lavalin's efforts to maintain a diversified asset allocation with creditworthy financial institutions.

In addition, SNC-Lavalin may invest some of its cash in longer-term investment opportunities, including the acquisition of other entities or operations, the reduction of certain liabilities such as unfunded pension liabilities and/or repurchases of the Company's outstanding shares. To the extent the Company uses cash for such other purposes, the amount of cash available for the working capital needs described above would be reduced.

An inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company.

SNC-Lavalin is subject to the risk of loss due to the client's inability to fulfill its obligations with respect to trade receivables, contracts in progress and other financial assets. A client's inability to fulfill such obligations could have an adverse impact on the Company's financial condition and profitability.

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.

In accordance with IFRS, goodwill is assessed for impairment at least annually by determining whether the recoverable amount of a cash-generating unit ("CGU") or group of CGUs exceeds its carrying amount. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU or group of CGU to which goodwill has been allocated, requiring management's estimates and judgments that are inherently subjective and uncertain, and thus may change over time. The key assumptions required for the value in use estimation are the future cashflows growth rate and the discount rate. The determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets.

The Company cannot guarantee that new events or unfavorable circumstances will not take place that would lead it to reassess the value of goodwill and record a significant goodwill impairment loss, which could have a material adverse effect on the Company's results of operations and financial condition.

Financial assets, including the Company's investments, other than those accounted for at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. In such instance, the Company may be required to reduce carrying values to their estimated fair value. The inherent subjectivity of the Company's estimates of future cash flows could have a significant impact on its analysis. Any future write-offs or write-downs of assets or in the carrying value of the Company's investments could also have a material adverse effect on its financial condition or results of operations.

GLOBAL/MACROECONOMIC RISKS

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.

Fluctuations in global economic conditions may have an impact on clients' willingness and ability to fund their projects. These conditions could make it difficult for the Company's clients to accurately forecast and plan future business trends and activities, thereby causing clients to slow or even curb spending on the Company's services, or seek contract terms more favourable to them. SNC-Lavalin's government clients may face budget deficits that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate contracts with little or no prior notice. Furthermore, any financial difficulties suffered by the Company's partners, subcontractors or suppliers could increase cost or adversely impact project schedules. These economic conditions continue to reduce the availability of liquidity and credit to fund or support the continuation and expansion of industrial business operations worldwide. Volatile financial market conditions and adverse credit market conditions could adversely affect clients', partners' or the Company's own borrowing capacity, which support the continuation and expansion of projects worldwide, and could result in contract cancellations or suspensions, project delays, payment delays or defaults by the Company's clients. SNC-Lavalin's ability to operate or expand its business would be limited if, in the future, the Company is unable to access sufficient credit capacity, including capital market funding, bank credit, such as letters of credit, and surety bonding on favourable terms or at all. These disruptions could materially impact the Company's backlog, revenues and net income.

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.

Commodity prices can affect SNC-Lavalin's clients in a number of ways. For example, for those clients that produce commodity products, fluctuations in price can have a direct effect on their profitability and cash flow and, therefore, their willingness to continue to invest or make new capital investments. To the extent commodity prices decline and the Company's clients defer new investments or cancel or delay existing projects, the demand for the Company's services decreases, which may have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

Commodity prices can also strongly affect the costs of projects. Rising commodity prices can negatively impact the profitability of future projects as well as those in progress, and could have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework could result in a material misstatement of financial information.

SNC-Lavalin maintains accounting systems and internal controls over its financial reporting and disclosure controls and procedures. There are inherent limitations to any control framework, as controls can be circumvented by acts of individuals, intentional or not, by collusion of two or more individuals, by management override of controls, by lapses in judgment and breakdowns resulting from human error. There are no systems or controls that can provide absolute assurance that all fraud, errors, circumvention of controls or omission of disclosure can and will be prevented or detected. Such fraud, errors, circumvention of controls or omission of disclosure could result in a material misstatement of financial information. Also, projections of any evaluation of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services.

SNC-Lavalin is exposed to various environmental risks and is subject to complying with environmental laws and regulations which vary from country to country and are subject to change. The Company's inability to comply with environmental laws and regulations could result in penalties, lawsuits and potential harm to its reputation.

15. CONTROLS AND PROCEDURES

The Company's CEO and the 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.

15.1 DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012. In making this evaluation, the CEO and the CFO considered, among other things:

> the remedial measures that the Company has implemented to address the previously identified material weaknesses in the Company's internal control over financial reporting as well as the other measures that have been or are being implemented to strengthen the Company's financial controls and procedures (as described in section 15.3);

> their conclusion that those material weaknesses no longer existed as at December 31, 2012; and

> the results of the evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2012 (as described in section 15.2).

Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures, as at December 31, 2012, were effective to provide reasonable assurance that (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the Company's annual filings under securities legislation are being prepared, and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

15.2 INTERNAL CONTROL OVER FINANCIAL REPORTING

As disclosed in the Company's 2011 "Management's Discussion and Analysis", the Company's then Interim CEO and the CFO, in carrying out their evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2011, which included consideration of the findings of the Independent Review, identified the following material weaknesses relating to the design and operating effectiveness of the Company's internal control over financial reporting as at December 31, 2011:

1. management override of internal controls contained in the Company's Policy on Commercial Agents/Representatives ("Agents Policy"); and
2. non-compliance with, and ineffective controls over compliance with, the Company's Code of Ethics and the Agents Policy.

As disclosed in the Company's "Management Discussion and Analysis" for the first, second and third quarters of 2012, the Interim CEO and the CFO (in respect of the first and second quarters) and the CEO and the CFO (in respect of the third quarter) concluded that the above material weaknesses continued to exist as at March 31, June 30 and September 30, 2012, respectively.

At the recommendation of the Company's Audit Committee, the Board of Directors of the Company adopted the recommendations for remedial measures resulting from the Independent Review. These recommendations were directed at reinforcing standards of conduct, strengthening and improving internal controls and processes, and reviewing the compliance environment. In addition, the Company's management had identified and implemented a number of measures to address the material weaknesses referred to above and to continue to strengthen the Company's financial controls and procedures. The Board of Directors directed management to develop a plan and timetable for the implementation of all of these measures and has been monitoring their implementation.

The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2012. Based on this evaluation, including an assessment of the remedial measures that have been implemented by the Company during 2012 (as described in section 15.3), the CEO and the CFO have concluded that (i) the previously identified material weaknesses relating to the design and operating effectiveness of the Company's internal control over financial reporting no longer existed as at December 31, 2012, and (ii) the Company's internal control over financial reporting, as at December 31, 2012, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

At the request of the Company's Audit Committee, its independent auditor, Deloitte, conducted an audit of the effectiveness of the Company's internal control over financial reporting as at December 31, 2012 based on the COSO Framework. Deloitte has issued an audit report dated March 8, 2013 which concludes that, in Deloitte's opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2012, in accordance with criteria established in the COSO Framework. This report is reproduced in section 16 of this MD&A and should be read in its entirety.

15.3 REMEDIAL MEASURES

REMEDIAL MEASURES TO ADDRESS PREVIOUSLY IDENTIFIED MATERIAL WEAKNESSES

A summary of the remedial measures that were adopted and implemented to address the above-mentioned material weaknesses is set out below:

> A "Management Override Policy" was approved by the Board of Directors providing procedures to be followed (i) in cases of acceptable management departures from the Company's policies and procedures, and (ii) anytime a person in a managerial or supervisory position or other employee requests or directs that Company policies or procedures be disregarded. The new policy was communicated to all employees in May 2012, was posted on the Company's intranet and is available to all employees. A training program on the new policy has been provided;

> The Code of Ethics was amended to include a duty to report violations or proposed violations of the Code of Ethics, subject to applicable law. These amendments were approved by the Board of Directors, communicated to all employees in May 2012, posted on the Company's intranet and are available to all employees. A training program on the amended Code of Ethics, and certification thereon, was completed by substantially all of the Company's employees; and

> Various changes to the Agents Policy that were approved by the Board of Directors in March 2012 have been implemented, including:

- an Agent Review Committee was created to review and approve the entering into of any agent agreement meeting certain criteria;
- an annual review of the Agents Policy by the Governance Committee of the Board of Directors was added to the Governance Committee's mandate;
- an annual confirmation of compliance with the Agents Policy by the Executive Vice-President responsible for this policy was added to the Audit Committee's mandate. The first annual confirmation was completed in the third quarter of 2012;
- enhanced due diligence procedures were adopted in connection with all potential agent agreements, including completion of a "red flags" warning checklist and integrity certification by senior management following completion of due diligence performed by a third party; and
- a requirement was adopted for formal training of the Company's commercial agents on the Code of Ethics.

MEASURES TO CONTINUE TO STRENGTHEN FINANCIAL CONTROLS AND PROCEDURES

A number of other measures have been adopted and implemented, or are in the process of being implemented, to continue to strengthen the Company's financial controls and procedures, including the following:

> a communication plan has been launched emphasizing compliance with the Code of Ethics as a core value in all aspects of the Company's business and an enhanced training program around the Code of Ethics have been implemented throughout the organization;

> the scope of complaints and reporting under the Company's Whistleblowing Policy was expanded to include all violations of the Code of Ethics;

> the specific monitoring of compliance with the Code of Ethics and administration of the Whistleblowing Policy by the Company's Ethics and Compliance Committee was approved and is reflected in the charter of the Ethics and Compliance Committee, which is required to report on its activities quarterly to the Audit Committee and the Human Resources Committee of the Board of Directors;

> the existing practice of the internal auditors reporting directly to the Audit Committee and the mandate of the internal audit function of the Company have been formally documented;

> the primary reporting relationship of all business unit vice presidents of finance has been changed such that they now report directly to the CFO;

> reinforcement of procedures and approvals regarding the levels of authority;

> the hiring of a Chief Compliance Officer, a new position created following the approval by the Board of Directors; and

> the development and implementation of a comprehensive ethics and compliance program has been initiated with the assistance of independent global risk management firms.

15.4 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The remedial measures described above that were implemented in the fourth quarter of 2012 to address the previously identified material weaknesses have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company continues to implement in its different business units a new financial management solution as part of its integrated platform. With the conversion of additional divisions during the fourth quarter of 2012, the overall implementation of this financial management solution is considered to have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting in the fourth quarter of 2012 in that several new automated controls have been introduced to complement or replace certain existing controls.

16. QUARTERLY INFORMATION

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT PER SHARE AMOUNTS)	2012					2011				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues by activity:										
Services	669.1	787.0	797.7	921.2	3,175.0	480.2	564.4	598.0	795.2	2,437.8
Packages	619.0	701.2	745.5	954.7	3,020.4	634.9	693.9	758.2	784.5	2,871.5
O&M	383.3	293.3	304.5	349.4	1,330.5	426.7	281.7	308.3	382.5	1,399.2
ICI	116.5	124.8	127.6	196.2	565.1	101.8	128.7	115.0	155.9	501.4
	1,787.9	1,906.3	1,975.3	2,421.5	8,091.0	1,643.6	1,668.7	1,779.5	2,118.1	7,209.9
Gross margin	297.2	280.9	389.1	387.8	1,355.0	276.2	316.6	340.4	318.9	1,252.1
Selling, general and administrative expenses	183.1	212.7	207.2	248.2	851.2	153.0	166.1	150.7	184.9	654.7
Net financial expenses:										
From ICI	25.8	26.1	30.0	30.6	112.5	23.2	20.1	25.6	30.8	99.7
From other activities	4.5	3.8	5.9	(0.5)	13.7	4.0	6.3	5.4	(0.2)	15.5
	30.3	29.9	35.9	30.1	126.2	27.2	26.4	31.0	30.6	115.2
Income before income tax expense	83.8	38.3	146.0	109.5	377.6	96.0	124.1	158.7	103.4	482.2
Income tax expense:										
From ICI	3.3	5.6	5.4	4.3	18.6	2.2	1.5	3.3	5.6	12.6
From other activities	13.2	–	25.9	10.4	49.5	15.0	17.7	27.9	21.7	82.3
	16.5	5.6	31.3	14.7	68.1	17.2	19.2	31.2	27.3	94.9
Net income	67.3	32.7	114.7	94.8	309.5	78.8	104.9	127.5	76.1	387.3
Net income attributable to:										
SNC-Lavalin shareholders	67.1	32.5	114.9	94.6	309.1	76.1	102.2	124.5	76.0	378.8
Non-controlling interests	0.2	0.2	(0.2)	0.2	0.4	2.7	2.7	3.0	0.1	8.5
Net income	67.3	32.7	114.7	94.8	309.5	78.8	104.9	127.5	76.1	387.3
Basic earnings per share ($)	0.44	0.22	0.76	0.63	2.05	0.50	0.68	0.83	0.50	2.51
Diluted earnings per share ($)	0.44	0.21	0.76	0.63	2.04	0.50	0.67	0.82	0.50	2.49
Dividend declared per share ($)	0.22	0.22	0.22	0.23	0.89	0.21	0.21	0.21	0.22	0.85
Depreciation of property and equipment and amortization of other non-current assets:										
From ICI	24.1	24.5	19.3	31.3	99.2	19.7	21.2	20.9	31.3	93.1
From other activities	13.6	14.3	16.5	17.2	61.6	10.0	10.6	11.4	13.4	45.4
	37.7	38.8	35.8	48.5	160.8	29.7	31.8	32.3	44.7	138.5
Net income attributable to SNC-Lavalin shareholders from ICI:										
From Highway 407	14.6	14.7	14.7	56.6	100.6	13.8	32.3	13.9	17.2	77.2
From other ICI	10.5	15.8	16.2	13.8	56.3	10.6	9.4	11.7	22.3	54.0
Net income attributable to SNC-Lavalin shareholders excluding ICI	42.0	2.0	84.0	24.2	152.2	51.7	60.5	98.9	36.5	247.6
Net income attributable to SNC-Lavalin shareholders	67.1	32.5	114.9	94.6	309.1	76.1	102.2	124.5	76.0	378.8
Revenue backlog (at end of quarter)										
Services	2,377.4	2,348.1	2,125.7	2,151.3		1,396.0	1,679.9	2,196.6	2,226.1	
Packages	5,580.6	5,988.3	5,453.6	5,747.7		5,558.1	5,331.2	4,852.3	5,482.8	
O&M	2,558.4	2,357.3	2,346.3	2,234.4		2,429.2	2,343.5	2,393.2	2,379.1	
	10,516.4	10,693.7	9,925.6	10,133.4		9,383.3	9,354.6	9,442.1	10,088.0	

APPENDIX

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Audit Committee of SNC-Lavalin Group Inc.

We have audited the effectiveness of SNC-Lavalin Group Inc.'s internal control over financial reporting as at December 31, 2012.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for establishing and maintaining effective internal control over financial reporting.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion based on our audit, on whether internal control over financial reporting was effectively maintained in accordance with criteria's established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework").

We conducted our audit in accordance with Standards for Assurance Engagements other than Audits of Financial Statements and Other Historical Financial Information (Handbook Section 5025). These standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, SNC-Lavalin Group Inc. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2012, in accordance with criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework").

Deloitte LLP[1]

MARCH 8, 2013
MONTREAL, CANADA

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(1) CPA auditor, CA, public accountancy permit No. A114871

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements ("financial statements") of SNC-Lavalin Group Inc. and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2012. Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2012, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal controls over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

ROBERT G. CARD
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

GILLES LARAMÉE
EXECUTIVE VICE-PRESIDENT,
INFRASTRUCTURE, CONCESSIONS AND
INVESTMENTS, AND CHIEF FINANCIAL OFFICER

MARCH 8, 2013
MONTREAL, CANADA

INDEPENDENT AUDITOR'S REPORT

To the shareholders of SNC-Lavalin Group Inc.

We have audited the accompanying consolidated financial statements of SNC-Lavalin Group Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SNC-Lavalin Group Inc. as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

MARCH 8, 2013
MONTREAL, CANADA

(1) CPA auditor, CA, public accountancy permit No. A114871

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS OF CA$)	NOTE	DECEMBER 31 2012	DECEMBER 31 2011
ASSETS			
Current assets			
Cash and cash equivalents	7	$ 1,174,900	$ 1,231,049
Restricted cash	7	32,815	39,354
Trade receivables	8	1,175,152	1,155,544
Contracts in progress		764,563	557,220
Other current financial assets	9	428,820	396,552
Other current assets	10	217,819	166,563
Total current assets		3,794,069	3,546,282
Property and equipment:			
From ICI	5, 11	3,469,990	2,637,735
From other activities	11	193,097	159,883
ICI accounted for by the equity method	5	373,445	350,246
ICI accounted for by the cost method	5	338,963	293,241
Goodwill	12	635,775	639,471
Deferred income tax asset	26	177,581	161,364
Non-current portion of receivables under service concession arrangements		258,924	239,113
Non-current financial assets	13	120,212	173,145
Other non-current assets	14	248,864	153,521
Total assets		$ 9,610,920	$ 8,354,001
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		$ 1,649,776	$ 1,520,395
Downpayments on contracts		346,780	316,714
Deferred revenues		972,820	907,118
Other current financial liabilities	15	302,309	291,031
Other current liabilities	16	158,689	151,689
Advance under contract financing arrangement	27D	43,273	–
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	5, 17	484,575	327,381
Total current liabilities		3,958,222	3,514,328
Long-term debt:			
Recourse	17	348,545	348,369
Non-recourse from ICI	5, 17	2,000,696	1,561,377
Other non-current financial liabilities	18	85,619	130,744
Provisions	19	323,391	224,834
Other non-current liabilities	20	593,429	486,217
Deferred income tax liability	26	222,582	201,416
Total liabilities		7,532,484	6,467,285
Equity			
Share capital	21	463,740	455,682
Retained earnings		1,714,379	1,543,199
Other components of equity	22	(102,686)	(115,813)
Equity attributable to SNC-Lavalin shareholders		2,075,433	1,883,068
Non-controlling interests		3,003	3,648
Total equity		2,078,436	1,886,716
Total liabilities and equity		$ 9,610,920	$ 8,354,001

See accompanying notes to consolidated financial statements.

Approved, on behalf of the Board of Directors, by:

ROBERT G. CARD
DIRECTOR

IAN A. BOURNE
DIRECTOR

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CA$, EXCEPT NUMBER OF COMMON SHARES)	2012						
	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 22)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	151,034	$ 455,682	$ 1,543,199	$ (115,813)	$ 1,883,068	$ 3,648	$ 1,886,716
Net income	–	–	309,115	–	309,115	415	309,530
Other comprehensive income (loss)	–	–	(9,321)	13,127	3,806	–	3,806
Total comprehensive income	–	–	299,794	13,127	312,921	415	313,336
Dividends declared (NOTE 21F)	–	–	(132,925)	–	(132,925)	–	(132,925)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(648)	(648)
Stock option compensation (NOTE 21B)	–	–	12,313	–	12,313	–	12,313
Shares issued under stock option plans (NOTE 21B)	210	8,597	(1,667)	–	6,930	–	6,930
Shares redeemed and cancelled (NOTE 21D)	(175)	(539)	(6,335)	–	(6,874)	–	(6,874)
Disposal of a subsidiary	–	–	–	–	–	(412)	(412)
Balance at end of year	151,069	$ 463,740	$ 1,714,379	$ (102,686)	$ 2,075,433	$ 3,003	$ 2,078,436

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CA$, EXCEPT NUMBER OF COMMON SHARES)	2011						
	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 22)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	151,034	$ 424,935	$ 1,459,323	$ (67,480)	$ 1,816,778	$ 102,654	$ 1,919,432
Net income	–	–	378,800	–	378,800	8,542	387,342
Other comprehensive income (loss)	–	–	(11,747)	(45,565)	(57,312)	702	(56,610)
Total comprehensive income	–	–	367,053	(45,565)	321,488	9,244	330,732
Dividends declared (NOTE 21F)	–	–	(126,750)	–	(126,750)	–	(126,750)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(827)	(827)
Stock option compensation (NOTE 21B)	–	–	15,411	–	15,411	–	15,411
Shares issued under stock option plans (NOTE 21B)	820	33,219	(6,283)	–	26,936	–	26,936
Shares redeemed and cancelled (NOTE 21D)	(820)	(2,472)	(41,799)	–	(44,271)	–	(44,271)
Acquisition of non-controlling interests of AltaLink (NOTE 5A)	–	–	(124,353)	(2,768)	(127,121)	(110,813)	(237,934)
Acquisition of other non-controlling interests	–	–	597	–	597	(1,226)	(629)
Capital contributions by non-controlling interests	–	–	–	–	–	4,616	4,616
Balance at end of year	151,034	$ 455,682	$ 1,543,199	$ (115,813)	$ 1,883,068	$ 3,648	$ 1,886,716

See accompanying notes to consolidated financial statements.

