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Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2013 and 2012

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	September 30 2013	December 31 2012
ASSETS			
Current assets			
Cash and cash equivalents		**$ 797,714**	$ 1,174,900
Restricted cash		**46,999**	32,815
Trade receivables		**1,102,243**	1,175,152
Contracts in progress		**831,783**	764,563
Other current financial assets		**698,395**	428,820
Other current assets		**226,741**	217,819
Total current assets		**3,703,875**	3,794,069
Property and equipment:			
From ICI	4	**4,653,478**	3,469,990
From other activities		**176,968**	193,097
ICI accounted for by the equity method	4	**429,602**	373,445
ICI accounted for by the cost method	4	**344,416**	338,963
Goodwill	6	**584,658**	635,775
Deferred income tax asset		**238,232**	177,581
Non-current portion of receivables under service concession arrangements		**294,049**	258,924
Non-current financial assets		**206,882**	120,212
Other non-current assets		**290,077**	248,864
Total assets		**$ 10,922,237**	$ 9,610,920
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,040,920**	$ 1,649,776
Downpayments on contracts		**289,009**	346,780
Deferred revenues		**935,091**	972,820
Other current financial liabilities		**375,444**	302,309
Other current liabilities		**178,894**	158,689
Advances under contract financing arrangements	13	**130,944**	43,273
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4	**84,241**	484,575
Total current liabilities		**4,034,543**	3,958,222
Long-term debt:			
Recourse		**348,685**	348,545
Non-recourse from ICI	4	**3,087,971**	2,000,696
Other non-current financial liabilities		**169,687**	85,619
Provisions		**398,977**	323,391
Other non-current liabilities		**703,745**	593,429
Deferred income tax liability		**220,203**	222,582
Total liabilities		**8,963,811**	7,532,484
Equity			
Share capital		**489,122**	463,740
Retained earnings		**1,558,283**	1,714,379
Other components of equity	11	**(92,470)**	(102,686)
Equity attributable to SNC-Lavalin shareholders		**1,954,935**	2,075,433
Non-controlling interests		**3,491**	3,003
Total equity		**1,958,426**	2,078,436
Total liabilities and equity		**$ 10,922,237**	$ 9,610,920

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

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

2013

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	**151,069**	**$ 463,740**	**$ 1,714,379**	**$ (102,686)**	**$ 2,075,433**	**$ 3,003**	**$ 2,078,436**
Net income (loss) for the period	**–**	**–**	**(56,769)**	**–**	**(56,769)**	**523**	**(56,246)**
Other comprehensive income for the period	**–**	**–**	**2,170**	**10,216**	**12,386**	**–**	**12,386**
Total comprehensive income (loss) for the period	**–**	**–**	**(54,599)**	**10,216**	**(44,383)**	**523**	**(43,860)**
Dividends declared (Note 10)	**–**	**–**	**(104,514)**	**–**	**(104,514)**	**–**	**(104,514)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(35)**	**(35)**
Stock option compensation (Note 8A)	**–**	**–**	**8,185**	**–**	**8,185**	**–**	**8,185**
Shares issued under stock option plans	**548**	**25,382**	**(5,168)**	**–**	**20,214**	**–**	**20,214**
Balance at end of the period	**151,617**	**$ 489,122**	**$ 1,558,283**	**$ (92,470)**	**$ 1,954,935**	**$ 3,491**	**$ 1,958,426**

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

2012 (1)

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	151,034	$ 455,682	$ 1,543,199	$ (115,813)	$ 1,883,068	$ 3,648	$ 1,886,716
Net income for the period	–	–	212,085	–	212,085	287	212,372
Other comprehensive income for the period	–	–	(487)	1,745	1,258	–	1,258
Total comprehensive income for the period	–	–	211,598	1,745	213,343	287	213,630
Dividends declared (Note 10)	–	–	(99,694)	–	(99,694)	–	(99,694)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(642)	(642)
Stock option compensation (Note 8A)	–	–	10,270	–	10,270	–	10,270
Shares issued under stock option plans	174	7,094	(1,356)	–	5,738	–	5,738
Shares redeemed and cancelled	(176)	(538)	(6,336)	–	(6,874)	–	(6,874)
Disposal of a subsidiary	–	–	–	–	–	(412)	(412)
Balance at end of the period	151,032	$ 462,238	$ 1,657,681	$ (114,068)	$ 2,005,851	$ 2,881	$ 2,008,732

