

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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized script font followed by "LLP" in a smaller, sans-serif font.

MARCH 8, 2013
MONTREAL, CANADA

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

CONSOLIDATED FINANCIAL STATEMENTS

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS OF C\$)	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 C\$, EXCEPT NUMBER OF COMMON SHARES)	2012						
	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL		RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 22)	TOTAL		
	COMMON SHARES (IN THOUSANDS)	AMOUNT					
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 C\$, EXCEPT NUMBER OF COMMON SHARES)	2011						
	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL		RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 22)	TOTAL		
	COMMON SHARES (IN THOUSANDS)	AMOUNT					
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 CASH,

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 C\$)	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 C\$)	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 C\$)

	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

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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 excluding 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			
	SERVICES AND PACKAGES	O&M	ICI	TOTAL
REVENUES BY GEOGRAPHIC AREA				
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:

NAME OF ICI	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
					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:

NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
				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 Fayeze Engineering Consultancies Company, also known as SNC-Lavalin Fayeze Engineering ("SLFE"), an engineering consultancy jointly controlled entity between SNC-Lavalin and its partners in Saudi Arabia, acquired the industrial division of Zuhair Fayeze 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:

	ICI	FROM OTHER ACTIVITIES		TOTAL
		SERVICES AND PACKAGES	O&M	
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 unsecured 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.

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING					OPTIONS EXERCISABLE	
	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 15 th 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 revalued financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- > Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- > Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's 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					FAIR VALUE
	HELD FOR TRADING	AVAILABLE- FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	
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					FAIR VALUE
	HELD FOR TRADING	AVAILABLE- FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	
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			FAIR VALUE
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	
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			FAIR VALUE
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	
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 financial 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 Fayed 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 Hadrjet En Nouss S.p.A.	26.0	Algeria
Société d'Exploitation de Vetry Europort S.A. ⁽²⁾	51.1	France
Other		
QAO VNIIneft	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 Vetry 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.