SNC-Lavalin Group Inc.

CONSOLIDATED INCOME STATEMENTS

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CA$, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)	NOTE	2012	2011
Revenues by activity:			
Services		$ 3,174,934	$ 2,437,778
Packages		3,020,400	2,871,530
O&M		1,330,501	1,399,197
ICI accounted for by the full consolidation or cost methods		450,672	398,539
ICI accounted for by the equity method		114,453	102,827
		8,090,960	7,209,871
Direct costs of activities		6,735,975	5,957,735
Gross margin		1,354,985	1,252,136
Selling, general and administrative expenses	24	851,217	654,691
Net financial expenses	23	126,162	115,211
Income before income tax expense		377,606	482,234
Income tax expense, net	26	68,076	94,892
Net income		$ 309,530	$ 387,342
Net income attributable to:			
SNC-Lavalin shareholders		$ 309,115	$ 378,800
Non-controlling interests		415	8,542
Net income		$ 309,530	$ 387,342
Earnings per share (in $)			
Basic		$ 2.05	$ 2.51
Diluted		$ 2.04	$ 2.49
Weighted average number of outstanding shares (in thousands)	21E		
Basic		151,058	150,897
Diluted		151,304	151,940

See accompanying notes to consolidated financial statements.

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CA$)	2012		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	$ 309,115	$ 415	$ 309,530
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (NOTE 22)	(14,947)	–	(14,947)
Available-for-sale financial assets (NOTE 22)	1,194	–	1,194
Cash flow hedges (NOTE 22)	32,257	–	32,257
Defined benefit pension plans and other post-employment benefits (NOTE 22)	(12,298)	–	(12,298)
Share of other comprehensive income of investments accounted for by the equity method (NOTE 22)	3,803	–	3,803
Income tax expense relating to components of other comprehensive income (loss) (NOTE 22)	(6,203)	–	(6,203)
Total other comprehensive income	3,806	–	3,806
Total comprehensive income	$ 312,921	$ 415	$ 313,336

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CA$)	2011		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	$ 378,800	$ 8,542	$ 387,342
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (NOTE 22)	(11,951)	39	(11,912)
Available-for-sale financial assets (NOTE 22)	212	–	212
Cash flow hedges (NOTE 22)	(11,859)	663	(11,196)
Defined benefit pension plans and other post-employment benefits (NOTE 22)	(16,033)	–	(16,033)
Share of other comprehensive loss of investments accounted for by the equity method (NOTE 22)	(42,863)	–	(42,863)
Income tax benefit relating to components of other comprehensive income (loss) (NOTE 22)	25,182	–	25,182
Total other comprehensive income (loss)	(57,312)	702	(56,610)
Total comprehensive income	$ 321,488	$ 9,244	$ 330,732

See accompanying notes to consolidated financial statements.

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CA$)	NOTE	2012	2011
Operating activities			
Net income		$ 309,530	$ 387,342
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation of property and equipment and amortization of other non-current assets:			
From ICI		99,205	93,099
From other activities		61,571	45,378
Income tax expense recognized in net income	26	68,076	94,892
Income taxes paid		(19,134)	(14,145)
Net financial expenses recognized in net income	23	126,162	115,211
Interest paid:			
From ICI		(112,090)	(91,072)
From other activities		(22,484)	(21,507)
Expense recognized in respect of stock options	21B	12,313	15,411
Expense recognized in respect of cash-settled share-based payment arrangements	21C	10,022	8,938
Income from ICI accounted for by the equity method		(114,453)	(102,827)
Dividends and distributions received from ICI accounted for by the equity method		112,427	89,372
Other		68,368	(42,178)
		599,513	577,914
Net change in non-cash working capital items	25	(95,207)	341,755
Net cash generated from operating activities		504,306	919,669
Investing activities			
Acquisition of property and equipment:			
From ICI		(849,205)	(545,781)
From other activities		(96,166)	(67,224)
Payments for ICI	5C	(64,055)	(101,138)
Recovery from ICI		–	16,055
Acquisition of businesses	6	(17,825)	(140,399)
Payments for interests in a jointly controlled entity	6E	(40,255)	–
Increase in receivables under service concession arrangements		(28,344)	(83,735)
Recovery of receivables under service concession arrangements		22,719	68,255
Other		10,183	(9,670)
Net cash used for investing activities		(1,062,948)	(863,637)
Financing activities			
Repayment of non-recourse debt from ICI		(203,612)	(7,683)
Acquisition of a subsidiary's debenture related to the AltaLink transaction	5A	–	(50,000)
Increase in non-recourse debt from ICI		802,907	374,792
Advance under contract financing arrangements	27D	43,273	–
Proceeds from exercise of stock options		6,930	26,936
Redemption of shares	21D	(6,874)	(44,271)
Dividends paid to SNC-Lavalin shareholders	21F	(132,925)	(126,750)
Acquisition of non-controlling interests of AltaLink (1)	5A	–	(228,816)
Other		(4,597)	(976)
Net cash generated from (used for) financing activities		505,102	(56,768)
Decrease from exchange differences on translating cash and cash equivalents		(2,609)	(3,300)
Net decrease in cash and cash equivalents		(56,149)	(4,036)
Cash and cash equivalents at beginning of year		1,231,049	1,235,085
Cash and cash equivalents at end of year		$ 1,174,900	$ 1,231,049

(1) The acquisition of non-controlling interests of AltaLink is classified as cash flows used for financing activities in accordance with IFRS as there is specific applicable guidance when acquiring non-controlling interests and, as such, is not part of investing activities.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

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

The Company provides engineering and construction, and operations and maintenance expertise through its network of offices located across Canada and in over 40 other 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.

The Company reports its revenues under **four categories of activity**, which are as follows:

> **Services**: includes contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning.

Services revenues are derived primarily from cost-plus reimbursable contracts.

> **Packages**: includes 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 equipment, and usually also includes construction activities.

Packages revenues are derived primarily from fixed-price contracts.

> **Operations and Maintenance ("O&M")**: consists 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.

O&M revenues are derived primarily from cost reimbursable with fixed-fee contracts, and from fixed-price contracts.

> **Infrastructure Concession Investments ("ICI")**: regroups SNC-Lavalin's investments in infrastructure concessions for public services, such as airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water.

In these audited consolidated financial statements ("financial statements"), activities from Services, Packages, and O&M are collectively referred to as "from other activities" or "excluding ICI" to distinguish them from ICI activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with **International Financial Reporting Standards ("IFRS")** issued and effective, or issued and early adopted, for the year ended December 31, 2012, and are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3.

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

The Company's financial statements were authorized for issue by the Board of Directors on March 8, 2013.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) STANDARDS AND INTERPRETATIONS ISSUED TO BE ADOPTED AT A LATER DATE

The following standards and amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on or after January 1, 2013, with earlier application permitted:

> IFRS 10, *Consolidated Financial Statements*, ("IFRS 10") replaces consolidation requirements in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation—Special Purpose Entities*, and establishes principles for identifying when an entity controls other entities.

> IFRS 11, *Joint Arrangements*, ("IFRS 11") replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*, and requires a single method to account for interests in jointly controlled entities.

> IFRS 12, *Disclosure of Interests in Other Entities*, ("IFRS 12") establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles.

> IFRS 13, *Fair Value Measurement*, provides a single source of fair value measurement and disclosure requirements in IFRS.

> Amended and re-titled IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the new IFRS 10, IFRS 11 and IFRS 12.

> Amendments to IAS 1, *Presentation of Financial Statements*, to require entities to group items within other comprehensive income that may be reclassified to net income.

> Amendments to IAS 19, *Employee Benefits*, ("IAS 19") to eliminate the corridor method that defers the recognition of gains and losses, to eliminate the concept of the expected return on assets, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans.

> The International Accounting Standards Board also issued a collection of amendments to IFRS as follows:

- Amendments to IFRS 1, *First-Time Adoption of IFRS*, ("IFRS 1") related to repeated application of IFRS 1 and to borrowing costs.
- Amendments to IAS 1, *Presentation of Financial Statements*, related to clarification of the requirements for comparative information.
- Amendments to IAS 16, *Property, Plant and Equipment*, related to classification of servicing equipment.
- Amendments to IAS 32, *Financial Instruments: Presentation*, related to tax effect of distribution to holders of equity instruments.
- Amendments to IAS 34, *Interim Financial Reporting*, related to interim financial reporting and segment information for total assets and liabilities.

The amendments to IAS 19 are expected to result in an increase (decrease) in the net defined benefit pension cost recognized in the income statement and in an equivalent decrease (increase) in actuarial losses recognized in the statement of comprehensive income arising from defined benefit pension plans and other post-employment benefits, with a $nil impact to the Company's retained earnings. The adoption of these amendments would have resulted in a decrease in net income of $3.2 million for the year ended December 31, 2012 (2011: $1.4 million) and in an equivalent decrease in actuarial losses recognized in the statement of comprehensive income for the years ended December 31, 2012 and 2011, with a $nil impact to the Company's retained earnings as at December 31, 2012 and 2011. This change relates mainly to the elimination of the expected return on plan assets, which will be replaced by a discount rate applied to the net accrued defined pension benefit liability under the amended IAS 19.

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

The following standard has been issued and is applicable to the Company for its annual periods beginning on or after January 1, 2015, with earlier application permitted:

> IFRS 9, *Financial Instruments*, covers the classification and measurement of financial assets and financial liabilities.

The Company is currently evaluating the impact of adopting this standard on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) BASIS OF CONSOLIDATION

The financial statements consist of the full consolidation of the accounts of SNC-Lavalin Group Inc. and its subsidiaries.

In accordance with IFRS, SNC-Lavalin's interests in other entities subject to control, joint control or significant influence are accounted for as follows:

TYPE OF INTEREST	TYPE OF INFLUENCE	ACCOUNTING METHOD
Subsidiary	Control	Full consolidation method
Jointly controlled entity	Joint control	Equity method
Jointly controlled operation	Joint control	SNC-Lavalin's proportionate interest
Associate	Significant influence	Equity method

A subsidiary that is not wholly-owned by SNC-Lavalin results in non-controlling interests that are presented separately on the consolidated statement of financial position, while the portions of net income and of comprehensive income attributable to such non-controlling interests are also shown separately on the consolidated income statement and on the consolidated statement of comprehensive income, respectively.

When necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring their accounting policies in line with those used by the Company.

BUSINESS ACQUISITIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, if any, in exchange for control of the acquiree. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

Business acquisition costs are expensed in the periods in which these costs are incurred and the services are received.

The results of businesses acquired are included in the consolidated financial statements from the date on which control commences.

D) FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

The individual financial statements of each entity within the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity within the Company are expressed in Canadian dollars ("CAD"), which is the presentation currency of the Company for its consolidated financial statements.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedure on transactions and balances in currencies other than their functional currency: 1) monetary items are translated in their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated in their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated in their functional currency using the average exchange rate of the period. Any resulting gains or losses are recognized in net income and, if hedged, offsetting losses or gains from the hedging items are also recognized in net income.

As a result of applying the procedure described above, Canadian and foreign operations obtain financial statements presented in their functional currency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

For the purpose of presenting consolidated financial statements in Canadian dollars, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period, while revenues and expenses items are translated at the average exchange rate for the period. Exchange differences arising on consolidation, if any, are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal, or in the case of impairment of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period end rate.

E) REVENUE RECOGNITION

REVENUES FROM SERVICES, PACKAGES, AND OPERATIONS AND MAINTENANCE ACTIVITIES

Revenues from **Services**, **Packages**, and **Operations and Maintenance** activities are recognized based on the nature of the contract, which are mainly as follows:

> **Services and Packages: Cost-plus reimbursable contract** revenues are recognized as costs are incurred, and include applicable fees earned as services are provided. **Fixed-price contract** revenues are recorded on the stage of completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its stage of completion at any given time. The stage of completion is determined by dividing the cumulative costs incurred as at the period end date by the sum of incurred costs and anticipated costs for completing a contract.

> **Operations and Maintenance**: The fixed-fee revenue portion from **cost reimbursable with fixed-fee contracts** is recognized on a straight-line basis over the term of the contract, while the revenues from the cost-reimbursable portion are recognized as costs are incurred. Revenues on **fixed-price contracts** are recognized based on the stage of completion of the contract activity which involves taking the cumulative costs incurred as at the period end date and dividing them by the sum of incurred costs and anticipated costs for completing a contract. This measure of progress is then applied to the related anticipated revenue, resulting in recognizing revenues proportionately with the stage of completion at any given time.

For fixed-price contracts in all of the above-mentioned activities, the cumulative effect of changes to anticipated costs and anticipated revenues for completing a contract are recognized in the period in which the revisions are identified. In the event that the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known. SNC-Lavalin has numerous contracts that are in various stages of completion. Estimates are required to determine the appropriate anticipated costs and revenues. Anticipated revenues on contracts may include future revenues from claims and unapproved change orders, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. Such additional revenues are limited to the costs related to the claims or unapproved change orders. Revenues from performance incentives are recognized when specific indicators have been met and collection is reasonably assured.

In all cases, the value of construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

REVENUES FROM ICI

Revenues from **ICI** regroup the following:

ACCOUNTING METHODS FOR THE COMPANY'S INVESTMENTS IN ICI	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Full consolidation	**Revenues** that are recognized and reported by the ICI
Equity method	SNC-Lavalin's **share of net results** of the ICI or **dividends** from its ICI for which the carrying amount is $nil
Cost method	**Dividends and distributions** from the ICI

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MULTIPLE REVENUE CATEGORY CONTRACTUAL ARRANGEMENTS

SNC-Lavalin may enter into contractual arrangements with a client to deliver activities on one project which span more than one of the following categories: Services or Packages, and/or Operations and Maintenance, and/or ICI. When entering into such arrangements, the Company allocates consideration received or receivable by reference to the relative fair values of the services delivered, when the amounts are separately identifiable. Accordingly, when such arrangements exist on the same project, the value of each revenue category is based on the fair value of each related activity and recognized according to the respective revenue recognition methods described above.

F) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Financial instruments are contracts that give rise to a financial asset or a financial liability. Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

CATEGORY	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Held for trading	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Available-for-sale	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.	Investment income, which includes interest, dividends and distributions, is recognized in net income. Gains/losses from revaluation are recognized in other comprehensive income until assets are disposed of or impaired, at which time the gains/losses are recognized in net income.
Loans and receivables	Financial assets	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income
Other financial liabilities	Financial liabilities	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGE ACCOUNTING

SNC-Lavalin enters into derivative financial instruments, namely i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges. As such, all the derivative financial instruments described above qualify for hedge accounting and are accounted for as cash flow hedges and are measured at fair value. The Company does not enter into derivative financial instruments for speculative purposes.

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instruments is recorded in other components of equity, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those held for trading and those available-for-sale measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in net income.

When an available-for-sale financial asset is considered to be impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to net income. Impairment losses previously recognized in net income are not reversed through net income. Any increase in fair value subsequent to an impairment is recognized in other comprehensive income.

G) SERVICES CONCESSION ARRANGEMENTS UNDER IFRIC INTERPRETATION 12

IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12") provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

> controls or regulates what services the operator (i.e. "the concessionaire") must provide with the infrastructure, to whom it must provide them, and at what price; and

> controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

ACCOUNTING MODEL	DEMAND RISK
Financial asset model	The concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, e.g. availability payments).
Intangible asset model	The concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).
Bifurcated model	The concessionaire shares demand risk with the grantor (i.e., the grantor pays the concessionaire for its services partly by a financial asset and partly by granting a right to charge users of the infrastructure).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from services concession arrangements accounted for under IFRIC 12 are recognized as follows:

ACTIVITIES PROVIDED BY THE CONCESSIONAIRE	REVENUE RECOGNITION	CLASSIFICATION OF REVENUES IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Construction or upgrade (when a service concession arrangement involves the construction or upgrade of the public service infrastructure)	Revenues relating to construction or upgrade services under a service concession arrangement are recognized based on the stage of completion of the work performed, consistent with the Company's accounting policy on recognizing revenue applicable to any construction contract (see Note 2E).	The Company classifies these revenues as "Packages" activities when SNC-Lavalin acts as an EPC contractor. When SNC-Lavalin does not act as an EPC contractor, revenues are recognized by the concession as part of "ICI" activities.
Operations and maintenance (these activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users)	Operations and maintenance revenues are recognized in the period in which the activities are performed by the Company, consistent with the Company's accounting policy on recognizing revenue applicable to any operation and maintenance contract (see Note 2E).	The Company classifies these revenues as "O&M" activities when SNC-Lavalin acts as an O&M contractor. When SNC-Lavalin does not act as an O&M contractor, revenues are recognized by the concession as part of "ICI" activities.
Rehabilitation (when a service concession arrangement requires the concessionaire to rehabilitate the infrastructure such that the infrastructure can deliver a specified standard of service at all times)	When rehabilitation activities are considered revenue-generating activities, revenues are recognized in the period in which the services are provided, consistent with the Company's accounting policy on recognizing revenue applicable to any other similar contract (see Note 2E).	The Company classifies these revenues as "O&M" activities when SNC-Lavalin acts as a rehabilitation contractor. When SNC-Lavalin does not act as a rehabilitation contractor, revenues are recognized by the concession as part of "ICI" activities.
Financing (when financial asset model or bifurcated model is applied)	Finance income generated on financial assets is recognized using the effective interest method.	The Company classifies this finance income as "ICI" activities.

FINANCIAL ASSET MODEL

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair values of the activity delivered, when the amounts are separately identifiable.

Revenues recognized by the Company under the financial asset model are accumulated in "Receivables under service concession arrangements", a financial asset that is recovered through payments received from the grantor.

INTANGIBLE ASSET MODEL

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. Amortization period begins when the infrastructure is available for use.

Fees collected by the concessionaire upon the usage of the infrastructure are classified as revenues from "ICI" activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) CASH EQUIVALENTS

Cash equivalents include short-term liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are designated as held for trading and accounted for at fair value.

I) RESTRICTED CASH

Restricted cash includes cash and cash equivalents for which the use is restricted for specific purposes under certain arrangements. Restricted cash that is not expected to become unrestricted within the next twelve months is included in "Non-current financial assets" (Note 13). Restricted cash is designated as held for trading and accounted for at fair value.

J) CONTRACTS IN PROGRESS

Contracts in progress represent the gross unbilled amount for a given project that is expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized by the Company to date less progress billings.

If progress billings for a given project exceed costs incurred plus recognized profits, then the difference is presented as deferred revenues.

K) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is recorded at rates set to charge operations with the cost of depreciable assets less their residual values (if any) over their estimated useful lives.

FROM ICI

Property and equipment from ICI that are accounted for by the full consolidation method are primarily:

ICI	CATEGORY	DEPRECIATION METHOD
AltaLink	Transmission assets and other	Straight-line

Borrowing costs are capitalized if they are incurred in connection with the acquisition or production of a "qualified asset" for which a considerable period of time is required to prepare the asset for its intended use.

AltaLink borrows funds to provide financing for its capital construction program. Borrowing costs eligible for capitalization are allocated to capital expenditures. The capitalization rate is based on actual costs of debt used to finance the acquisition or construction of qualifying assets.

The depreciation rates applied to property and equipment of AltaLink are disclosed in Note 11.

FROM OTHER ACTIVITIES

Property and equipment used for Services, Packages, and Operations and Maintenance activities are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings	Straight-line, by component	25 to 50 years
Computer equipment	Straight-line	2 years
Office furniture	Diminishing balance	20%

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, which mainly include property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

M) GOODWILL

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and jointly controlled entities is included within investments accounted for by the equity method. Goodwill is not amortized and is assessed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU or group of CGU expected to benefit from the synergies of the combination. A CGU or group of CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGU may be impaired. If the recoverable amount of the CGU or group of CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGU and then to the other assets of the CGU or group of CGU pro-rata on the basis of the carrying amount of each asset in the CGU or group of CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has designated October 31 as the date for the annual impairment test. As at October 31, 2012, date of the last impairment test, and as at October 31, 2011, goodwill was not considered to be impaired.

N) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and satisfy generally accepted conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, using the straight-line method over a period not exceeding three years.

O) DOWNPAYMENTS ON CONTRACTS

Downpayments on contracts are contractually agreed advance payments made by clients that are deducted from future billings to such clients as work is performed.

P) DEFERRED REVENUES

Deferred revenues consist of amounts billed to clients for a given project in excess of revenue recognized according to the corresponding revenue recognition method and represents the opposite of contracts in progress. A given project may present an amount in either deferred revenues or in contracts in progress, but not both.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q) INCOME TAXES

Income tax expense recognized in net income comprises the sum of deferred income tax and current income tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise amounts receivable from or payable to tax authorities relating to the current or prior reporting periods, which are uncollected or unpaid at the reporting date. Current tax is payable on taxable income, which differs from net income in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax on temporary differences associated with shares in subsidiaries, joint ventures and associates is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. For management's assessment of the probability of future taxable income to utilize against deferred income tax assets, see Note 3. Deferred income tax liabilities are always provided for in full.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred income tax assets or liabilities are recognized as a component of income tax expense (benefit) in net income, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred income tax is also recognized in other comprehensive income or equity, respectively.

R) DEFINED BENEFIT PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Defined benefit pension plans and other post-employment benefits obligations are included in "Provisions" in the consolidated statement of financial position and have been determined using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement to the eligible employees and measures each unit separately to build up the final obligation. In valuing the defined benefit cost as well as other post-employment benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Current service costs, vested past service costs and effects of any curtailment or settlements are recognized in net income in the period. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to equity in other comprehensive income in the period in which they arise. The actuarial gains and losses on defined benefit plans recognized in other comprehensive income are not reclassified to net income in subsequent periods. The cumulative amount of actuarial gains and losses is included in retained earnings. For the purpose of calculating the expected return on plan assets, such assets are valued at fair value.

S) SELLING EXPENSES

All costs related to contract proposals are expensed as incurred.

T) EARNINGS PER SHARE

Basic and diluted earnings per share have been determined by dividing the consolidated net income attributable to SNC-Lavalin shareholders for the period by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U) SHARE-BASED PAYMENTS

STOCK OPTIONS

Stock options granted to employees are measured at their fair value at the grant date. The estimated fair value of the stock options is determined using the Black-Scholes option pricing model.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the shorter of the vesting period or the term over which an employee becomes eligible to retire, based on the Company's estimate of stock options that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest and the impact of such revision, if any, is recognized in net income.

CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

The objective of the 2009 Performance Share Unit plan ("2009 PSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), Restricted Share Unit plan ("RSU plan"), Performance Share Unit plan ("PSU plan") and Deferred Share Unit plan ("DSU plan") is to align compensation to the long-term objectives of the Company. For share units granted to employees under cash-settled share-based payment arrangements, a liability is recognized and measured at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period.

V) PROVISIONS

A provision is a liability of uncertain timing or amount that is recognized in the consolidated statement of financial position.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

REVENUE AND GROSS MARGIN RECOGNITION

The determination of **anticipated costs** for completing a fixed-price contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

The determination of **anticipated revenues** includes the contractually agreed revenue and may also involve estimates of future revenues from claims and unapproved change orders if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. An example of such contract variation could be a change in the specifications or design of the project, whereby costs related to such variation might be incurred prior to the client's formal contract amendment signature. A claim represents an amount expected to be collected from the client or a third-party as reimbursement for costs incurred that are not part of the original contract. In both cases, management's judgments are required in determining the probability that additional revenue will be recovered from these variations and in determining the measurement of the amount to be recovered.

As risks and uncertainties are different for each fixed-price project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. In particular, while Services and Packages activities usually do not exceed 4 years, O&M activities include fixed-price contracts for which the duration might exceed 20 years, notably on certain public-private partnership arrangements. The long-term nature of certain fixed-price arrangements usually results in significant estimates related to scheduling and prices.

The determination of estimates is based on SNC-Lavalin's business practices as well as its historical experience. Furthermore, management regularly reviews underlying estimates of project profitability.

SERVICE CONCESSION ARRANGEMENTS

The accounting for certain ICI activities requires the application of judgment in determining if they fall within the scope of IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"). Additional judgments need to be exercised when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, the accounting treatment of rehabilitation costs and associated estimates, as well as the effective interest rate to be applied to the financial asset. As the accounting for ICI under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the ICI.

BASIS OF CONSOLIDATION

Under certain circumstances, the determination of the Company's level of power to govern the financial and operating policies of another entity requires exercise of judgment. As such, the classification of the entity as a subsidiary, a joint venture, an associate or a cost investment might require the application of judgment through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors.

VALUES USED IN IMPAIRMENT TESTS

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU or group of CGU to which goodwill has been allocated. The value in use calculation requires management to estimate future cash flows expected to arise from the CGU or group of CGU and a suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cashflows growth rate and the discount rate. Cash flows for each CGU or group of CGU are derived from the budget for the upcoming year and a long-term forecast prepared by management, which covers a period from 3 to 5 years. The budget, which is approved on an annual basis by members of the Company's Board of Directors and senior management, and long-term forecast, which is prepared on an annual basis by the Company's senior management, are the primary sources for the determination of value in use. Cash flows beyond the long-term forecast are extrapolated using a growth rate, which varied between 3.7% and 8.0% in 2012 (2011: between 5.4% and 9.5%). The discount rate is derived from the Company's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks. Discount rates ranging from 5.6% to 16.6% have been used for goodwill impairment calculations performed in 2012 (2011: from 5.5% to 17.3%). The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

When there is any indication that the tangible and intangible assets other than goodwill have suffered an impairment loss, the determination of the recoverable amount of tangible and intangible assets other than goodwill requires management to estimate cash flows expected to arise from these assets and a suitable discount rate in order to calculate the present value in a manner described above for goodwill.

The identification of events that could have an impact on the estimated cash flows of the assets and the determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets.

NOTE 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

MEASUREMENT OF RETIREMENT BENEFIT OBLIGATIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans and other post-employment benefits are determined using actuarial valuations, and are dependent on significant assumptions such as the expected long-term rate of return on plan assets and the rate of compensation increase as determined by management. While management believes these assumptions represent its best estimate, differences in actual results or changes in assumptions could have an impact on the obligations, expenses and amounts of actuarial gains (losses) recognized in the consolidated statement of comprehensive income.

MEASUREMENT OF PROVISIONS SHOWN IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In measuring a provision, the Company takes risks and uncertainties into account. The uncertainties mainly relate to timing and amount of a provision. Also, risks and uncertainties arise from discounting a provision, where the effect of the time value of money is significant, using a pre-tax discount rate that reflects current market assessments of the time value of money. Additionally, the Company takes future events, such as changes in the law, into account where there is sufficient objective evidence that they will occur when measuring a provision.

CONTINGENT LIABILITIES

As described in more detail in Note 30, the Company is subject to certain ongoing investigations and two class action lawsuits have been filed against the Company. The outcome of these investigations or actions, while not determinable, could have a material adverse impact on the Company's liquidity and financial results.

MEASUREMENT OF SHARE-BASED PAYMENT EXPENSES

The Company offers the 2009 PSU plan to selected individuals within the organization. Subject to performance conditions, the number of units granted is adjusted depending on the three-year cumulative annualized growth of earnings per share to determine the number of units to which all participants receiving the award will be entitled at the end of the vesting period. At each measurement date, management is required to estimate the number of 2009 performance share units that will vest, which impacts the amount of associated liability and expenses.

ASSESSMENT OF DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of significant judgment in determining whether or not the Company's deferred income tax assets are "probable" to be recovered from future taxable income and therefore, can be recognized in the Company's consolidated financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantively enacted tax rates that will apply at such time.

MEASUREMENT OF FINANCIAL INSTRUMENTS AT FAIR VALUE

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either, directly or indirectly observable, or not based on observable market data.

RATE-REGULATED ACTIVITIES

AltaLink, a subsidiary of the Company, is an entity whose operations are subject to rate regulation. Certain estimates are necessary since the regulatory environment in which AltaLink operates often requires amounts to be recorded at estimated values until these amounts are finalized in regulatory decisions, or other regulatory proceedings. Estimates and judgments are based on historical experience, including experience with the regulatory process, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These factors form the basis for making judgments about the carrying values of assets and liabilities.

NOTE 4 SEGMENT DISCLOSURES

The Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated:

i) **Services and Packages** activities relate to engineering and construction operations and are presented in the way management performance is evaluated by regrouping its projects within the related industries, and are as follows:

> **Infrastructure & Environment** includes a full range of infrastructure projects for the public and private sectors including airports, buildings, health care, educational and recreational facilities, seaports, marine and ferry terminals, flood control systems, urban transit systems, railways, roads and bridges, and water and wastewater treatment and distribution facilities. The Company also provides environmental services worldwide, and has specialized expertise in the power, infrastructure, hydrocarbons & chemicals, mining, industrial, rural development and climate change sectors.

> **Mining & Metallurgy** includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers.

> **Power** includes projects in hydro, thermal and nuclear power generation, energy from waste, green energy solutions, and transmission and distribution.

> **Hydrocarbons & Chemicals** includes projects in the areas of bitumen production, heavy oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, specialty chemicals, biofuels, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture, transportation and storage, pipelines, terminals and pump stations.

> **Other Industries** combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid as well as projects related to other industrial facilities not already identified as part of any other preceding industry segments.

The industry segments presented above represent the Company's segments that have been aggregated within Services and Packages, a reportable segment.

ii) **O&M** consists 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.

iii) **ICI** regroups SNC-Lavalin's investments in infrastructure concessions, for which further details are provided in Note 5.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2) except for imputed interest calculated on non-cash working capital position. The Company evaluates segment performance, except for the ICI segment, using **operating income**, which consists of gross margin less directly related selling, general and administrative expenses, imputed interest and corporate selling, general and administrative expenses. Imputed interest is allocated monthly to these segments at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceed current liabilities or vice versa, while corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Corporate income taxes are not allocated to these segments.

The Company evaluates the ICI segment performance using: i) dividends or distributions received from investments accounted for by the cost method; ii) SNC-Lavalin's share of the net results of its investments, or dividends from its ICI for which the carrying amount is $nil, for investments accounted for by the equity method; and iii) net result from investments accounted for by the full consolidation method, less the portion attributable to non-controlling interests. In the case of ICI for which income taxes are payable by the investor, such as investments in limited partnerships in Canada, corporate income taxes are allocated based on SNC-Lavalin's tax rate for such investments. The ICI operating income also reflects selling, general and administrative expenses including corporate selling, general and administrative expenses, but is not allocated imputed interest. Accordingly, the **operating income from ICI** is reported net of income taxes and selling, general and administrative expenses and represents SNC-Lavalin's net income from its ICI.

NOTE 4 SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and operating income (loss) according to the Company's segments:

YEAR ENDED DECEMBER 31	2012		2011	
	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME
Services and Packages				
Infrastructure & Environment [1]	$ 2,070,892	$ 22,440	$ 1,945,147	$ 46,801
Mining & Metallurgy	1,519,143	98,713	1,022,006	80,611
Power [2]	1,388,471	80,214	894,081	119,637
Hydrocarbons & Chemicals	840,383	(10,971)	1,075,559	33,747
Other Industries	376,445	34,559	372,515	43,228
O&M	1,330,501	43,294	1,399,197	50,136
ICI	565,125	156,923	501,366	131,215
	$ 8,090,960	425,172	$ 7,209,871	505,375
Reversal of items included above:				
Imputed interest benefit		(53,345)		(29,058)
Net financial expenses from ICI		112,481		99,731
Income tax expense from ICI		18,556		12,644
Non-controlling interests before income tax expense		904		8,753
Income before net financial expenses and income tax expense		503,768		597,445
Net financial expenses (NOTE 23)		126,162		115,211
Income before income tax expense		377,606		482,234
Income tax expense, net (NOTE 26)		68,076		94,892
Net income		$ 309,530		$ 387,342
Net income attributable to:				
SNC-Lavalin shareholders		$ 309,115		$ 378,800
Non-controlling interests		415		8,542
Net income		$ 309,530		$ 387,342

(1) The Company recorded a loss of $39.3 million on Libyan projects in 2011.
(2) In 2012, there were unfavourable cost reforecasts on a major Packages project in Power, with an adverse impact of $110.9 million on gross margin.

The Company also discloses in the table below under "Supplementary Information" its dividends from 407 International Inc. ("Highway 407"), its net income from AltaLink, its net income from other ICI and its net income excuding ICI, as this information is useful in assessing the value of the Company's share price.

YEAR ENDED DECEMBER 31	2012	2011
Supplementary information:		
Net income attributable to SNC-Lavalin shareholders from ICI:		
From Highway 407	$ 100,645	$ 77,161
From AltaLink	54,441	33,827
From other ICI	1,837	20,227
Net income attributable to SNC-Lavalin shareholders excluding ICI	152,192	247,585
Net income attributable to SNC-Lavalin shareholders	$ 309,115	$ 378,800

NOTE 4 SEGMENT DISCLOSURES (CONTINUED)

As previously stated, the segment performance, except for the ICI segment, takes into account imputed interest calculated on non-cash working capital position. As such, the table below reconciles the Company's consolidated total assets to the sum of i) total assets from ICI; ii) the non-cash working capital (deficit) of segments from other activities; and iii) other assets from other activities:

	DECEMBER 31 2012	DECEMBER 31 2011
Total assets from ICI (NOTE 5):		
ICI accounted for by the full consolidation method	$ 4,410,998	$ 3,458,683
ICI accounted for by the equity method	373,445	350,246
ICI accounted for by the cost method	338,963	293,241
Total assets from ICI	5,123,406	4,102,170
Segment non-cash working capital (deficit) from other activities		
Services and Packages		
Infrastructure & Environment	(23,607)	(197,168)
Mining & Metallurgy	81,251	59,142
Power	(559,794)	(447,594)
Hydrocarbons & Chemicals	148,123	142,561
Other Industries	(77,342)	(110,562)
O&M	(153,174)	(150,410)
Total segment non-cash working deficit from other activities	(584,543)	(704,031)
Reversal of current liabilities included in the non-cash working deficit above	2,995,090	2,877,921
Current assets from other activities, excluding cash and cash equivalents and, restricted cash	2,410,547	2,173,890
Other assets from other activities:		
Cash and cash equivalents, and restricted cash from other activities	1,187,655	1,237,137
Property and equipment, goodwill, other non-current financial assets and other non-current assets from other activities	889,312	840,804
Total assets from other activities	4,487,514	4,251,831
Total assets	$ 9,610,920	$ 8,354,001

The following table presents property, equipment, goodwill and intangible assets inside and outside Canada reflected on the Company's consolidated statements of financial position:

	DECEMBER 31 2012	DECEMBER 31 2011
Property, equipment, goodwill and intangible assets		
Canada:		
From ICI	$ 3,847,718	$ 2,946,470
From other activities	323,926	284,896
	4,171,644	3,231,366
Outside Canada:		
From ICI	15,383	7,762
From other activities	304,602	310,672
	319,985	318,434
	$ 4,491,629	$ 3,549,800

NOTE 4 SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues by geographic area according to project location:

YEAR ENDED DECEMBER 31	2012			
	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Revenues by geographic area				
Canada	$ 3,314,802	$ 1,133,480	$ 560,924	$ 5,009,206
Latin America	786,257	27,311	–	813,568
Europe	645,289	50,980	2,103	698,372
Africa (1)	539,932	109,772	40	649,744
Middle East	354,922	7,665	–	362,587
United States	301,546	677	2,058	304,281
Asia Pacific	212,499	616	–	213,115
Other Regions	40,087	–	–	40,087
	$ 6,195,334	$ 1,330,501	$ 565,125	$ 8,090,960

YEAR ENDED DECEMBER 31	2011			
REVENUES BY GEOGRAPHIC AREA	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Revenues by geographic area				
Canada	$ 2,325,973	$ 1,195,863	$ 480,663	$ 4,002,499
Latin America	480,921	45,815	–	526,736
Europe	571,963	49,725	2,392	624,080
Africa (1)	1,035,779	85,628	19,308	1,140,715
Middle East	388,118	3,033	–	391,151
United States	247,533	–	(997)	246,536
Asia Pacific	222,226	19,133	–	241,359
Other Regions	36,795	–	–	36,795
	$ 5,309,308	$ 1,399,197	$ 501,366	$ 7,209,871

(1) The only country, other than Canada, from which the Company derived more than 10% of its revenues in either 2012 or 2011 was Algeria in 2011. Revenues in Algeria of $304.4 million in 2012 (2011: $770.6 million) are included in "Africa" in the table above.

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

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

In accordance with IFRS, SNC-Lavalin's infrastructure concession investments are accounted for as follows:

ACCOUNTING METHOD

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

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

ACCOUNTING MODEL

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

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

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

A) ADDITIONS OF ICI AND INCREASED OWNERSHIP INTEREST IN ICI

I) IN 2012

407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP

In May 2012, the Company announced that 407 East Development Group General Partnership, 50%-owned by SNC-Lavalin, was awarded a contract by the Province of Ontario, in Canada, to design, build, finance, and maintain Phase 1 of the new Highway 407 East, which will add 32 kilometres to the existing highway.

The 407 East Development Group General Partnership subcontracted the design and build as well as the operation and maintenance portions to two partnerships 50%-owned by SNC-Lavalin. Once construction is completed, the 407 East Development Group General Partnership will maintain and rehabilitate the road until 2045. The Company committed to invest in this ICI an amount of $15.9 million in equity.

SNC-Lavalin's investment in the 407 East Development Group General Partnership is accounted for by the equity method.

PIRAMAL ROADS INFRA PRIVATE LIMITED

In June 2012, the Company acquired from India Infrastructure Fund an equivalent to 10% of the issued and paid up capital of Piramal Roads Infra Private Limited, an entity that engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure, in the roads sector of India, for a total cash consideration of approximately $10 million.

SNC-Lavalin's investment in Piramal Roads Infra Private Limited is accounted for by the cost method.

II) IN 2011

MAYOTTE DAOUDZI AIRPORT

In April 2011, Société d'Exploitation de l'Aéroport de Mayotte S.A.S., a wholly-owned subsidiary of the Company, entered into an agreement with the French government to upgrade the infrastructure and build a new terminal building for the Mayotte airport, on a French island located in the Indian Ocean. Société d'Exploitation de l'Aéroport de Mayotte S.A.S. also has the mandate to manage and maintain the airport, in addition to assuming the commercial development, for a 15-year period. The Company committed to invest in this ICI an amount of €10.6 million (approximately $14 million) in equity.

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

ALTALINK

In September 2011, SNC-Lavalin completed the acquisition of Macquarie Essential Assets Partnership's ("MEAP") 23.08% ownership interest in AltaLink for a total consideration of $228.8 million in cash. As part of the transaction, SNC-Lavalin recognized an additional $9.1 million of deferred income tax liability. The transaction increased the Company's ownership of AltaLink from 76.92% to 100%.

The following summarizes the effect of this transaction on equity attributable to SNC-Lavalin shareholders:

Cash consideration paid for the additional 23.08% ownership interest in AltaLink, including transaction costs	$ 228,816
Recognition of deferred income tax liability	9,118
Total consideration and liability related to the equity transaction	237,934
Less: Carrying amount of non-controlling interests at the date of acquisition	110,813
Difference recognized as a reduction of equity attributable to SNC-Lavalin shareholders	$ 127,121

Upon acquisition of the remaining interest in AltaLink, SNC-Lavalin also acquired from MEAP a debenture issued by one of the Company's subsidiaries with a face value of $45.0 million, plus accrued interest. The acquisition of the debenture for a consideration of $50.0 million plus accrued interest of $1.1 million for a total consideration of $51.1 million in cash resulted in a loss before taxes of $5.0 million ($3.8 million after taxes). This loss is due to the fact that SNC-Lavalin's subsidiary that issued the debenture was carrying it at amortized cost in its statement of financial position in accordance with IFRS while the receivable relating to this debenture recognized in the statement of financial position of another SNC-Lavalin's subsidiary was carried at the amount of consideration paid of $50.0 million, which corresponds to its fair value. Upon consolidation, both the asset and the liability of the subsidiaries are eliminated.