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE AND NUMBER OF SHARES)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2013**	2012 (1)	**2013**	2012 (1)
Revenues by activity:					
Services		**$ 626,794**	$ 797,695	**$ 2,000,555**	$ 2,253,760
Packages		**819,837**	745,549	**2,280,194**	2,065,657
O&M		**318,838**	304,488	**1,000,074**	981,078
ICI accounted for by the full consolidation or cost methods		**134,692**	106,669	**385,497**	313,379
ICI accounted for by the equity method		**45,034**	20,848	**122,497**	55,543
		1,945,195	1,975,249	**5,788,817**	5,669,417
Direct cost of activities		**1,764,893**	1,586,197	**5,070,275**	4,702,252
Gross margin		**180,302**	389,052	**718,542**	967,165
Selling, general and administrative expenses		**175,732**	208,234	**611,477**	606,196
Restructuring costs and goodwill impairment	6	**68,249**	–	**68,249**	–
Net financial expenses	7	**41,924**	35,906	**110,162**	96,060
Income (loss) before income tax expense (benefit)		**(105,603)**	144,912	**(71,346)**	264,909
Income tax expense (benefit), net		**(33,139)**	30,986	**(15,100)**	52,537
Net income (loss) for the period		**$ (72,464)**	$ 113,926	**$ (56,246)**	$ 212,372
Net income (loss) attributable to:					
SNC-Lavalin shareholders		**$ (72,717)**	$ 114,056	**$ (56,769)**	$ 212,085
Non-controlling interests		**253**	(130)	**523**	287
Net income (loss) for the period		**$ (72,464)**	$ 113,926	**$ (56,246)**	$ 212,372
Earnings (loss) per share (in $)					
Basic		**$ (0.48)**	$ 0.76	**$ (0.37)**	$ 1.40
Diluted		**$ (0.48)**	$ 0.75	**$ (0.37)**	$ 1.40
Weighted average number of outstanding shares (in thousands)	9				
Basic		**151,588**	151,035	**151,423**	151,061
Diluted		**151,588**	151,175	**151,423**	151,331

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30

(IN THOUSANDS OF CANADIAN DOLLARS)	**2013**			2012 [1]		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income (loss) for the period	**$ (72,717)**	**$ 253**	**$ (72,464)**	$ 114,056	$ (130)	$ 113,926
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	**132**	–	**132**	(14,410)	–	(14,410)
Available-for-sale financial assets (Note 11)	**(1,548)**	**–**	**(1,548)**	448	–	448
Cash flow hedges (Note 11)	**6,498**	**–**	**6,498**	(6,784)	–	(6,784)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 11)	**(1,694)**	**–**	**(1,694)**	2,213	–	2,213
Income tax expense (Note 11)	**(844)**	**–**	**(844)**	(2,566)	–	(2,566)
Total of items that will be reclassified subsequently to net income	**2,544**	–	**2,544**	(21,099)	–	(21,099)
Defined benefit pension plans and other post-employment benefits (Note 11)	**(9,326)**	**–**	**(9,326)**	(1,571)	–	(1,571)
Income tax benefit (Note 11)	**2,288**	**–**	**2,288**	397	–	397
Total of items that will not be reclassified subsequently to net income	**(7,038)**	**–**	**(7,038)**	(1,174)	–	(1,174)
Total other comprehensive loss for the period	**(4,494)**	–	**(4,494)**	(22,273)	–	(22,273)
Total comprehensive income (loss) for the period	**$ (77,211)**	**$ 253**	**$ (76,958)**	$ 91,783	$ (130)	$ 91,653

NINE MONTHS ENDED SEPTEMBER 30

(IN THOUSANDS OF CANADIAN DOLLARS)	**2013**			2012 [1]		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income (loss) for the period	**$ (56,769)**	**$ 523**	**$ (56,246)**	$ 212,085	$ 287	$ 212,372
Other comprehensive income:						
Exchange differences on translating foreign operations (Note 11)	**(2,551)**	**–**	**(2,551)**	(23,052)	–	(23,052)
Available-for-sale financial assets (Note 11)	**(772)**	**–**	**(772)**	619	–	619
Cash flow hedges (Note 11)	**(522)**	**–**	**(522)**	30,244	–	30,244
Share of other comprehensive income of investments accounted for by the equity method (Note 11)	**19,886**	**–**	**19,886**	2,487	–	2,487
Income tax expense (Note 11)	**(5,825)**	**–**	**(5,825)**	(8,553)	–	(8,553)
Total of items that will be reclassified subsequently to net income	**10,216**	**–**	**10,216**	1,745	–	1,745
Defined benefit pension plans and other post-employment benefits (Note 11)	**2,992**	**–**	**2,992**	(645)	–	(645)
Income tax (expense) benefit (Note 11)	**(822)**	**–**	**(822)**	158	–	158
Total of items that will not be reclassified subsequently to net income	**2,170**	**–**	**2,170**	(487)	–	(487)
Total other comprehensive income for the period	**12,386**	**–**	**12,386**	1,258	–	1,258
Total comprehensive income (loss) for the period	**$ (44,383)**	**$ 523**	**$ (43,860)**	$ 213,343	$ 287	$ 213,630