The following summarizes the effect of the acquisition of the 23.08% ownership interest and $45.0 million debenture on the carrying amount of SNC-Lavalin's investment in AltaLink, at the date of transaction:

Carrying amount of 23.08% ownership interest of non-controlling interests acquired, prior to the date of acquisition	$ 110,813
Carrying amount of debenture and accrued interest acquired by SNC-Lavalin and eliminated at consolidated level	46,062
Net increase in SNC-Lavalin's ownership interest in AltaLink	156,875
Carrying amount of SNC-Lavalin's 76.92% ownership interest in AltaLink, excluding carrying amount of non-controlling interests	370,859
Carrying amount of SNC-Lavalin's 100% ownership interest in AltaLink, after the acquisition	$ 527,734

As previously indicated, the carrying amount of SNC-Lavalin's 100% ownership interest in AltaLink of $527.7 million has not been increased by the difference between i) the total consideration of $237.9 million and ii) the carrying amount of the 23.08% ownership interest of the non-controlling interests prior to the acquisition of $110.8 million, since that difference of $127.1 million was recognized as a reduction of equity attributable to SNC-Lavalin shareholders.

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

RAINBOW HOSPITAL PARTNERSHIP

In September 2011, Rainbow Hospital Partnership ("Rainbow"), wholly-owned by SNC-Lavalin, was awarded a public-private partnership contract by the Government of New Brunswick for the design, construction, commissioning, financing and certain operation and maintenance functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick. Rainbow subcontracted the construction of the new hospital to an SNC-Lavalin-led joint venture. It will have 140 beds in seven in-patient units with facilities for education and research, clinical support, and administration and general support services. It will also serve as the forensic psychiatry facility for the province. SNC-Lavalin Operations & Maintenance will provide the operations and maintenance activities for the centre for a total of 30 years.

SNC-Lavalin's investment in Rainbow is accounted for by the full consolidation method.

B) NET BOOK VALUE AND DESCRIPTIONS OF ICI

The Company's consolidated statement of financial position includes the following assets and liabilities from its ICI:

	DECEMBER 31 2012	DECEMBER 31 2011
Cash and cash equivalents	$ 17,606	$ 30,901
Restricted cash	2,454	2,365
Trade receivable, other current financial assets and other current assets	175,807	101,989
Property and equipment (1)	3,469,990	2,637,735
Goodwill	203,786	203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets	348,961	366,869
Other non-current assets and deferred income tax asset	192,394	115,038
Total assets	4,410,998	3,458,683
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	300,060	246,599
Non-recourse short-term debt and current portion of non-recourse long-term debt (1)	484,575	327,381
Non-recourse long-term debt (1)	2,000,696	1,561,377
Other non-current financial liabilities	76,539	113,958
Provisions and other non-current liabilities	596,757	487,510
Total liabilities	3,458,627	2,736,825
Net assets from ICI accounted for by the full consolidation method (2)	$ 952,371	$ 721,858
Net book value of ICI accounted for by the equity method (3)	$ 373,445	$ 350,246
Net book value of ICI accounted for by the cost method (4)	338,963	293,241
Total net book value of ICI	$ 1,664,779	$ 1,365,345

(1) The increase of property and equipment and of non-recourse debt from December 31, 2011 to December 31, 2012 is mainly due to AltaLink Holdings, L.P. ("AltaLink"), which owns AltaLink, L.P., the owner and operator of transmission lines and substations subject to rate regulation.
(2) The net assets related to AltaLink totalled $820.4 million as at December 31, 2012 (2011: $602.0 million).
(3) Includes the Company's investment in Highway 407, for which the net book value was $nil as at December 31, 2012 and 2011.
(4) Represents mainly the net book value of the Company's investment in Ambatovy.

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

I) ICI ACCOUNTED FOR BY THE FULL CONSOLIDATION METHOD

SNC-Lavalin's main ICI accounted for by the full consolidation method are detailed below:

					OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	**DECEMBER 31 2012**	DECEMBER 31 2011
AltaLink	Rate-regulated transmission lines and substations	No	N/A	Canada	100.0%	100.0%
Ovation Real Estate Group (Quebec) Inc. ("Ovation")	2,100-seat acoustic concert hall under a 29-year concession agreement	Yes	2038	Canada	100.0%	100.0%
Okanagan Lake Concession Limited Partnership ("Okanagan Lake Concession")	1.1-km William R. Bennett Bridge under a 30-year concession agreement	Yes	2035	Canada	100.0%	100.0%
Rainbow Hospital Partnership ("Rainbow")	Restigouche Hospital Center for psychiatric care (under construction)	Yes	2044	Canada	100.0%	100.0%
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	Mayotte airport under a 15-year concession agreement (under construction)	Yes	2026	France	100.0%	100.0%

N/A: not applicable

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

II) ICI ACCOUNTED FOR BY THE EQUITY METHOD

SNC-Lavalin's main ICI accounted for by the equity method are listed below:

					OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	**DECEMBER 31 2012**	DECEMBER 31 2011
Jointly controlled entities:						
407 East Development Group General Partnership ("407 EDGGP")	32-km toll Highway 407 East (under construction)	Yes	2045	Canada	50.0%	–
407 International Inc. (1) ("Highway 407")	108-km toll highway under a 99-year concession agreement	No	2098	Canada	16.77%	16.77%
Chinook Roads Partnership ("Chinook")	25-km of six-lane road (under construction)	Yes	2043	Canada	50.0%	50.0%
Groupe Immobilier Santé McGill (2) ("MIHG")	McGill University Health Centre—Glen Campus under a 34-year concession agreement (under construction)	Yes	2044	Canada	60.0%	60.0%
TC Dôme S.A.S. (2) ("TC Dôme")	5.3-km electric cog railway	Yes	2043	France	51.0%	51.0%
Associates:						
Astoria Project Partners LLC	500 MW natural-gas power plant	No	N/A	U.S.A.	21.0%	21.0%
Astoria Project Partners II LLC (3)	550 MW natural-gas power plant	No	N/A	U.S.A.	18.5%	18.5%
InTransit BC Limited Partnership ("InTransit BC")	19-km rapid transit line	Yes	2040	Canada	33.3%	33.3%
Malta International Airport p.l.c. (3)	65-year concession agreement to operate the Malta airport	No	2067	Malta	15.5%	15.5%
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	N/A	Algeria	25.5%	25.5%
Rayalseema Expressway Private Limited ("REPL")	30-year concession agreement to build and operate a 189-km toll highway section (under construction)	Yes	2040	India	36.9%	36.9%
Société d'Exploitation de Vatry Europort S.A. (2)	20-year concession agreement to operate the Vatry airport	No	2020	France	51.1%	51.1%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	26.0%	26.0%

(1) Although the Company holds less than 20% of the equity shares of Highway 407, the Company exercises joint control over this entity based on its contractual agreements.
(2) Although the Company's ownership interest in MIHG, TC Dôme and Société d'Exploitation de Vatry Europort S.A. is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.
(3) Although the Company's ownership interest in Astoria Project Partners II LLC and in Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over these entities based on its contractual agreements.
N/A: not applicable

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

ICI ACCOUNTED FOR BY THE EQUITY METHOD–JOINTLY CONTROLLED ENTITIES

SNC-Lavalin carries out part of its ICI activity through jointly controlled entities which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such jointly controlled entities are summarized below:

YEAR ENDED DECEMBER 31	2012	2011
Income statements (at 100%)		
Revenues (at 100%)	$ 1,537,705	$ 1,230,428
Expenses (at 100%)	1,357,998	1,098,108
Net income (at 100%)	$ 179,707	$ 132,320
Company's share of net income of ICI based on its ownership interest [(1)]	$ 32,555	$ 23,737
Company's net income from ICI included in its income statement [(1)]	$ 103,943	$ 79,364

	DECEMBER 31 2012	DECEMBER 31 2011
Statements of financial position		
Current assets (at 100%)	$ 1,153,898	$ 1,205,494
Non-current assets (at 100%)	5,912,096	5,113,502
Total assets (at 100%)	$ 7,065,994	$ 6,318,996
Current liabilities (at 100%)	$ 257,219	$ 344,151
Non-current liabilities (at 100%)	8,067,022	6,815,088
Total liabilities (at 100%)	$ 8,324,241	$ 7,159,239
Net liabilities (at 100%)	$(1,258,247)	$ (840,243)
Company's carrying value of ICI included in its statement of financial position [(1)]	$ 145,328	$ 124,206

(1) Under the equity method of accounting, distributions from a jointly controlled entity reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a jointly controlled entity when the recognition of such losses results in a negative balance for its investment, or where dividends payable by the jointly controlled entity are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to $nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. In these situations, the Company no longer recognizes its share of net income of ICI based on its ownership, but rather recognizes the excess amount of dividends payable by a jointly controlled entity in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 of $100.6 million in 2012 (2011: $77.2 million) and did not recognize its share of Highway 407's net income of $29.3 million (2011: $21.5 million) in the same period, as the carrying amount of its investment in Highway 407 was $nil at December 31, 2012 and 2011. The negative carrying value of the Company's investment in Highway 407, which is not recognized on the Company's statement of financial position, amounted to $211.7 million as at December 31, 2012 (2011: $140.2 million).

ICI ACCOUNTED FOR BY THE EQUITY METHOD–ASSOCIATES

The summary tables below provide supplementary information in respect of the Company's ICI that are associates:

YEAR ENDED DECEMBER 31	2012	2011
Total revenue (at 100%)	$ 728,701	$ 724,369
Total net income (at 100%)	$ 94,084	$ 99,429
Company's share of net income of ICI based on its ownership interest	$ 27,110	$ 23,463
Company's share of net income from ICI included in its income statement [(2)]	$ 10,510	$ 23,463

	DECEMBER 31 2012	DECEMBER 31 2011
Total assets (at 100%)	$ 4,254,301	$ 4,322,081
Total liabilities (at 100%)	3,536,244	3,691,152
Net assets (at 100%)	$ 718,057	$ 630,929
Company's carrying value of ICI included in its statement of financial position	$ 228,117	$ 226,040

(2) In 2012, the Company's share of net income from ICI reported in its net income was negatively impacted by uncertainties on dividend collection from one of its ICI, resulting in a lower contribution from this ICI.

NOTE 5 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

III) ICI ACCOUNTED FOR BY THE COST METHOD

SNC-Lavalin's main ICI accounted for by the cost method are listed below:

				OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2012	DECEMBER 31 2011
Ambatovy Nickel Project ("Ambatovy")	Open-pit mine and hydrometallurgical processing plant	N/A	Madagascar	5.0%	5.0%
Piramal Roads Infra Private Limited	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	N/A	India	10.0%	–

N/A: not applicable

For the years ended December 31, 2012 and 2011, the Company's consolidated income includes revenues of $nil from these investments.

C) PAYMENTS AND REMAINING COMMITMENTS IN ICI

When making investments in infrastructure concessions, SNC-Lavalin may not be required to make its contribution immediately but instead may commit to make its contribution over time.

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in ICI accounted for by the equity or cost methods as at December 31, 2012 and 2011:

	2012	2011
Commitments to invest in ICI—January 1	$ 159,078	$ 214,678
Increase in commitments to invest in ICI	59,721	45,538
Payments for ICI during the year	(64,055)	(101,138)
Commitments to invest in ICI—December 31	$ 154,744	$ 159,078

At December 31, 2012, the commitments to invest in ICI were related to contributions for Ambatovy, Chinook, MIHG and 407 EDGGP (2011: Ambatovy, Chinook, MIHG and TC Dôme) and were presented as "Other current financial liabilities" since they are either expected to be paid in the following year or are callable on demand.

In addition to the commitments presented above, SNC-Lavalin provides a US$105 million financial guarantee (December 31, 2011: US$105 million) and a US$70 million cross-guarantee (December 31, 2011: US$70 million) to the Ambatovy project's lenders. The amount recognized on the Company's statement of financial position does not correspond to the US$175 million nominal value of the guarantees, but rather to the amount resulting from the initial fair value (approximately $9 million) of the guarantees less the cumulative depreciation based on the duration of the guarantees. The amount of US$175 million represents the maximum that could be paid if both the financial guarantee and cross-guarantee were called upon once the project debt financing is fully drawn. Both guarantees will remain outstanding until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning of the project and could be called by the lenders if such conditions are not met by September 2013.

In addition, SNC-Lavalin is committed to finance a portion of the contribution of one of Ambatovy's shareholders, which is also the project operator ("Project Operator"), for up to US$57.3 million (CA$57.0 million) at December 31, 2012 (2011: US$57.3 million [CA$58.3 million]). At December 31, 2012, SNC-Lavalin had loaned US$57.3 million (CA$57.0 million) (2011: US$57.3 million [CA$58.3 million]) presented in "ICI accounted for by the cost method".

NOTE 6 ACQUISITION OF BUSINESSES AND FORMATION OF A NEW JOINT VENTURE

A) BUSINESSES ACQUIRED

In 2012, SNC-Lavalin completed the following business acquisition, which added approximately 100 people to its workforce:

In June 2012, DBA Engineering, an Ontario-based engineering firm specializing in material and pavement engineering, and geotechnical and geo-environment studies. DBA Engineering had approximately 100 employees at offices in Toronto, Kingston, Cambridge and Trenton, and provides services to both public and private sector clients.

This business acquisition had no significant impact on SNC-Lavalin financial position at the date of acquisition and on its 2012 results.

In 2011, SNC-Lavalin completed the following business acquisitions, which added approximately 2,900 people to its workforce:

In May 2011, Groupe Stavibel, a multidisciplinary consulting engineering firm based in Abitibi-Témiscamingue, Quebec. Groupe Stavibel provides engineering consulting expertise in numerous fields of activity in the buildings, infrastructure, transport, mining, and environment sectors. The firm has approximately 300 permanent employees working in several offices throughout Abitibi-Témiscamingue and in the Greater Montreal area.

In June 2011, Aqua Data, a company of about 100 employees specializing in the computerized diagnosis and analysis of water distribution systems and wastewater collection systems for municipal, commercial and industrial clients. Formerly a subsidiary of Gaz Métro, Aqua Data has clients in Quebec, Ontario, the Maritimes and the United States. Its head office is in Pincourt, Quebec, near Montreal.

In July 2011, MDH Engineered Solutions, an engineering consulting and research firm based in Saskatoon, Saskatchewan. MDH Engineered Solutions provides geo-environmental, geotechnical, hydrogeological and environmental engineering consulting services to the mining, oil and gas, transportation, utility and government sectors. The firm has approximately 175 permanent employees working in offices in Saskatoon, Regina, Prince Albert and Esterhazy, Saskatchewan, and in Edmonton and Fort McMurray, Alberta.

In October 2011, Candu Energy Inc., a wholly-owned subsidiary of the Company, acquired certain assets of Atomic Energy of Canada Limited's ("AECL") commercial reactor division. Approximately 1,400 employees transitioned from AECL to Candu Energy Inc. In addition to the acquisition, Candu Energy Inc. will work towards completing the Enhanced CANDU reactor (EC6) development program.

In October 2011, Interfleet Technology ("Interfleet"), an international rail technology consultancy group headquartered in Derby, United Kingdom. Interfleet specializes in rolling stock, railway systems, and strategic railway management and is well-known for its detailed understanding of both national rail systems and international best-practice. Interfleet has approximately 600 employees in 22 locations. Interfleet serves public and private clients around the world from its offices in United Kingdom, Scandinavia, Central Europe, Australasia, India and North America.

In December 2011, Arcturus Realty Corporation ("Arcturus"), an entity that manages over 35 million square feet of office, retail and industrial properties in Canada. With over 350 employees, Arcturus provides a comprehensive scope of real estate services including property management, leasing, development advisory services and facilities management. Its client base consists of financial institutions, insurance companies, major retailers, public sector and private investors.

In December 2011, Harder Associates Engineering Consulting, an engineering consulting firm based in Fort St. John, British Columbia. Harder Associates Engineering Consulting provides consulting services in construction, upstream oil and gas, and environmental and geotechnical fields. The firm has 16 employees working in offices in Fort St. John and Fort Nelson, British Columbia, and Grande Prairie, Alberta.

NOTE 6 ACQUISITION OF BUSINESSES AND FORMATION OF A NEW JOINT VENTURE (CONTINUED)

B) ALLOCATION OF PURCHASE PRICE

These acquisitions have been accounted for using the acquisition method and consolidated from the effective date of acquisition. All business acquisitions completed by SNC-Lavalin in 2012 and 2011 were for 100% of the voting shares, except for the acquisition of certain assets of AECL in October 2011.

The purchase price for the business acquisition that occurred during the year ended December 31, 2012 was not significant and cash consideration paid for acquisition of businesses presented on the consolidated statements of cash flows was $17.8 million and related mainly to the acquisitions from previous years paid in 2012. The purchase price for the business acquisitions that occurred during the year ended December 31, 2011 was $131.4 million, net of cash and cash equivalents existing in these businesses at the time of acquisition of $2.5 million. The allocation of the purchase price to acquire these businesses in 2011 and the total cash consideration paid were as follows:

YEAR ENDED DECEMBER 31	2011
Cash and cash equivalents	$ 2,530
Trade receivables and other current assets	79,908
Contracts in progress	11,870
Property and equipment	24,970
Other non-current assets	3,448
Trade payables	(39,279)
Other liabilities assumed	(55,130)
Net identifiable assets of businesses acquired	28,317
Goodwill	105,653
Total purchase price	133,970
Less: Cash and cash equivalents at acquisition	2,530
Total purchase price, net of cash and cash equivalents at acquisition	131,440
Less: Balance of purchase price payable in future years	18,455
Cash consideration paid for businesses acquired in the year	112,985
Plus: Balance of purchase price from previous years paid in current year	27,414
Cash consideration paid for acquisition of businesses presented on consolidated statements of cash flows	$ 140,399

C) GOODWILL ARISING ON BUSINESS ACQUISITIONS

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

D) BUSINESS ACQUISITION COSTS

For the year ended December 31, 2012, business acquisition costs of $0.1 million (2011: $4.0 million) related to the transactions described above and were included in the selling, general and administrative expenses in the consolidated income statement.

E) FORMATION OF A NEW JOINT VENTURE

In June 2012, SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company, also known as SNC-Lavalin Fayez Engineering ("SLFE"), an engineering consultancy jointly controlled entity between SNC-Lavalin and its partners in Saudi Arabia, acquired the industrial division of Zuhair Fayez Partnership. SNC-Lavalin holds an ownership interest of 50% in SLFE and will receive 35% of the distributions from SLFE during the first ten years and it will receive 50% of the distributions thereafter. SLFE was formed partly in response to Saudi Aramco's General Engineering Services Plus ("GES+") initiative, which aims to develop engineering capabilities in the Kingdom of Saudi Arabia. SNC-Lavalin invested $40.3 million in SLFE in June 2012.

SNC-Lavalin's investment in SLFE is accounted for by the equity method.

NOTE 7 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS

	DECEMBER 31 2012	DECEMBER 31 2011
Bank balances, bank term deposits and bankers' acceptances	$ 1,174,900	$ 1,231,049
Cash and cash equivalents	$ 1,174,900	$ 1,231,049

B) RESTRICTED CASH

	DECEMBER 31 2012	DECEMBER 31 2011
Bank balances, bank term deposits and bankers' acceptances	$ 39,078	$ 40,981
Government treasury bills and treasury notes	–	4,471
Restricted cash—current and non-current	$ 39,078	$ 45,452
Presented on the statement of financial position as follows:		
Current assets—"Restricted cash"	$ 32,815	$ 39,354
Non-current assets—included in "Non-current financial assets" (NOTE 13)	$ 6,263	$ 6,098

NOTE 8 TRADE RECEIVABLES

The following table presents the Company's trade receivables that are within normal terms of payment separately from those that are past due, with reconciliation to the net carrying amount:

	DECEMBER 31 2012	DECEMBER 31 2011
Trade receivables:		
Within normal terms of payment	$ 901,478	$ 851,875
Past due	393,134	417,604
Total trade receivables	1,294,612	1,269,479
Allowance for doubtful accounts	(119,460)	(113,935)
Trade receivables, net of allowance for doubtful accounts	$ 1,175,152	$ 1,155,544

The allowance for doubtful accounts is established based on SNC-Lavalin's best estimates on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Management regularly reviews trade receivables and assesses the appropriateness of the allowance for doubtful accounts.

The change in the allowance for doubtful accounts is detailed below:

YEAR ENDED DECEMBER 31	2012	2011
Balance at beginning of year	$ 113,935	$ 79,635
Change in allowance, other than write-offs and recoveries	41,503	61,137
Write-offs of trade receivables	(13,966)	(10,555)
Recoveries	(22,012)	(16,282)
Balance at end of year	$ 119,460	$ 113,935

NOTE 9 OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2012	DECEMBER 31 2011
Retentions on client contracts	$ 248,741	$ 139,520
Advances to suppliers, subcontractors and employees and deposits on contracts	65,037	99,014
Derivative financial instruments used for cash flow hedges—favourable fair value	10,396	42,960
Cash-settled share-based payment arrangement asset (NOTE 21C)	44,278	39,671
Current portion of receivables under service concession arrangements	9,215	21,766
Other	51,153	53,621
Other current financial assets	$ 428,820	$ 396,552

NOTE 10 OTHER CURRENT ASSETS

	DECEMBER 31 2012	DECEMBER 31 2011
Income taxes and other taxes receivable	$ 171,034	$ 133,571
Prepaid expenses and other	46,785	32,992
Other current assets	$ 217,819	$ 166,563

NOTE 11 PROPERTY AND EQUIPMENT

A) PROPERTY AND EQUIPMENT FROM ICI

	PROPERTY AND EQUIPMENT OF ALTALINK
Gross carrying amount	
Balance as at January 1, 2012	$ 2,798,199
Additions	921,038
Balance as at December 31, 2012	$ 3,719,237
Accumulated depreciation	
Balance as at January 1, 2012	160,464
Depreciation expense	88,783
Balance as at December 31, 2012	$ 249,247

	PROPERTY AND EQUIPMENT OF ALTALINK
Gross carrying amount	
Balance as at January 1, 2011	$ 2,149,288
Additions	648,911
Balance as at December 31, 2011	$ 2,798,199
Accumulated depreciation	
Balance as at January 1, 2011	76,474
Depreciation expense	83,990
Balance as at December 31, 2011	$ 160,464

Net book value:

As at December 31, 2011	$ 2,637,735
As at December 31, 2012	**$ 3,469,990**

An amount of $1,120.4 million as at December 31, 2012 (December 31, 2011: $671.2 million) of property and equipment from ICI was not being depreciated as the corresponding assets are mainly transmission assets of AltaLink under construction.

AltaLink calculates depreciation on a straight-line basis and has used depreciation rates ranging from 2.48% to 21.67% in 2012 (2011: 2.49% to 23.41%).

NOTE 11 PROPERTY AND EQUIPMENT (CONTINUED)

B) PROPERTY AND EQUIPMENT FROM OTHER ACTIVITIES

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	OTHER	TOTAL
Gross carrying amount					
Balance as at January 1, 2012	$ 77,878	$ 269,317	$ 125,495	$ 77,966	$ 550,656
Additions	7,006	44,457	19,026	25,862	96,351
Effect of foreign currency exchange differences	83	(2,613)	(745)	(452)	(3,727)
Disposals / retirements / salvage	(404)	(4,939)	(5,628)	(1,312)	(12,283)
Balance as at December 31, 2012	$ 84,563	$ 306,222	$ 138,148	$ 102,064	$ 630,997
Accumulated depreciation					
Balance as at January 1, 2012	29,553	233,350	84,988	42,882	390,773
Depreciation expense	3,555	35,261	11,917	8,874	59,607
Effect of foreign currency exchange differences	(20)	(2,415)	(405)	(365)	(3,205)
Disposals / retirements / salvage	(258)	(4,402)	(3,782)	(833)	(9,275)
Balance as at December 31, 2012	$ 32,830	$ 261,794	$ 92,718	$ 50,558	$ 437,900

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	OTHER	TOTAL
Gross carrying amount					
Balance as at January 1, 2011	$ 67,170	$ 251,477	$ 107,055	$ 58,367	$ 484,069
Additions	7,016	31,854	13,637	14,641	67,148
Additions through business acquisitions	4,335	3,431	10,269	6,935	24,970
Effect of foreign currency exchange differences	(643)	(1,668)	(521)	(495)	(3,327)
Disposals / retirements / salvage	–	(15,777)	(4,945)	(1,482)	(22,204)
Balance as at December 31, 2011	$ 77,878	$ 269,317	$ 125,495	$ 77,966	$ 550,656
Accumulated depreciation					
Balance as at January 1, 2011	26,602	224,774	80,525	36,979	368,880
Depreciation expense	2,979	25,341	8,666	6,814	43,800
Effect of foreign currency exchange differences	(28)	(1,400)	(189)	(237)	(1,854)
Disposals / retirements / salvage	–	(15,365)	(4,014)	(674)	(20,053)
Balance as at December 31, 2011	$ 29,553	$ 233,350	$ 84,988	$ 42,882	$ 390,773

Net book value:

As at December 31, 2011	$ 48,325	$ 35,967	$ 40,507	$ 35,084	$ 159,883
As at December 31, 2012	$ 51,733	$ 44,428	$ 45,430	$ 51,506	$ 193,097

NOTE 12 GOODWILL

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

		FROM OTHER ACTIVITIES		
	ICI	SERVICES AND PACKAGES	O&M	TOTAL
Balance at January 1, 2011	$ 203,786	$ 317,367	$ 20,875	$ 542,028
Goodwill arising from acquisitions completed in the year	–	101,357	4,296	105,653
Net foreign currency exchange differences	–	(8,210)	–	(8,210)
Balance at December 31, 2011	203,786	410,514	25,171	639,471
Goodwill arising from acquisitions completed in the year	–	3,297	–	3,297
Net foreign currency exchange differences and other	–	(6,907)	(86)	(6,993)
Balance at December 31, 2012	$ 203,786	$ 406,904	$ 25,085	$ 635,775

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

CGU OR GROUP OF CGU	DECEMBER 31 2012	DECEMBER 31 2011
AltaLink	$ 203,786	$ 203,786
Services and Packages–Europe	139,463	137,402
Services and Packages–Brazil	68,773	77,118
Services and Packages–Other	198,668	195,994
O&M	25,085	25,171
	$ 635,775	$ 639,471

NOTE 13 NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2012	DECEMBER 31 2011
From ICI		
Third party deposits of AltaLink	$ 51,991	$ 95,285
Restricted cash	6,263	6,098
Other	31,783	26,373
	90,037	127,756
From other activities	30,175	45,389
Non-current financial assets	$ 120,212	$ 173,145

For certain projects, third parties of AltaLink contribute their share of capital project costs in advance of construction and provide advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. These third party deposits of AltaLink are recognized as non-current financial assets with corresponding other non-current financial liabilities (see Note 18).

NOTE 14 OTHER NON-CURRENT ASSETS

	DECEMBER 31 2012	DECEMBER 31 2011
From ICI		
Intangible assets of AltaLink	$ 173,942	$ 104,949
Other	17,570	10,089
	191,512	115,038
From other activities	57,352	38,483
Other non-current assets	$ 248,864	$ 153,521

Intangible assets of AltaLink include mainly land rights. The amortization rate applied to land rights was 2.13% for the year ended December 31, 2012 (2011: 2.00%), while the amortization rates applied by AltaLink to its other intangible assets ranged from 11.80% to 28.33% (2011: from 12.38% to 24.32%). Intangible assets included in construction work in progress are not amortized until they are available for use. An amount of $73.2 million as at December 31, 2012 (2011: $18.8 million) of the intangible assets was not being amortized.

NOTE 15 OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2012	DECEMBER 31 2011
Commitments to invest in ICI accounted for by the equity and cost methods (NOTE 5C)	$ 154,744	$ 159,078
Retentions on supplier contracts	139,941	103,605
Balance of purchase price payable relating to acquisition of businesses	3,566	20,631
Derivative financial instruments used for cash flow hedges—unfavourable fair value	4,058	7,717
Other current financial liabilities	$ 302,309	$ 291,031

NOTE 16 OTHER CURRENT LIABILITIES

	DECEMBER 31 2012	DECEMBER 31 2011
Income taxes and other taxes payable	$ 118,329	$ 113,946
Cash-settled share-based payment arrangement liabilities (NOTE 21C)	40,360	37,743
Other current liabilities	$ 158,689	$ 151,689

NOTE 17 SHORT-TERM DEBT AND LONG-TERM DEBT

A) RECOURSE REVOLVING CREDIT FACILITIES

The Company has access to committed long-term revolving lines of credit with banks, totalling $590.0 million, upon which it may either issue letters of credit, or borrow at variable rates not exceeding the prime rate. As at December 31, 2012, $123.4 million of these lines of credit remained unused, while the balance of $466.6 million was exclusively used for the issuance of letters of credit. In addition, the Company has other lines of credit specifically available for the issuance of letters of credit. All the above-mentioned lines of credit are unsecured and subject to negative pledge clauses.

B) RECOURSE LONG-TERM DEBT

	DECEMBER 31 2012	DECEMBER 31 2011
Recourse (to the general credit of the Company)		
Debentures, 6.19%, due in July 2019 with a face value of $350.0 million repayable in full at maturity	$ 348,545	$ 348,369
The 2019 debenture described is unsecured and subject to negative pledge clauses.		
Recourse long-term debt	$ 348,545	$ 348,369

C) NON-RECOURSE DEBT FROM ICI (UNSECURED OR SECURED ONLY BY ICI'S SPECIFIC ASSETS)

	DECEMBER 31 2012	DECEMBER 31 2011
AltaLink		
Senior Secured Bonds and Medium Term Notes, 2.98% to 5.43%, due from 2013 to 2042	$ 1,791,979	$ 1,219,244
Unsecured Debt, 10.50%, due in 2015, 5.21%, due in 2016, and 3.67%, due in 2019	392,606	392,994
Unsecured bank credit facility of $300 million (2011: $300 million) under which AltaLink may borrow in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2016	139,959	104,500
Secured bank credit facility of $75 million (2011: $50 million) under which AltaLink may borrow in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2014	1,778	–
Unsecured Commercial Paper and secured bank credit facility	–	18,981
The unsecured commercial paper is supported by a $1,425 million (2011: $850 million) secured bank credit facility under which AltaLink may borrow in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2014. At December 31, 2012 and 2011, drawdowns under the bank credit facility were $nil, while the insecured commercial paper outstanding amounted to $nil as at December 31, 2012 (2011: $19.0 million).		
The Senior Secured Bonds and Medium Term Notes and secured bank credit facilities are all ranked equally and are secured by a first floating charge security interest on AltaLink L.P.'s present and future assets.		
Other	144	433
Okanagan Lake Concession		
5.415% credit facility, due in 2033, secured by all assets of Okanagan Lake Concession, including a pledge by SNC-Lavalin of its units in Okanagan Lake Concession as well as an assignment of the concession's future revenues.	137,775	141,324
Société d'Exploitation de l'Aéroport de Mayotte		
Loan in three tranches maturing from 2014 to 2026, bearing interest at: i) variable rates varying between Euribor 1 month plus 1.25% and Euribor 3 months plus 1.90%; and ii) a fixed rate of 4.91%.	21,030	11,282
Total non-recourse long-term debt from ICI	2,485,271	1,888,758
Less: short-term debt and current portion of long-term debt	484,575	327,381
Non-recourse long-term debt from ICI	$ 2,000,696	$ 1,561,377

NOTE 17 SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

D) REPAYMENT OF PRINCIPAL OF SHORT-TERM DEBT AND LONG-TERM DEBT

The future principal payments of SNC-Lavalin's recourse and non-recourse short-term and long-term debt are summarized below and reconciled to their net carrying amount:

AT DECEMBER 31, 2012	RECOURSE	NON-RECOURSE FROM ICI	TOTAL
2013	$ –	$ 484,575	$ 484,575
2014	–	3,730	3,730
2015	–	49,091	49,091
2016	–	154,332	154,332
2017	–	4,581	4,581
Thereafter	350,000	1,805,506	2,155,506
Total	$ 350,000	$ 2,501,815	$ 2,851,815
Net unamortized deferred financing costs and unamortized discounts	(1,455)	(16,544)	(17,999)
Net carrying amount of short-term debt and long-term debt	$ 348,545	$ 2,485,271	$ 2,833,816

NOTE 18 OTHER NON-CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2012	DECEMBER 31 2011
Third party deposits of AltaLink	$ 51,991	$ 95,285
Other	33,628	35,459
Other non-current financial liabilities	$ 85,619	$ 130,744

For certain projects, third parties of AltaLink contribute their share of capital project costs in advance of construction and provide advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. Third party deposits of AltaLink are recognized as non-current financial assets (see Note 13) with corresponding other non-current financial liabilities.

NOTE 19 PROVISIONS

	PENSION AND OTHER POST-EMPLOYMENT BENEFITS	OTHER (1)	TOTAL
Balance at January 1, 2012	$ 88,823	$ 136,011	$ 224,834
Additional provisions recognized in the year	3,564	237,983	241,547
Amounts used during the year	(31,991)	(130,542)	(162,533)
Unused amounts reversed during the year	(618)	(2,023)	(2,641)
Actuarial losses recognized in equity	12,298	–	12,298
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	8,573	1,313	9,886
Balance at December 31, 2012	$ 80,649	$ 242,742	$ 323,391

(1) Other provisions include mainly, forecasted losses on certain contracts litigations and warranty provisions.

The expected timing of outflows of economic benefits relating to the Company's provisions are as follows: i) most of the litigation provisions are expected to be resolved within the next 5 years; ii) forecasted losses on certain contracts are expected to be incurred over the period of a contract duration, usually up to 3 years; iii) warranty expenditure is expected to take place within the next five years; and iv) most of the other provisions are expected to be resolved over the next 20 years. The main assumptions used to determine the provision for pension and other post-employment benefits, and other information, including the expected level of future funding payments in respect of those arrangements, are given in Note 29.

NOTE 20 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly include contributions received by AltaLink from third parties used to finance certain capital construction costs which are released into revenues over the lives of the related assets. Other non-current liabilities also include funds provided by the *Alberta Utilities Commission* to AltaLink to pay for salvage costs, which are released into revenues when the associated costs are incurred.

	DECEMBER 31 2012	DECEMBER 31 2011
Third party contributions of AltaLink	$ 419,769	$ 310,498
Funds for salvage costs of AltaLink	167,926	170,596
Other	5,734	5,123
Other non-current liabilities	$ 593,429	$ 486,217

NOTE 21 SHARE CAPITAL

A) AUTHORIZED

The Company is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

The share capital issued and outstanding of the Company consists only of fully paid common shares without nominal value. All common shares are equally eligible to receive dividends, subject to the prior rights of the holders of preferred shares. Each common share carries one vote at the shareholders' meeting of the Company.

Subject to the prior rights of the holders of preferred shares, upon the liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, all the Company's assets available for payment or distribution to the holders of the common shares are paid or distributed equally, share for share, to the holders of such common shares.

B) STOCK OPTION PLANS

The main features of the stock option plans under which stock options were outstanding at December 31, 2012 are summarized below:

	2011, 2009 AND 2007 STOCK OPTION PLANS
Grant date	Sixth trading day following the approval by the Company's Board of Directors
Exercise price of stock options	The greater of: i) the average closing price for the five trading days preceding the grant date and ii) the closing price on the first trading day immediately preceding the grant date
Vesting of stock options	Graded vesting in three equal tranches: two years, three years and four years, respectively, after the grant date
Expiry of stock options	Five years after the grant date
Other provisions	In the event of cessation of employment, except in the event of death or if the optionee is eligible to retire, unvested options are cancelled immediately and vested options remain exercisable for a specified period not exceeding 30 days. In the event of death or if the optionee is eligible to retire, both vested and unvested options continue to run their normal course

NOTE 21 SHARE CAPITAL (CONTINUED)

The table below presents the changes in the number of options outstanding in 2012 and 2011:

	2012		2011	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	5,357,515	$ 44.57	5,126,117	$ 40.61
Granted (1)	1,173,900	$ 37.04	1,119,200	$ 54.06
Exercised (2)	(210,140)	$ 32.98	(820,216)	$ 32.84
Expired (3)	(664,908)	$ 37.41	–	$ –
Forfeited	(292,767)	$ 45.81	(67,586)	$ 44.21
Options outstanding at end of year	5,363,600	$ 44.19	5,357,515	$ 44.57

(1) The weighted average fair value of stock options granted was $9.39 in 2012 ($15.04 in 2011).
(2) The weighted average market price of the Company's common shares upon the exercise of stock options was $45.95 in 2012 ($53.56 in 2011).
(3) Most of the expired options in 2012 were not exercised because their exercise price exceeded the market price of the Company's common share at their expiration.

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2012.

	OPTIONS OUTSTANDING					OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	STOCK OPTION PLAN	YEAR OF GRANT	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING OPTIONS' TERM (MONTHS)	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
$37.17 to $55.10	2007	2008	1,034,097	2	$ 46.23	1,034,097	$ 46.23
$31.59	2007	2009	830,073	14	$ 31.59	521,877	$ 31.59
$37.53	2009	2009	313,730	16	$ 37.53	203,434	$ 37.53
$52.40 to $57.07	2009	2010	1,009,000	27	$ 52.46	336,329	$ 52.46
$51.55 to $54.07	2011	2011	1,039,400	40	$ 54.06	–	$ –
$37.04	2011	2012	1,137,300	52	$ 37.04	–	$ –
			5,363,600	28	$ 44.19	2,095,737	$ 42.74

As at December 31, 2012, 123,300 stock options remained available for future grants under the 2011 stock option plan (December 31, 2011: 1,188,300 stock options), while no stock options remain available for future grants under the 2009 and the 2007 stock option plans.

The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model, for the year ended December 31:

	2012	2011
Risk-free interest rate	1.61%	2.15%
Expected stock price volatility	33.62%	34.78%
Expected option life	4 years	4 years
Expected dividend yield	1.50%	1.00%

The underlying expected volatility was determined by reference to historical data.

NOTE 21 SHARE CAPITAL (CONTINUED)

C) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

As at December 31, 2012 and 2011, the Company had four cash-settled share-based payment compensation plans for executives, namely 2009 PSU plan, 2009 DSU plan, PSU plan and RSU plan. As at December 31, 2012 and 2011, the Company also had a cash-settled share-based payment compensation plan, DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc.

The terms and conditions of the executive plans are summarized below:

	2009 PSU PLAN	2009 DSU PLAN / PSU PLAN (1)	RSU PLAN
Grant date	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
Number of units	Subject to performance conditions, the number of units granted shall be adjusted depending on the three-year cumulative annualized growth of earnings per share, to determine the number of units to which all participants receiving the award will be entitled to, if any	Determined at grant date, without any further changes	Determined at grant date, without any further changes
Vesting of units	Units vest in full at the end of the third calendar year following the grant date	Units vest at a rate of 20% per year following the grant date	Units vest in full three years following their grant date
Payment or conversion	At the option of the participant, upon vesting, units are redeemable for cash by the Company within ninety days following the completion of the vesting period or are converted as vested 2009 DSU	Units are redeemable for cash by the Company within thirty days following the first year anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company within ninety business days following the completion of the vesting period
Redemption price	Average closing price per share on the Toronto Stock Exchange at the vesting date and the four trading days preceding such date	Average closing price per share on the Toronto Stock Exchange on the first year anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
Forfeiture	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
Other provisions	The units vest immediately in the event of death or if a participant is eligible to retire, with payment being made within ninety business days following the end of the third calendar year from the grant date	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first year anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a pro rata basis, with payment being made not later than March 15th of the year following the event

(1) The PSU plan has the same terms and conditions as the 2009 DSU plan, except that under certain conditions the vesting was immediate allowing the participant to receive 50% of the current year's grant as a cash payment. No units are available for future grants under the PSU plan since January 1, 2010.

NOTE 21 SHARE CAPITAL (CONTINUED)

The terms and conditions of the DSU plan are as follows: units are issued to Board Members of SNC-Lavalin Group Inc. at the end of each quarter. Each member is required to participate in the DSU plan by deferring at least 25% of their annual retainer. An additional number of units is also granted annually as determined by the Corporate Governance Committee of SNC-Lavalin Group Inc. All units issued vest immediately. When a member ceases to be a member of the Board of Directors, units are redeemed immediately in cash.