[1] See Note 2C for explanations relating to comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2013**	2012 (1)	**2013**	2012 (1)
Operating activities					
Net income (loss) for the period		**$ (72,464)**	$ 113,926	**$ (56,246)**	$ 212,372
Adjustments to reconcile net income (loss) to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other non-current assets:					
From ICI		**30,948**	19,353	**90,081**	67,919
From other activities		**16,187**	16,449	**48,172**	44,429
Income tax expense (benefit) recognized in net income (loss)		**(33,139)**	30,986	**(15,100)**	52,537
Income taxes received (paid)		**(11,857)**	6,412	**(57,071)**	(16,987)
Net financial expenses recognized in net income (loss)	7	**41,924**	35,906	**110,162**	96,060
Interest paid:					
From ICI		**(19,446)**	(12,427)	**(74,030)**	(63,987)
From other activities		**(11,155)**	(10,873)	**(23,014)**	(21,909)
Expense recognized in respect of stock options	8A	**1,995**	2,121	**8,185**	10,270
Expense recognized in respect of cash-settled share-based payment arrangements	8B	**5,843**	3,388	**8,721**	7,704
Income from ICI accounted for by the equity method		**(45,034)**	(20,848)	**(122,497)**	(55,543)
Dividends and distributions received from ICI accounted for by the equity method		**65,150**	19,942	**116,156**	53,754
Goodwill impairment	6	**48,500**	–	**48,500**	–
Net change in provisions related to forecasted losses on certain contracts	2B	**62,625**	(4,097)	**40,251**	40,197
Other		**20,917**	(3,254)	**18,042**	(3,200)
		100,994	196,984	**140,312**	423,616
Net change in non-cash working capital items	12	**(29,499)**	(200,642)	**(156,334)**	(200,092)
Net cash generated from (used for) operating activities		**71,495**	(3,658)	**(16,022)**	223,524
Investing activities					
Acquisition of property and equipment:					
From ICI	4B	**(374,771)**	(144,278)	**(887,138)**	(524,105)
From other activities		**(12,990)**	(24,196)	**(32,920)**	(75,897)
Payments for ICI		**(12,818)**	(9,671)	**(33,909)**	(48,525)
Acquisition of businesses		**–**	(2,003)	**(1,553)**	(17,047)
Payments for interests in a jointly controlled entity	5	**–**	–	**–**	(40,255)
Increase in receivables under service concession arrangements		**(13,358)**	(9,944)	**(37,892)**	(22,306)
Recovery of receivables under service concession arrangements		**1,515**	971	**7,492**	21,832
Increase in deposit notes	4D	**(66,611)**	–	**(66,611)**	–
Decrease in deposit notes	4D	**12,174**	–	**12,174**	–
Other		**(3,299)**	19,214	**(19,851)**	14,533
Net cash used for investing activities		**(470,158)**	(169,907)	**(1,060,208)**	(691,770)
Financing activities					
Increase in non-recourse debt from ICI	4B	**483,350**	126,076	**1,094,997**	504,871
Repayment of non-recourse debt from ICI	4B	**(76,982)**	(44,311)	**(403,902)**	(46,093)
Increase in advances under contract financing arrangements	13	**31,758**	–	**100,736**	–
Repayment of advances under contract financing arrangements	13	**–**	–	**(13,832)**	–
Proceeds from exercise of stock options		**1,938**	137	**20,214**	5,738
Redemption of shares		**–**	(332)	**–**	(6,874)
Dividends paid to SNC-Lavalin shareholders	10	**(34,866)**	(33,228)	**(104,514)**	(99,694)
Other		**2,279**	1,575	**5,611**	(1,831)
Net cash generated from financing activities		**407,477**	49,917	**699,310**	356,117
Decrease in exchange differences on translating cash and cash equivalents		**(409)**	(4,121)	**(266)**	(5,270)
Net increase (decrease) in cash and cash equivalents		**8,405**	(127,769)	**(377,186)**	(117,399)
Cash and cash equivalents at beginning of period		**789,309**	1,241,419	**1,174,900**	1,231,049
Cash and cash equivalents at end of period		**$ 797,714**	$ 1,113,650	**$ 797,714**	$ 1,113,650

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

The Company provides engineering and construction, and operations and maintenance ("O&M") 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 and referred to as "ICI" in these financial statements.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2012 were consistently applied to all periods presented, except for accounting policies affected by standards and amendments adopted in 2013, as described in Note 2C.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3 in the Company's annual audited consolidated financial statements for the year ended December 31, 2012. They remained unchanged for the three-month and nine-month periods ended September 30, 2013, except for i) the expected long-term rate of return on pension plan assets, which is no longer used for calculating the Company's net defined benefit pension cost following the adoption of amendments to IAS 19, *Employee Benefits*, effective January 1, 2013, as described in Note 2C; and ii) assumptions made for restructuring costs and goodwill impairment, as described in Note 6.