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2012 and 2011:

	2012		2011	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2009 PSU plan	44,120	$ 37.04	35,734	$ 55.00
2009 DSU plan	80,353	$ 39.18	36,516	$ 54.98
RSU plan	484,748	$ 38.00	91,678	$ 55.07
DSU plan	38,533	$ 40.55	24,717	$ 52.85

The Company has a financial arrangement with an investment grade financial institution to limit its exposure to the variability of the units caused by fluctuations in its share price. This financial arrangement includes a financial instrument, which fluctuates in accordance with the movement in the Company's share price, and is required to be classified as held for trading. As such, it is measured at fair value on the consolidated statement of financial position under "Other current financial assets", while the cash-settled share-based payment arrangement liabilities are recorded in "Other current liabilities". Gains and losses from the remeasurement of the financial instrument offset most of the related losses and gains from the fair value remeasurement of the cash-settled share-based payment arrangement liabilities. The financing arrangement is adjusted as needed to reflect new awards and/or settlements of units.

The compensation expense, net of the loss of $7.1 million from the remeasurement of the cash-settled share-based payment arrangement asset which offsets most of the gain of $7.6 million from the remeasurement of the cash-settled share-based payment arrangement liabilities in 2012 (2011: loss of $5.6 million which offsets the gain of $5.2 million), was $10.0 million for the year ended December 31, 2012 (2011: $8.9 million).

The total intrinsic value of the cash-settled share-based payment arrangement liabilities for which the participant's right to cash vested was $33.3 million as at December 31, 2012 (2011: $31.7 million), while the cash-settled share-based payment arrangement liabilities amounted to $40.4 million as at December 31, 2012 (2011: $37.7 million).

D) REDEMPTION OF SHARES

In 2012, the Board of Directors authorized the renewal of its normal course issuer bid to purchase for cancellation, on the open market, up to 3.0 million (2011: 3.0 million) common shares within a one-year period. The renewal of the Company's normal course issuer bid requires annual approval by the Board of Directors and the Toronto Stock Exchange. The redemptions of shares in 2012 and 2011 were as follows:

	2012	2011
Redeemed and cancelled:		
Portion allocated to share capital	$ 539	$ 2,472
Portion allocated to retained earnings	6,335	41,799
	$ 6,874	$ 44,271
Number of shares redeemed and cancelled	175,700	819,400
Average redemption price per share ($)	$ 39.12	$ 54.03

NOTE 21 SHARE CAPITAL (CONTINUED)

E) WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES—BASIC AND DILUTED

The weighted average number of outstanding shares in 2012 and 2011 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	2012	2011
Weighted average number of outstanding shares—basic	151,058	150,897
Dilutive effect of stock options	246	1,043
Weighted average number of outstanding shares—diluted	151,304	151,940

In 2012, 4,212,297 outstanding stock options (2011: 2,186,950 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive, as their exercise price exceeded the weighted average market price of the Company's common share in the years.

F) DIVIDENDS

During the year ended December 31, 2012, the Company recognized as distributions to its equity shareholders dividends of $132.9 million or $0.88 per share (2011: $126.8 million or $0.84 per share).

NOTE 22 OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income tax, within its other components of equity at December 31, 2012 and 2011:

	DECEMBER 31 2012	DECEMBER 31 2011
Exchange differences on translating foreign operations	$ (47,975)	$ (33,028)
Available-for-sale financial assets	2,558	1,538
Cash flow hedges	395	(24,375)
Share of other comprehensive loss of investments accounted for by the equity method	(57,664)	(59,948)
Other components of equity	$ (102,686)	$ (115,813)

> Exchange differences on translating foreign operations component represents exchange differences relating to the translation from the functional currencies of the Company's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.

> Available-for-sale financial assets component arises upon the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. When a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.

> Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

> Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's proportionate share of the other comprehensive income (loss) from its investments accounted for by the equity method.

NOTE 22 OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the years ended December 31, 2012 and 2011:

YEAR ENDED DECEMBER 31	2012	2011
Exchange differences on translating foreign operations:		
Balance at beginning of year	$ (33,028)	$ (21,077)
Current year losses	(14,947)	(11,951)
Balance at end of year	(47,975)	(33,028)
Available-for-sale financial assets:		
Balance at beginning of year	1,538	1,317
Current year gains	1,387	1,395
Income tax expense relating to current year gains	(200)	(151)
Reclassification to net income	(193)	(1,183)
Income tax expense relating to amounts reclassified to net income	26	160
Balance at end of year	2,558	1,538
Cash flow hedges:		
Balance at beginning of year	(24,375)	(15,920)
Current year gains (losses)	2,303	(7,618)
Income tax benefit relating to current year gains (losses)	330	2,632
Reclassification to net income	29,954	(4,241)
Income tax expense (benefit) relating to amounts reclassified to net income	(7,817)	3,540
Balance at end of year before the acquisition of non-controlling interests of AltaLink	395	(21,607)
Portion of cash flow hedges attributable to non-controlling interests of AltaLink reallocated to equity attributable to SNC-Lavalin shareholders	–	(3,690)
Income tax benefit related to the reallocated portion of cash flows hedges of AltaLink	–	922
Balance at end of year after the acquisition of non-controlling interests of AltaLink	395	(24,375)
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of year	(59,948)	(31,800)
Current year share	(5,678)	(49,738)
Income tax benefit relating to current year share	907	16,156
Reclassification to net income	9,481	6,875
Income tax benefit relating to amounts reclassified to net income	(2,426)	(1,441)
Balance at end of year	(57,664)	(59,948)
Other components of equity	$ (102,686)	$ (115,813)

The Company expects that approximately $8.2 million of the accumulated net unrealized loss on cash flow hedges and share of other comprehensive loss of investments accounted for by the equity method at December 31, 2012 will be reclassified in net income in the next 12 months, offsetting unrealized gains on the corresponding underlying hedged items.

NOTE 22 OTHER COMPONENTS OF EQUITY (CONTINUED)

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following table provides a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the years ended December 31, 2012 and 2011:

YEAR ENDED DECEMBER 31	2012			2011		
	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX
Cumulative amount at January 1	$ (17,475)	$ 4,645	$ (12,830)	$ (1,442)	$ 359	$ (1,083)
Recognized during the year:						
Defined benefit pension plans	(12,070)	2,923	(9,147)	(15,358)	4,117	(11,241)
Other post-employment benefits	(228)	54	(174)	(675)	169	(506)
	(12,298)	2,977	(9,321)	(16,033)	4,286	(11,747)
Cumulative amount at December 31	$ (29,773)	$ 7,622	$ (22,151)	$ (17,475)	$ 4,645	$ (12,830)

NOTE 23 NET FINANCIAL EXPENSES

YEAR ENDED DECEMBER 31	2012			2011		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	$ (5,042)	$ (8,390)	$ (13,432)	$ (7,139)	$ (10,158)	$ (17,297)
Interest on debt:						
Recourse	–	21,841	21,841	–	21,879	21,879
Non-recourse:						
AltaLink	104,652	–	104,652	87,862	–	87,862
Other	7,702	–	7,702	7,947	–	7,947
Other (1)	5,169	230	5,399	11,061	3,759	14,820
Net financial expenses	$ 112,481	$ 13,681	$ 126,162	$ 99,731	$ 15,480	$ 115,211

(1) In 2011, other net financial expenses from ICI included a loss of $5.0 million before taxes from the acquisition of a subsidiary's debenture related to the AltaLink transaction (Note 5A).

NOTE 24 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31	2012	2011
Selling expenses	$ 225,492	$ 191,282
General and administrative expenses	625,725	463,409
Selling, general and administrative expenses	$ 851,217	$ 654,691

NOTE 25 NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows, for the year ended December 31:

	2012	2011
Decrease (increase) in trade receivables	$ (18,976)	$ 69,674
Decrease (increase) in contracts in progress	(210,622)	59,384
Increase in other current financial assets	(76,483)	(98,480)
Increase in other current assets	(72,218)	(16,793)
Increase in trade payables	186,550	151,221
Increase (decrease) in downpayments on contracts	30,193	(75,024)
Increase in deferred revenues	62,524	223,617
Increase in other current financial liabilities	36,336	24,557
Increase (decrease) in other current liabilities	(32,511)	3,599
Net change in non-cash working capital items	$ (95,207)	$ 341,755

NOTE 26 INCOME TAXES

A) DEFERRED INCOME TAX ASSET AND DEFERRED INCOME TAX LIABILITY

Deferred income taxes arising from temporary differences and unused tax losses can be summarized as follows:

	JANUARY 1 2012	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	RECOGNIZED IN BUSINESS COMBINATIONS	RECOGNIZED IN NET INCOME	EXCHANGE DIFFERENCES AND OTHER CHARGES	DECEMBER 31 2012
Current:						
Retentions on client contracts	$ (32,095)	$ –	$ –	$ 15,577	$ –	$ (16,518)
Contracts in progress	(27,685)	–	–	9,441	–	(18,244)
Retentions on supplier contracts	22,427	–	–	5,648	–	28,075
Accrued employee compensation	6,572	–	–	810	–	7,382
Current liabilities	59,389	–		21,478	(4)	89,863
Other	363	–	–	(2,943)	–	(2,580)
Non-current:						
Property and equipment, and goodwill	(72,017)	–	–	(11,533)	707	(82,843)
Non-current financial assets	(7,176)	–	–	(2,769)	–	(9,945)
Provisions	(62,272)	–	–	(2,239)	(309)	(64,820)
ICI accounted for by the equity or cost methods	(12,164)	(1,519)	–	(25,607)	66	(39,224)
Pension plans and other post-employment benefits	16,235	2,977	–	(2,195)	56	17,073
Other	3,476	(7,661)	–	(451)	(526)	(5,162)
Unused tax losses	64,895	–	–	(3,253)	(700)	60,942
Deferred income tax liability, net	$ (40,052)	$ (6,203)	$ –	$ 1,964	$ (710)	$ (45,001)
Presented on the statement of financial position as follows:						
Deferred income tax asset	$ 161,364	–	–	–	–	$ 177,581
Deferred income tax liability	$ 201,416	–	–	–	–	$ 222,582

NOTE 26 INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period 2011 can be summarized as follows:

	JANUARY 1 2011	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	RECOGNIZED IN BUSINESS COMBINATIONS AND UPON ACQUISITION OF NON-CONTROLLING INTERESTS OF ALTALINK	RECOGNIZED IN NET INCOME	EXCHANGE DIFFERENCES AND OTHER CHARGES	DECEMBER 31 2011
Current:						
Retentions on client contracts	$ (9,479)	$ –	$ (2)	$ (22,614)	$ –	$ (32,095)
Contracts in progress	(14,639)	–	(332)	(12,714)	–	(27,685)
Retentions on supplier contracts	14,384	–	–	8,043	–	22,427
Accrued employee compensation	4,528	–	–	2,044	–	6,572
Current liabilities	50,119	–	10	9,204	56	59,389
Other	1,248	–	–	(885)	–	363
Non-current:						
Property and equipment, and goodwill	(41,434)	–	(10,396)	(28,469)	8,282	(72,017)
Non-current financial assets	(6,473)	–	–	(703)	–	(7,176)
Provisions	(54,171)	–	–	(4,100)	(4,001)	(62,272)
ICI accounted for by the equity or cost methods	2,819	14,716	–	(29,654)	(45)	(12,164)
Pension plans and other post-employment benefits	11,224	4,286	2,553	(1,822)	(6)	16,235
Other	(6,414)	6,180	488	2,704	518	3,476
Unused tax losses	54,846	–	16	14,370	(4,337)	64,895
Deferred income tax asset (liability), net	$ 6,558	$ 25,182	$ (7,663)	$ (64,596)	$ 467	$ (40,052)
Presented on the statement of financial position as follows:						
Deferred income tax asset	$ 158,419	–	–	–	–	$ 161,364
Deferred income tax liability	$ 151,861	–	–	–	–	$ 201,416

At December 31, 2012, the Company had $360.3 million of non-capital tax losses carried-forward that expire in varying amounts from 2013 to 2032. A deferred income tax asset of $60.9 million has been recognized on $300.7 million of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized.

A deferred income tax liability has not been recognized on taxable temporary differences of $758.1 million (2011: $884.6 million) associated with investments in subsidiaries, associates and interests in joint ventures, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTE 26 INCOME TAXES (CONTINUED)

B) INCOME TAX EXPENSE

The relationship between the expected tax expense based on Canadian effective tax rate of SNC-Lavalin at 26.3% (2011: 27.7%) and the reported tax expense in net income can be reconciled as follows:

YEAR ENDED DECEMBER 31	2012		2011	
	AMOUNT	%	AMOUNT	%
Income before income tax expense	$ 377,606		$ 482,234	
Canadian tax rate for SNC-Lavalin		26.3		27.7
Expected income tax expense	$ 99,431		$ 133,690	
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	(5,301)	(1.4)	(13,941)	(2.9)
Net income (loss) not affected by tax	2,451	0.6	(50)	–
Non-taxable income from certain ICI accounted for by the equity method	(27,019)	(7.1)	(27,549)	(5.7)
Other permanent differences for tax purposes	20	–	9,593	2.0
Effect of income tax rate changes on deferred income tax asset and deferred income tax liability	78	–	1,323	0.3
Other	(1,584)	(0.4)	(8,174)	(1.7)
Income tax expense at effective tax rate	$ 68,076	18.0	$ 94,892	19.7

SNC-Lavalin's income tax expense was comprised of the following:

YEAR ENDED DECEMBER 31	2012	2011
Current income tax expense	$ 70,040	$ 30,296
Deferred income tax expense (benefit)	(1,964)	64,596
Income tax expense, net	$ 68,076	$ 94,892

NOTE 27 FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at December 31, 2012 and December 31, 2011 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2012					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	HELD FOR TRADING	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,174,900	$ –	$ –	$ –	$ 1,174,900	$ 1,174,900
Restricted cash	32,815	–	–	–	32,815	32,815
Trade receivables	–	–	1,175,152	–	1,175,152	1,175,152
Other current financial assets:						
Cash-settled share-based payment arrangement asset	44,278	–	–	–	44,278	44,278
Derivative financial instruments	–	–	–	10,396	10,396	10,396
Other current financial assets	–	–	374,146	–	374,146	374,146
ICI accounted for by the cost method:						
At cost [1]	–	268,966	–	–	268,966	See [1]
At amortized cost	–	–	69,997	–	69,997	69,997
Non-current portion of receivables under service concession arrangements [2]	–	–	258,924	–	258,924	278,090
Non-current financial assets:						
Restricted cash	6,263	–	–	–	6,263	6,263
Other:						
At fair value	51,991	13,270	–	479	65,740	65,740
At cost/amortized cost [2]	–	–	48,209	–	48,209	48,209
Total	1,310,247	282,236	1,926,428	10,875	3,529,786	

AT DECEMBER 31	2011					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	HELD FOR TRADING	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,231,049	$ –	$ –	$ –	$ 1,231,049	$ 1,231,049
Restricted cash	39,354	–	–	–	39,354	39,354
Trade receivables	–	–	1,155,544	–	1,155,544	1,155,544
Other current financial assets:						
Cash-settled share-based payment arrangement asset	39,671	–	–	–	39,671	39,671
Derivative financial instruments	–	–	–	42,960	42,960	42,960
Other current financial assets	–	–	313,921	–	313,921	313,921
ICI accounted for by the cost method:						
At cost [1]	–	226,362	–	–	226,362	See [1]
At amortized cost	–	–	66,879	–	66,879	66,879
Non-current portion of receivables under service concession arrangements [2]	–	–	239,113	–	239,113	250,180
Non-current financial assets:						
Restricted cash	6,098	–	–	–	6,098	6,098
Other:						
At fair value	95,285	13,505	–	–	108,790	108,790
At cost/amortized cost [2]	–	–	58,257	–	58,257	58,257
Total	$ 1,411,457	$ 239,867	$ 1,833,714	$ 42,960	$ 3,527,998	

(1) These available-for-sale financial assets represent equity instruments that do not have a quoted market price in an active market.
(2) For non-current portion of receivables under service concession arrangements and most of the non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities at December 31, 2012 and December 31, 2011 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2012			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 1,649,776	$ 1,649,776	$ 1,649,776
Downpayments on contracts	–	346,780	346,780	346,780
Other current financial liabilities:				
Derivative financial instruments	4,058	–	4,058	4,058
Other current financial liabilities	–	298,251	298,251	298,251
Advance under contract financing arrangement (1)	–	43,273	43,273	43,273
Short-term debt and long-term debt (2):				
Recourse	–	348,545	348,545	402,889
Non-recourse from ICI	–	2,485,271	2,485,271	2,693,622
Other non-current financial liabilities	11,104	74,515	85,619	85,619
Total	$ 15,162	$ 5,246,411	$ 5,261,573	

AT DECEMBER 31	2011			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 1,520,395	$ 1,520,395	$ 1,520,395
Downpayments on contracts	–	316,714	316,714	316,714
Other current financial liabilities:				
Derivative financial instruments	7,717	–	7,717	7,717
Other current financial liabilities	–	283,314	283,314	283,314
Short-term debt and long-term debt (2):				
Recourse	–	348,369	348,369	411,079
Non-recourse from ICI	–	1,888,758	1,888,758	2,101,628
Other non-current financial liabilities	8,056	122,688	130,744	130,744
Total	$ 15,773	$ 4,480,238	$ 4,496,011	

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

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	FINANCIAL INSTRUMENTS
Level 1	Quoted prices in active markets for identical assets or liabilities	Available-for-sale equity investments accounted for at fair value
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash, derivatives used for cash flow hedges, cash-settled share-based payment arrangement asset (included in other current financial assets) and third party deposits of AltaLink (included in non-current financial assets)
Level 3	Inputs for the asset or liability that are not based on observable market data	None

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

NATURE OF RISK	DESCRIPTION
Credit risk	Risk that SNC-Lavalin will incur a financial loss if the other party to a financial instrument fails to discharge an obligation. The maximum exposure to credit risk for SNC-Lavalin at the end of a given period usually corresponds to the carrying amount of its financial assets exposed to such risk
Liquidity risk	Possibility that SNC-Lavalin will encounter difficulties in meeting the obligations associated with its financial liabilities
Market risk	Variability in the fair value or future cash flows of a financial instrument caused by a change in market prices in items such as currency rates, interest rates and equity prices

CREDIT RISK

For SNC-Lavalin, credit risk arises from:

i) Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.

ii) Derivative financial instruments used for hedging purposes with a favourable fair value and the cash-settled share-based payment arrangement asset, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with high-grade financial institutions, which are expected to satisfy their obligations under the contracts.

iii) Trade receivables, as detailed in Note 8. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project.

The Company's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. The Company internally allocates imputed interest to provide an incentive to project managers to collect trade receivables, as uncollected balances result in an internal cost for the related project and, as such, impacts the profitability of the project, which is used to determine a manager's compensation, and of the associated operating segment.

iv) Other current financial assets, as detailed in Note 9, and non-current financial assets, as detailed in Note 13. The current and non-current portions of receivables under service concession arrangements is within normal terms of payment and there are no significant amounts that are past due as at December 31, 2012 and 2011.

v) The financial assets classified as "Loans and Receivables" included in "ICI accounted for by the cost method", which consist mainly of a loan to the Ambatovy's Project Operator (Note 5C).

vi) The financial guarantees on the Ambatovy project disclosed in Note 5C.

LIQUIDITY RISK

SNC-Lavalin monitors its liquidity risk arising from financial instruments on an ongoing basis by ensuring that it has access to sufficient resources to meet its obligations.

As presented in Note 5, SNC-Lavalin's consolidated statement of financial position included approximately $3,458.6 million at December 31, 2012 (2011: $2,736.8 million) of liabilities from ICI that are accounted for by the full consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the ICI and are secured by the respective concession's assets, including $544.8 million of financial assets at December 31, 2012 (2011: $492.9 million), and by SNC-Lavalin's shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin, assuming its ICI accounted for by the full consolidation method were unable to meet their obligations, corresponds to the carrying amount invested in these entities, which totalled $952.4 million at December 31, 2012 (2011: $721.9 million).

SNC-Lavalin's future principal payments on its short-term debt and long-term debt are presented in Note 17.

A draw on letters of credit or bank guarantees (Note 27C) by one or more third parties could, among other things, significantly reduce the Company's cash position and have a material adverse effect on its business and results of operations.

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

I) CURRENCY RISK

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets of its foreign operations.

Foreign currency risk is managed by the Company by matching, when possible, the cash receipts in a foreign currency and the cash disbursements in the same foreign currency, for each revenue-generating project in which foreign currencies are involved. Derivative financial instruments with banks (i.e., forward foreign exchange contracts) are also used to hedge the cash flows in foreign currencies.

The following table summarizes the major forward foreign exchange contracts that were outstanding, for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2012			AT DECEMBER 31, 2011		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA$ 403,971	US$ 394,765	2013-2017	CA$ 471,149	US$ 456,234	2012-2016
CA$ 114,594	€ 87,661	2013-2017	CA$ 533,003	€ 375,781	2012-2015
US$ 72,488	CA$ 73,230	2013-2014	US$ 61,806	CA$ 63,829	2012-2013
US$ 3,312	€ 2,615	2013	US$ 21,457	€ 15,698	2012
€ 2,357	US$ 3,016	2013	€ 19,793	US$ 26,761	2012-2013
€ 18,570	CA$ 24,460	2013-2017	€ 26,223	CA$ 37,066	2012-2013

As at December 31, 2012, the forward foreign exchange contracts used for hedging purposes by the Company had a net favourable fair value of $6.3 million (2011: $35.2 million). The major forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar, or to either buy or sell the US dollar against the Euro.

SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2012 has been calculated from the Company's net fiancial assets (liabilities) denominated in US dollars and Euros, from derivative financial instruments used to hedge the exposure to US dollars and Euros and from investments made in foreign operations.

		IMPACT ON EQUITY	
		CA$/US$ (2)	CA$/€ (2)
Increase (decrease)	10% appreciation in the Canadian dollar (1)	$ 12,576	$ (957)
Increase (decrease)	10% depreciation in the Canadian dollar (1)	$ (12,576)	$ 957

(1) Assuming all other variables remain the same.
(2) The Company's exposure to other currencies is not significant.

As at December 31, 2012, the impact of 10% change in exchange rates between Canadian dollars and US dollars, and between Canadian dollars and Euros would have no significant impact on the Company's net income.

NOTE 27 FINANCIAL INSTRUMENTS (CONTINUED)

II) INTEREST RATE RISK

Cash and cash equivalents, and restricted cash, usually involve limited interest rate risk due to their short-term nature.

NON-RECOURSE SHORT-TERM DEBT AND LONG-TERM DEBT FROM ICI

Unlike Services, Packages and O&M activities, ICI are often capital intensive due to the ownership of infrastructure assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company. These investments usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing the interest rates gives the ICI stable and predictable financing cash outflows, which are usually structured to match the expected timing of their cash inflows. As a result, the changes in interest rates do not have a significant impact on SNC-Lavalin's consolidated net income.

RECOURSE LONG-TERM DEBT FROM OTHER ACTIVITIES

SNC-Lavalin's recourse long-term debt bears interest at a fixed rate and is measured at amortized cost, therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

III) EQUITY PRICE RISK

SNC-Lavalin limits its exposure arising from the cash-settled share-based payment arrangements caused by fluctuations in its share price, through a financial arrangement with an investment high-grade financial institution described in Note 21C.

C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. Certain letters of credit decrease in relation to the percentage of completion of projects. As at December 31, 2012, SNC-Lavalin had outstanding letters of credit of $1,956.6 million (December 31, 2011: $1,907.9 million).

D) ADVANCE UNDER CONTRACT FINANCING ARRANGEMENT

In 2012, the Company and a partner were awarded an engineering, procurement and construction ("EPC") contract for the Evergreen Line rapid transit project in the Province of British Columbia, Canada. For the duration of this EPC contract, the Company entered into a non-recourse $225.3 million credit facility agreement with financial institutions to fund the working capital requirements of the project. Amounts drawn under the revolving credit facility bears interest at a fixed rate of 2.7% per year or at a variable rate, which is Canada Interbank Rate plus 1.45%. The credit facility matures not later than 2018.

NOTE 28 CAPITAL MANAGEMENT

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between: i) having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time, ii) maximizing return on equity.

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital because this element of equity results mainly from the accounting treatment of cash flow hedges, including share of comprehensive income of investments accounted for by the equity method, and is not representative of the way the Company evaluates the management of its foreign currency risk. Accordingly, the other components of equity are not representative of the Company's financial position.

The Company does not consider non-recourse debt when monitoring its capital because such debt results from the full consolidation of certain ICI held by the Company. As such, the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the ICI they finance. The Company's investment in its ICI may, however, be at risk if such investments were unable to repay their non-recourse long-term debt.

The Company's objective remains to maintain a recourse debt-to-capital ratio that would not exceed a ratio of 30:70. The recourse debt-to-capital ratio, as calculated by the Company, was as follows:

	DECEMBER 31 2012	DECEMBER 31 2011
Recourse debt	$ 348,545	$ 348,369
Equity attributable to SNC-Lavalin shareholders	$ 2,075,433	$ 1,883,068
Less: Other components of equity	(102,686)	(115,813)
Plus: Recourse debt	348,545	348,369
Capital	$ 2,526,664	$ 2,347,250
Recourse debt-to-capital ratio	14:86	15:85

As a general practice, when managing its capital, the Company repurchases its common shares under its normal course issuer bid mainly to offset the dilutive effect of stock issuance under its stock option programs. The Company has paid quarterly dividends for 23 consecutive years and strives to increase its yearly dividend paid per share, which it has done over the past 12 years.

In 2012, the Company complied with all of the covenants related to its debentures and bank credit facilities.

NOTE 29 PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

A) PENSION PLANS

SNC-Lavalin has defined contribution pension plans for which its contributions are recorded as expenses in the year in which they are incurred, totalling $78.9 million in 2012 (2011: $70.9 million).

SNC-Lavalin also has a number of defined benefit pension plans, which are all closed to new entrants and provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for each plan. The latest actuarial valuations were performed on December 31, 2011 for two pension plans out of three principal pension plans and on December 31, 2010 for the third pension plan. The measurement date used for the above benefit obligation and plan assets is December 31 of each year. All SNC-Lavalin's defined benefit pension plans are partly funded.

The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was $87.3 million in 2012 (2011: $78.4 million).

The following table sets forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31	2012	2011
Change in pension benefit obligation:		
Pension benefit obligation at beginning of year	$ 203,450	$ 122,677
Current service cost	2,058	1,327
Interest cost	7,669	6,202
Benefits paid	(12,619)	(11,531)
Contributions by plan participants	900	–
Actuarial losses	11,206	19,419
Effect of foreign currency exchange differences	2,184	(1,479)
Business acquisitions	–	66,835
Pension benefit obligation at end of year	$ 214,848	$ 203,450
Change in pension plan assets:		
Fair value of pension plan assets at beginning of year	$ 145,705	$ 85,244
Expected return on plan assets	9,572	6,038
Actuarial gains	3,342	1,984
Effect of foreign currency exchange differences	1,506	(1,283)
Benefits paid	(12,619)	(11,531)
Contributions by the employer	8,389	7,484
Contributions by plan participants	900	–
Business acquisitions	–	57,769
Fair value of pension plans assets at end of year	$ 156,795	$ 145,705

	DECEMBER 31 2012	DECEMBER 31 2011	DECEMBER 31 2010
Funded status reflected in the statement of financial position:			
Present value of the pension benefit obligation	$ 214,848	$ 203,450	$ 122,677
Fair value of pension plan assets	156,795	145,705	85,244
Pension plans in deficit	58,053	57,745	37,433
Additional liability due to minimum funding requirements	4,895	689	2,766
Net accrued pension benefit liability	$ 62,948	$ 58,434	$ 40,199

NOTE 29 PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table presents the allocation of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

	DECEMBER 31 2012	DECEMBER 31 2011
Asset category		
Equity securities	66% (1)	70% (1)
Debt securities	34% (1)	30% (1)
Total	100%	100%

(1) Due to the acquisition of Interfleet Technology Limited completed by SNC-Lavalin in 2011, the allocation of the major categories of assets of SNC-Lavalin's defined benefit pension plans as at December 31, 2011 is not representative of SNC-Lavalin's asset management policy or of its historical allocation patterns and is expected to be changed in the future to get closer to SNC-Lavalin's historical allocation patterns.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation and net benefit pension costs:

	DECEMBER 31 2012	DECEMBER 31 2011
Accrued pension benefit obligation		
Discount rate	3.59%	3.82%
Rate of compensation increase	3.27%	4.06%

YEAR ENDED DECEMBER 31	2012	2011
Net benefit pension costs		
Discount rate	3.82%	4.62%
Expected long-term rate of return on plans assets	6.64%	6.85%
Rate of compensation increase	4.06%	4.04%

SNC-Lavalin's assessment of the expected long-term rate of return on plans assets is based on the historical return trends and advisors' predictions on the future return of each asset category.

SNC-Lavalin's net defined benefit pension costs recognized in net income was comprised of:

YEAR ENDED DECEMBER 31	2012	2011
Current service cost	$ 2,058	$ 1,327
Interest cost on benefit obligation	7,669	6,202
Expected actuarial return on plan assets	(9,572)	(6,038)
Net defined benefit pension cost recognized in the year	$ 155	$ 1,491

SNC-Lavalin expects to make contributions of $7.6 million in 2013 to its defined benefit pension plans.

B) OTHER POST-EMPLOYMENT BENEFITS

As at December 31, 2012, the obligation for other post-employment benefits amounted to $17.7 million (December 31, 2011: $30.4 million, of which $19.1 million related to businesses acquired in 2011).

NOTE 30 CONTINGENT LIABILITY

A. ONGOING INVESTIGATIONS

In February 2012, the Board of Directors initiated an independent investigation (the "Independent Review") led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements, the "Representative Agreements") to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by authorities remain ongoing in connection with this information. The Company also continues to review compliance matters (including matters beyond the scope of the Independent Review), including to assess whether amounts may, directly or indirectly, have been improperly paid to persons owing fiduciary duties to the Company.

The Royal Canadian Mounted Police (the "RCMP") is investigating the Company's involvement in projects in Bangladesh and certain countries in Africa and this investigation has led to charges being laid against two former employees of a subsidiary of the Company under the *Corruption of Foreign Public Officials Act* (Canada) in regard to the Bangladesh project. The World Bank is also investigating the project in Bangladesh and certain other World Bank projects and, in March 2012, it temporarily suspended the subsidiary of the Company from new World Bank projects pending a final conclusion and decision on this matter.

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters, including an investigation by the securities regulator in Quebec, the *Autorité des marchés financiers*, and investigations by the RCMP and Swiss authorities (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012). In addition, the Former CEO of the Company and a former Executive Vice-President of the Company have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec and the same former Executive Vice-President has been detained by Swiss authorities since April 2012 in connection with potential criminal charges, including fraud-related matters.

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

The Company is currently unable to determine when these investigations will be completed, whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. While the Company continues to cooperate with authorities in connection with ongoing investigations, if regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties including temporary or permanent debarment from participating in projects by certain administrative organizations or governments, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities. In addition, these investigations and any negative publicity associated with these investigations, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of these investigations may affect the course of the Class Action (described below).

NOTE 30 CONTINGENT LIABILITY (CONTINUED)

B. CLASS ACTION LAWSUITS

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

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

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

The Actions each seek damages based on the decline in market value of the securities purchased by proposed class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as other damages and costs. The Ontario Action seeks additional damages based on a further drop in share price on June 25, 2012.

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

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

C. OTHER

The Company is a party to other claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations.

NOTE 31 OPERATING LEASE ARRANGEMENTS

SNC-Lavalin's minimum lease payments for annual basic rental under long-term operating leases, mainly for office space, amounted to $471.9 million in 2012. The annual minimum lease payments are as follows: 2013—$111.0 million; 2014—$95.1 million; 2015—$81.4 million; 2016—$58.9 million; 2017—$45.5 million and thereafter—$80.0 million.

SNC-Lavalin's payments under operating lease arrangements recognized as an expense in net income amounted to $90.8 million for the year ended December 31, 2012 (2011: $72.5 million). As at December 31, 2012 and 2011, the total of future minimum sublease payments expected to be received under non-cancellable subleases was not significant.

NOTE 32 REMUNERATION

A) EMPLOYEE REMUNERATION

Expenses recognized for employee benefits, including expenses recognized for key management remuneration and directors' fees, are analyzed as follows:

YEAR ENDED DECEMBER 31	2012	2011
Short-term benefits	$ 2,511,116	$ 1,966,345
Share-based payments	22,335	24,349
Defined contribution pension plans	78,932	70,883
Defined benefit pension plans and other post-employment benefits	2,432	3,773
	$ 2,614,815	$ 2,065,350

B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

Expenses recognized for key management remuneration and directors' fees, representing approximately 129 people (2011: 103 people) and comprising all members of the Company's Management Committee and all directors of SNC-Lavalin Group Inc.'s Board of Directors, are detailed as follows:

YEAR ENDED DECEMBER 31	2012	2011
Short-term benefits	$ 55,980	$ 32,290
Share-based payments	12,849	13,761
Defined benefit and defined contribution pension plans and other post-employment benefits	4,188	3,505
	$ 73,017	$ 49,556

NOTE 33 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.

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, in accordance with IFRS.

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink	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.

For the year ended December 31, 2012, SNC-Lavalin recognized revenues of $763.6 million (2011: $559.5 million) 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 $114.5 million for the year ended December 31, 2012 (2011: $102.8 million). Intragroup revenues generated from transactions with AltaLink, which amounted to $784.7 million for the year ended December 31, 2012 (2011: $419.6 million), were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to $23.3 million as at December 31, 2012 (2011: $43.7 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $172.4 million as at December 31, 2012 (2011: $83.0 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $141.5 million at December 31, 2012 (2011: $129.0 million).

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

NOTE 34 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The main subsidiaries, jointly controlled entities, jointly controlled operations and associates of the Company at December 31, 2012, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint venture interest are set out below:

SUBSIDIARIES	%	COUNTRY
AltaLink, L.P.	100.0	Canada
Candu Energy Inc.	100.0	Canada
DBA Engineering Ltd.	100.0	Canada
Groupe Qualitas Inc.	100.0	Canada
Groupe Stavibel Inc.	100.0	Canada
Infrastructure Famille Santé Inc.	100.0	Canada
Intecsa-Inarsa, S.A.	100.0	Spain
Interfleet Technology Limited	100.0	United Kingdom
Itansuca Proyectos de Ingenieria S.A.	100.0	Colombia
MDH Engineered Solutions Corp.	100.0	Canada
Marte Engenharia Ltda	100.0	Brazil
Minerconsult Engenharia Ltda	100.0	Brazil
Nexacor Realty Management Inc.	100.0	Canada
Okanagan Lake Concession Limited Partnership	100.0	Canada
Ovation Real Estate Group (Québec) Inc.	100.0	Canada
P.T. SNC-Lavalin TPS	95.0	Indonesia
Rainbow Hospital Partnership	100.0	Canada
S.A. SNC-Lavalin N.V.	100.0	Belgium
SNC-Lavalin (Malaysia) Sdn. Bhd.	100.0	Malaysia
SNC-Lavalin (Shanghai) International Trading Co. Ltd.	100.0	China
SNC-Lavalin Aéroports S.A.S.U.	100.0	France
SNC-Lavalin Algérie EURL	100.0	Algeria
SNC-Lavalin Angola Lda	100.0	Angola
SNC-Lavalin Arabia LLC	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	100.0	Australia
SNC-Lavalin Capital Inc.	100.0	Canada
SNC-Lavalin Chile S.A.	100.0	Chile
SNC-Lavalin Construction (Atlantic) Inc.	100.0	Canada
SNC-Lavalin Construction Inc.	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	Canada
SNC-Lavalin Construction International SAS	100.0	France
SNC-Lavalin Constructors Inc.	100.0	United States
SNC-Lavalin Constructors (Pacific) Inc.	100.0	Canada
SNC-Lavalin Constructors International Inc.	100.0	Canada
SNC-Lavalin Defence Programs Inc.	100.0	Canada
SNC-Lavalin Engineering India Private Limited	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	100.0	United States
SNC-Lavalin Eurasia OOO	100.0	Russia
SNC-Lavalin Europe B.V.	100.0	Netherlands
SNC-Lavalin Evergreen Line Holdings Limited	100.0	Canada
SNC-Lavalin Europe S.A.S.	100.0	France
SNC-Lavalin Inc.	100.0	Canada
SNC-Lavalin International Inc.	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	France
SNC-Lavalin Nuclear Inc.	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	Canada

NOTE 34 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

SUBSIDIARIES	%	COUNTRY
SNC-Lavalin Peru S.A.	100.0	Peru
SNC-Lavalin Pharma Inc.	100.0	Canada
SNC-Lavalin Polska Sp. zo.o.	100.0	Poland
SNC-Lavalin Romania S.A.	100.0	Romania
SNC-Lavalin S.A.S.	100.0	France
SNC-Lavalin Services Ltd.	100.0	Canada
SNC-Lavalin South Africa (Proprietary) Limited	100.0	South Africa
SNC-Lavalin UK Limited	100.0	United Kingdom
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	100.0	France
The SNC-Lavalin Corporation	100.0	United States

JOINTLY CONTROLLED ENTITIES	%	COUNTRY
Infrastructure Concession Investments		
407 East Development Group General Partnership	50.0	Canada
407 International Inc. (1)	16.77	Canada
Chinook Roads Partnership	50.0	Canada
Groupe immobilier santé McGill, S.E.N.C. (2)	60.0	Canada
TC Dôme S.A.S. (2)	51.0	France
Other		
SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company	50.0	Saudi Arabia

JOINTLY CONTROLLED OPERATIONS	%	COUNTRY
407 East Construction General Partnership	50.0	Canada
JV Vault	50.0	Canada
SLN-Aecon JV	50.0	Canada
SNC-Lavalin Graham Joint Venture	50.0	Canada
SNC-Lavalin Gulf Contractors LLC	49.0	United Arab Emirates
Société d'expertise et d'ingénierie L.G.L., S.A.	33.33	Haiti

ASSOCIATES	%	COUNTRY
Infrastructure Concession Investments		
Astoria Project Partners LLC	21.0	United States
Astoria Project Partners II LLC (3)	18.5	United States
InTransit BC Limited Partnership	33.3	Canada
Malta International Airport p.l.c. (3)	15.5	Malta
Myah Tipaza S.p.A.	25.5	Algeria
Rayalseema Expressway Private Limited	36.9	India
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	Algeria
Société d'Exploitation de Vatry Europort S.A. (2)	51.1	France
Other		
OAO VNIPIneft	48.0	Russia

(1) Although the Company holds less than 20% of the equity shares of 407 International Inc., the Company exercises joint control over this entity based on its contractual agreements.

(2) Although the Company's ownership interest in Groupe immobilier santé McGill, S.E.N.C., TC Dôme S.A.S. and Société d'Exploitation de Vatry Europort S.A. is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

(3) Although the Company's ownership interest in Astoria Project Partners II LLC and Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over these entities based on its contractual agreements.

MEMBERS OF THE OFFICE OF THE PRESIDENT

ROBERT G. CARD
President
and Chief Executive Officer

JEAN BEAUDOIN
Executive Vice-President
Integrated Management Systems

NEIL BRUCE
President
Resources & Environment

JIM BURKE
Executive Vice-President
Airports, Mass Transit, Railways, Ports and Marine

DARLEEN CARON
Executive Vice-President
Global Human Resources

CHARLES CHEBL
Executive Vice-President
Infrastructure and Construction

DALE CLARKE
Executive Vice-President
Mining & Metallurgy

RÉJEAN GOULET
Executive Vice-President and General Counsel

GILLES LARAMÉE
Executive Vice-President
Infrastructure, Concessions and Investments, and Chief Financial Officer

CHRISTIAN JACQUI
Executive Vice-President
Global Operations

MICHAEL NOVAK
Executive Vice-President
Global Government, Aboriginal and Economic Affairs

CHARLIE RATE
Executive Vice-President
Operations and Maintenance

RIC SORBO
Acting Executive Vice-President
Hydrocarbons & Chemicals

SCOTT THON
Acting Executive Vice-President
Power

BOARD OF DIRECTORS

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Vice-Chairman of the Board
SNC-Lavalin Group Inc.
Calgary, Alberta
Canada
Chair of the Audit Committee
Member of the Governance Committee
Member of the Project Review Committee

ROBERT G. CARD
President
and Chief Executive Officer
SNC-Lavalin Group Inc.
Montreal, Quebec
Canada

DAVID GOLDMAN
Company Director
Toronto, Ontario
Canada
Chair of the Project Review Committee
Member of the Audit Committee
Member of the Governance Committee
Member of the Health & Safety, Security and Environment Committee

PATRICIA A. HAMMICK, Ph.D.
Company Director
Kilmarnock, Virginia
United States
Member of the Audit Committee
Member of the Human Resources Committee

PIERRE H. LESSARD
Executive Chairman
Metro Inc.
Montreal, Quebec
Canada
Member of the Human Resources Committee

EDYTHE (DEE) A. MARCOUX
Company Director
Gibsons, British Columbia
Canada
Chair of the Health & Safety, Security and Environment Committee
Member of the Audit Committee
Member of the Governance Committee

PROFESSOR LORNA R. MARSDEN, C.M., Ph.D.
President Emerita
York University
Toronto, Ontario
Canada
Member of the Human Resources Committee
Member of the Health & Safety, Security and Environment Committee

CLAUDE MONGEAU
President and Chief Executive Officer
Canadian National Railway Company
Montreal, Quebec
Canada
Member of the Audit Committee
Member of the Human Resources Committee

GWYN MORGAN, C.M.
Chairman of the Board
SNC-Lavalin Group Inc.
North Saanich, British Columbia
Canada
Chair of the Governance Committee

MICHAEL D. PARKER, CBE
Company Director
London
United Kingdom
Member of the Health & Safety, Security and Environment Committee
Member of the Project Review Committee

CHAKIB SBITI
Company Director
Dubai
United Arab Emirates
Member of the Health & Safety, Security and Environment Committee
Member of the Project Review Committee

ERIC D. SIEGEL, ICD.D.
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Member of the Health & Safety, Security and Environment Committee
Member of the Project Review Committee

LAWRENCE N. STEVENSON
Managing Director
Callisto Capital LP
Toronto, Ontario
Canada
Chair of the Human Resources Committee
Member of the Governance Committee

GLOSSARY OF TERMS

THE FOLLOWING SECTION DEFINES SOME ABBREVIATIONS AND TERMS USED THROUGHOUT THE FINANCIAL REPORT.

BOOKING-TO-REVENUE RATIO
Ratio obtained by dividing the contract bookings by the revenues, for a given period.

EPC
Type of agreement classified as part of Packages activity whereby the Company provides Engineering, Procurement and Construction.

EPCM
Type of agreement classified as part of Services activity whereby the Company provides services related to Engineering, Procurement, and Construction Management activities. When entering into EPCM contracts, the Company does not account for construction and/or procurement amounts in its revenues, as it is acting as an agent to manage the procurement and/or construction on behalf of its clients.

COST-PLUS REIMBURSABLE CONTRACT
Contract in virtue of which the Company charges the client its actual costs as they are incurred plus a profit margin.

COST REIMBURSABLE WITH A FIXED-FEE CONTRACT
Contract in virtue of which the Company charges the client its actual costs as they are incurred, plus a fixed fee amount over the term of the agreement.

FIXED-PRICE CONTRACT
Contract in virtue of which the amount to be charged by the Company is fixed, regardless of the actual costs to be incurred by the Company. Also referred to as lumpsum contract.

HYDROCARBONS & CHEMICALS
Part of Services and Packages activities, it includes projects in the areas of bitumen production, heavy oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, specialty chemicals, biofuels, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture, transportation and storage, pipelines, terminals and pump stations.

IFRS
International financial reporting standards.

INFRASTRUCTURE & ENVIRONMENT
Part of Services and Packages activities, it includes a full range of infrastructure projects for the public and private sectors including airports, buildings, health care, educational and recreational facilities, seaports, marine and ferry terminals, flood control systems, urban transit systems, railways, roads and bridges, and water and wastewater treatment and distribution facilities. The Company also provides environmental services worldwide, and has specialized expertise in the power, infrastructure, hydrocarbons & chemicals, mining, industrial, rural development and climate change sectors.

INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")
The Company's equity investments in infrastructure concessions such as airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water.

LUMPSUM CONTRACT
Contract in virtue of which the amount to be charged by the Company is fixed, regardless of the actual costs to be incurred by the Company. Also referred to as fixed-price contract.

MINING & METALLURGY
Part of Services and Packages activities, it includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers.

NET CASH POSITION
Cash and cash equivalents less cash and cash equivalents from ICI and recourse debt.

O&M
Category of activity that includes contracts under which the company provides Operations and Maintenance in the following lines of businesses: i) Integrated Real Estate Solutions, ii) industrial, iii) transportation, and iv) defence and logistics. O&M revenues are derived primarily from cost-reimbursable with fixed-fee contracts, and from fixed-price contracts.

OPERATING INCOME
Gross margin less directly related selling, general and administrative expenses, imputed interest and corporate selling, general and administrative expenses. Imputed interest is allocated monthly to the Company's industry segments (except ICI) at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceed current liabilities or vice versa.

OTHER INDUSTRIES
Services and Packages projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid as well as projects related to other industrial facilities not already identified as part of any other industry segments of the Company.

PACKAGES
Category of activity that includes contracts wherein SNC-Lavalin is responsible not only for providing one or more Services activities, but also undertakes the responsibility for providing materials and equipment, and usually also include construction activities. As such, Packages revenues include the cost of materials, equipment and/or construction.

POWER
Part of Services and Packages activities, it includes projects in hydro, thermal and nuclear power generation, energy from waste, green energy solutions, and transmission and distribution.

REVENUE BACKLOG
Forward-looking indicator of anticipated revenues to be recognized by the Company, 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 an information that is comparable to the revenue backlog of other categories of activity, the Company limits the revenue backlog to the earlier of: i) the contract term awarded; and ii) the next five years.

ROASE
Return on Average Shareholders Equity, corresponding 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".

SERVICES
Category of activity that includes contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning.

TEN-YEAR STATISTICAL SUMMARY

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS			CANADIAN GAAP						
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues by activity										
Services	**3,175.0**	2,437.8	2,053.8	2,221.4	2,305.4	1,726.1	1,180.2	958.5	923.6	888.8
Packages	**3,020.4**	2,871.5	2,137.4	2,202.2	3,229.5	3,635.7	2,835.9	1,704.1	1,502.7	1,463.7
Operations and Maintenance	**1,330.5**	1,399.2	1,330.4	1,297.9	1,225.0	1,058.4	920.9	695.9	646.1	569.7
Infrastructure Concession Investments (ICI)	**565.1**	501.4	472.3	380.2	347.0	309.4	212.2	88.7	85.0	76.1
	8,091.0	7,209.9	5,993.9	6,101.7	7,106.9	6,729.6	5,149.2	3,447.2	3,157.4	2,998.3
Gross margin	**1,355.0**	1,252.1	1,301.0	1,151.1	1,012.9	565.3	536.8	457.1	446.3	433.6
Selling, general and administrative expenses	**851.2**	654.7	581.7	545.6	515.2	392.8	285.2	257.0	254.8	270.3
Net financial expenses										
From ICI	**112.5**	99.7	85.1	112.2	108.2	104.6	74.3	47.6	52.9	44.7
From other activities	**13.7**	15.5	26.0	16.0	(13.7)	(32.1)	(21.0)	(3.5)	5.2	4.6
Income before income tax expense	**377.6**	482.2	608.2	477.3	403.2	100.0	198.3	156.0	133.4	114.0
Income tax expense	**68.1**	94.9	120.8	108.2	85.1	23.5	55.0	50.6	46.1	43.2
Non-controlling interests	**–**	–	–	9.7	5.6	9.2	7.3	2.2	–	–
Net income from continuing operations	**309.5**	387.3	487.4	359.4	312.5	67.3	136.0	103.2	87.3	70.8
Net income from discontinued operations	**–**	–	–	–	–	84.1	21.8	24.3	15.7	15.7
Net income	**309.5**	387.3	487.4	359.4	312.5	151.4	157.8	127.5	103.0	86.5
Net income attributable to										
SNC-Lavalin Shareholders	**309.1**	378.8	476.7	359.4	312.5	151.4	157.8	127.5	103.0	86.5
Non-controlling interests	**0.4**	8.5	10.7	–	–	–	–	–	–	–
Net income	**309.5**	387.3	487.4	359.4	312.5	151.4	157.8	127.5	103.0	86.5
Return on average shareholders' equity (1)	**14.8%**	19.3%	28.4%	27.3%	29.1%	16.4%	19.0%	17.0%	15.1%	13.8%
Acquisition of property and equipment										
From ICI	**849.2**	545.8	402.0	274.1	193.5	308.6	182.5	22.3	9.1	75.0
From other activities	**96.2**	67.2	46.0	32.4	46.3	41.2	37.7	25.5	19.6	14.8
	945.4	613.0	448.0	306.5	239.8	349.8	220.2	47.8	28.7	89.8
Depreciation of property and equipment and amortization of other non-current assets										
From ICI	**99.2**	93.1	86.9	86.6	88.1	76.9	52.4	13.7	13.5	11.0
From other activities	**61.6**	45.4	39.6	43.5	41.9	35.2	28.2	24.6	31.4	32.6
	160.8	138.5	126.5	130.1	130.0	112.1	80.6	38.3	44.9	43.6
EBITDA (2)										
From ICI	**387.1**	344.1	330.6	252.9	238.8	214.5	146.4	65.5	62.8	49.9
From other activities	**277.4**	391.8	515.2	482.7	388.9	70.1	185.8	172.9	173.6	157.0
	664.5	735.9	845.8	735.6	627.7	284.6	332.2	238.4	236.4	206.9

(1) Excluding other components of equity.

(2) EBITDA, a non-IFRS financial measure, is defined as net income before net financial expenses, income tax expense, depreciation of property and equipment and amortization of other non-current assets. Under Canadian GAAP, net income was adjusted to add back non-controlling interests.

Note: The figures for 2009 and prior periods have been prepared in accordance with Canadian GAAP, and have not been restated as they relate to periods prior to the Date of Transition to International Financial Reporting Standards ("IFRS"). The net income for periods prior to the Date of Transition does not include non-controlling interests, as they were presented outside shareholders' equity under Canadian GAAP.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS			CANADIAN GAAP						
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Supplementary Information										
Net income (loss) attributable to SNC-Lavalin shareholders from ICI										
From Highway 407	100.6	77.2	50.3	9.8	20.0	10.1	8.1	(4.7)	(14.5)	(12.7)
From other ICI	56.3	54.0	84.6	27.1	17.2	13.2	6.8	6.1	7.2	4.1
Net income attributable to SNC-Lavalin shareholders excluding ICI	152.2	247.6	341.8	322.5	275.3	128.1	142.9	126.1	110.3	95.1
Net income attributable to SNC-Lavalin shareholders	309.1	378.8	476.7	359.4	312.5	151.4	157.8	127.5	103.0	86.5
Earnings per share ($)										
Basic	2.05	2.51	3.16	2.38	2.07	1.00	1.05	0.84	0.68	0.57
Diluted	2.04	2.49	3.13	2.36	2.05	0.99	1.03	0.83	0.67	0.56
Weighted average number of outstanding shares (in thousands)										
Basic	151,058	150,897	151,020	151,042	150,925	151,172	151,034	151,499	151,816	151,130
Diluted	151,304	151,940	152,277	151,992	152,265	152,697	152,685	153,143	153,449	153,639
Annual dividends declared per share ($)	0.89	0.85	0.72	0.62	0.51	0.39	0.30	0.23	0.18	0.14

AT DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS			CANADIAN GAAP						
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Number of employees	33,909	28,100	23,923	21,948	21,260	18,691	13,297	11,187	9,545	9,047
Revenue backlog by activity										
Services	2,151.3	2,226.1	1,410.7	1,464.9	1,545.3	1,556.5	819.8	604.2	564.9	567.7
Packages	5,747.7	5,482.8	5,572.4	4,197.5	3,508.0	4,457.0	6,082.6	4,308.1	2,483.2	1,749.5
Operations and Maintenance	2,234.4	2,379.1	2,732.8	2,596.1	2,196.2	2,513.9	1,570.2	2,112.4	2,213.5	764.3
	10,133.4	10,088.0	9,715.9	8,258.5	7,249.5	8,527.4	8,472.6	7,024.7	5,261.6	3,081.5
Cash and cash equivalents	1,174.9	1,231.0	1,235.1	1,218.2	988.2	1,088.6	1,106.3	1,153.5	676.3	471.9
Working capital	(164.1)	32.0	679.9	544.1	276.4	270.2	300.3	411.4	334.8	395.6
Property and equipment										
From ICI	3,470.0	2,637.7	2,072.8	2,217.0	1,750.7	1,640.7	1,439.3	452.5	450.8	456.8
From other activities	193.1	159.9	115.2	114.0	123.4	112.0	94.3	81.0	77.4	87.0
	3,663.1	2,797.6	2,188.0	2,331.0	1,874.1	1,752.7	1,533.6	533.5	528.2	543.8
Recourse long-term debt	348.5	348.4	348.2	452.9	104.7	104.6	104.5	104.4	104.3	104.2
Non-recourse long-term debt										
From ICI	2,000.7	1,561.4	1,529.0	2,005.5	2,003.3	1,971.0	1,650.5	785.9	728.5	673.1
From other activities	–	–	–	–	–	–	26.2	28.2	30.5	32.1
	2,000.7	1,561.4	1,529.0	2,005.5	2,003.3	1,971.0	1,676.7	814.1	759.0	705.2
Equity attributable to SNC-Lavalin shareholders	2,075.4	1,883.1	1,816.8	1,434.7	1,089.2	922.4	901.9	786.2	716.7	658.3
Book value per share ($)	13.74	12.47	12.03	9.50	7.21	6.11	5.97	5.20	4.73	4.33
Number of outstanding common shares (in thousands)	151,069	151,034	151,034	151,033	151,033	151,038	151,032	151,282	151,525	152,005
Closing market price per share ($)	40.32	51.08	59.77	53.99	39.69	48.14	31.47	25.43	19.33	17.00
Market capitalization	6,091.1	7,714.8	9,027.3	8,154.3	5,994.5	7,271.0	4,753.0	3,847.6	2,929.5	2,584.1

INFORMATION FOR SHAREHOLDERS

COMMON SHARE INFORMATION

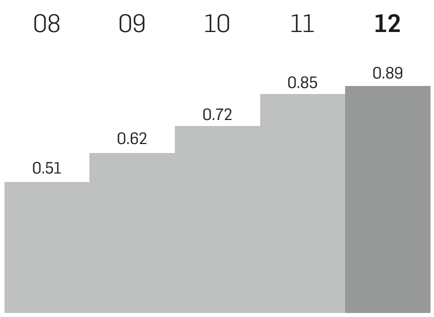
Listed:	Toronto Stock Exchange
Symbol:	SNC
Shares outstanding:	151.1 million (December 31, 2012)
Market capitalization:	$6,091 million (December 31, 2012)

TRADING ACTIVITY AND MARKET CAPITALIZATION

	Volume (M)	High ($)	Low ($)	Close ($)	Market Capitalization at Dec. 31 (M$)
2012	222.7	55.95	34.36	40.32	6,091
2011	122.8	63.23	38.51	51.08	7,715
2010	98.7	60.00	41.59	59.77	9,027
2009	103.6	54.00	26.35	53.99	8,154
2008	147.3	61.95	26.00	39.69	5,995

DIVIDENDS

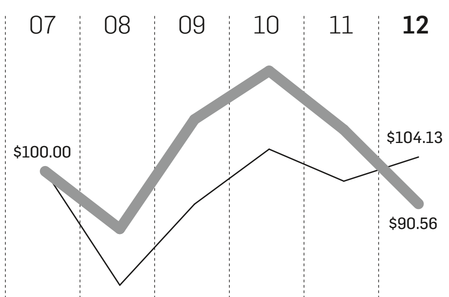
DIVIDENDS DECLARED FOR THE LAST FIVE YEARS
(in Canadian $)



PERFORMANCE GRAPH

The following performance graph illustrates the five-year cumulative total return assuming $100 was invested on December 31, 2007 in common shares of SNC-Lavalin and in the S&P/TSX Composite Total Return Index.

FIVE-YEAR CUMULATIVE TOTAL RETURN ON $100 INVESTED
(assumes dividends are reinvested)



SNC-Lavalin
S&P/TSX Composite Total Return Index

DEBT INSTRUMENT

$350 million principal amount of debentures, 6.19%, due July 2019

CREDIT RATINGS

Rating Agency	Rating and Outlook
Standard & Poor's Ratings Services	BBB+ / negative
DBRS	BBB (high) / stable

ANNUAL MEETING

The Annual Shareholders' Meeting will be held at 11:00 a.m. Eastern Daylight Time on Thursday, May 2, 2013, at the Palais des congrès, 1001 Place Jean-Paul-Riopelle, Montreal, Quebec.

KEY DATES FOR 2013

	Earnings Announcement	Dividend Record	Dividend Payment
Q1	May 2	May 16	May 30
Q2	August 2	August 16	August 30
Q3	November 1	November 15	November 29

Note: Dividends are subject to approval by the Board of Directors. These dates may change without prior notice.

REGISTRAR AND TRANSFER AGENT

If you would like to modify your address, eliminate multiple mailings, transfer SNC-Lavalin shares or for other information on your shareholder account such as dividends and registration, please contact:

Computershare Investor Services Inc.
100 University Ave., 9th Floor, North Tower, Toronto ON, M5J 2Y1
Telephone: 1-800-564-6253
Web: www.investorcentre.com

INDEPENDENT AUDITOR

Deloitte LLP
Montreal QC

INVESTOR RELATIONS

Denis Jasmin, Vice-President, Investor Relations
denis.jasmin@snclavalin.com
514-393-1000

CORPORATE GOVERNANCE

Our website provides information on our corporate governance practices, including our code of ethics and business conduct, and the mandates for the Board of Directors and the Board Committees, as well as various position descriptions.

CODE OF ETHICS AND BUSINESS CONDUCT

Our Code of Ethics and Business Conduct seeks to promote integrity and transparency in the conduct of our business and in our relations with our colleagues, directors, shareholders and business partners, including customers, associates and suppliers. To learn more, go to www.snclavalin.com and click on the Follow Us link.

PROXY CIRCULAR

The proxy circular contains information about our directors, board committee reports and further details of our corporate governance practices. This document is available online at www.snclavalin.com.

HAVE YOUR SAY

If you would like to ask a question at our annual meeting of shareholders, you can submit it in person. You can also send your question in by writing to the Vice-President and Corporate Secretary at:

Vice-President and Corporate Secretary
455 René-Lévesque Blvd. West, Montreal QC, H2Z 1Z3, Canada

HEAD OFFICE

SNC-Lavalin Group Inc.
455 René-Lévesque Blvd West, Montreal QC, H2Z 1Z3, Canada

WWW.SNCLAVALIN.COM

We invite you to visit our website at www.snclavalin.com to learn more about SNC-Lavalin, our governance practices, our continuous disclosure materials and to obtain electronic copies of this and other reports.

ADDITIONAL COPIES

To order additional copies of this report in English or French, please visit the Investors section at www.snclavalin.com.

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Pour télécharger la version française de ce rapport ou en demander un exemplaire, veuillez consulter la section Investisseurs au www.snclavalin.com.

66
Trees saved

1.1 t
Reduction in solid waste
(1/10 of a dump truck)

116 m³
Recuperated waste water
(about 1/20 of an Olympic swimming pool)

8.6 kg
Reduction of suspended particles in water
(or the equivalent of waste water from 1 household for about 1 month)

2.6 t CO_2
Reduction in atmospheric emissions
(or the emissions of 1 car for more than 6 months)

8,792 kWh
Net energy saved
(or the energy used to light and heat 1 house for about 4 months)

Enviromental gain estimates were made using the Environmental Paper Network Paper Calculator. www.papercalculator.org

100% EcoLogo BIO GAS ENERGY

ABOUT THE PRODUCTION OF OUR FINANCIAL REPORT

SNC-Lavalin recognizes the importance of contributing to the protection of our environment by using paper that comes from well-managed forests or other controlled sources, certified in accordance with the international standards of the Forest Stewardship Council.

This financial report is printed on paper certified by Environmental Choice (EcoLogo) with 100% post-consumption recycled fibres, de-inked without chlorine and made using biogas energy.

Using recycled paper for our financial report rather than virgin fibre paper helps protect the environment in a number of ways.

We invite you to visit our website at www.snclavalin.com for a list of our offices and to learn more about SNC-Lavalin.

SNC · LAVALIN

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