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 is generally based on the fair value of consideration given in exchange for assets upon initial recognition.

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2012 annual audited consolidated financial statements.

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2013.

B) CHANGE IN PRESENTATION

In the third quarter of 2013, the Company has made a retrospective change to the presentation of its statement of cash flows and comparative figures were reclassified for the net change in provisions related to forecasted losses on certain contracts, to provide details on this element. Therefore, the amount of the net change in provisions related to forecasted losses on certain contracts of $4.1 million in the third quarter of 2012 and of $40.2 million in the nine-month period ended September 30, 2012 was reclassified from "other" to "net change in provisions related to forecasted losses on certain contracts" included in the operating activities in the statement of cash flows.

2. BASIS OF PREPARATION (CONTINUED)

C) STANDARDS AND AMENDMENTS ADOPTED IN 2013

The following standards and amendments to existing standards have been adopted by the Company on January 1, 2013:

- 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.

Except for the amendments to IAS 19, the standards and amendments listed above did not have a significant impact on the Company's financial statements. The initial application of the amendments to IAS 19 was made in accordance with its transitional provisions and resulted in a retrospective application in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. For the three-month and nine-month periods ended September 30, 2012, the amendments to IAS 19 resulted in an increase in the net defined benefit pension cost included in "selling, general and administrative expenses" on the income statement and in an equivalent decrease in actuarial losses (or an equivalent increase in actuarial gains) 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. This change relates mainly to the elimination of the expected long-term rate of return on plan assets, which is replaced by a discount rate applied to the net accrued defined benefit pension liability under the amendments to IAS 19. The tables below present the impact from the adjustments made to the comparative figures for each of the four quarters of 2012 and the year ended December 31, 2012:

(IN THOUSANDS OF CANADIAN DOLLARS)	THREE MONTHS ENDED MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	YEAR ENDED DECEMBER 31 2012
Impact on consolidated income statement:					
Increase in selling, general and administrative expenses	$ (1,060)	$ (1,060)	$ (1,060)	$ (1,060)	$ (4,240)
Decrease in income tax expense	263	263	263	263	1,052
Decrease in net income	(797)	(797)	(797)	(797)	(3,188)
Net income, as published in consolidated financial statements	67,346	32,694	114,723	94,767	309,530
Net income, as adjusted	$ 66,549	$ 31,897	$ 113,926	$ 93,970	$ 306,342

2. BASIS OF PREPARATION (CONTINUED)

	THREE MONTHS ENDED				YEAR ENDED
(IN THOUSANDS OF CANADIAN DOLLARS)	MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	DECEMBER 31 2012
Impact on consolidated statement of comprehensive income:					
Increase in actuarial gains (or decrease in actuarial losses) arising from defined benefit pension plans and other post-employment benefits	$ 1,060	$ 1,060	$ 1,060	$ 1,060	$ 4,240
Increase in income tax expense (or decrease in income tax benefit)	(263)	(263)	(263)	(263)	(1,052)
Increase in total other comprehensive income	797	797	797	797	3,188
Total other comprehensive income (loss), as published in consolidated financial statements	26,565	(4,628)	(23,070)	4,936	3,803
Total other comprehensive income (loss), as adjusted	$ 27,362	$ (3,831)	$ (22,273)	$ 5,733	$ 6,991

	THREE MONTHS ENDED				YEAR ENDED
(IN CANADIAN DOLLARS)	MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	DECEMBER 31 2012
Impact on basic earnings per share:					
Basic earnings per share, as published in consolidated financial statements	$ 0.44	$ 0.22	$ 0.76	$ 0.63	$ 2.05
Basic earnings per share, as adjusted	0.44	0.21	0.76	0.62	2.03
Decrease in basic earnings per share	$ -	$ (0.01)	$ -	$ (0.01)	$ (0.02)

	THREE MONTHS ENDED				YEAR ENDED
(IN CANADIAN DOLLARS)	MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	DECEMBER 31 2012
Impact on diluted earnings per share:					
Diluted earnings per share, as published in consolidated financial statements	$ 0.44	$ 0.21	$ 0.76	$ 0.63	$ 2.04
Diluted earnings per share, as adjusted	0.44	0.21	0.75	0.62	2.02
Decrease in diluted earnings per share	$ -	$ -	$ (0.01)	$ (0.01)	$ (0.02)

D) STANDARD, AMENDMENTS AND INTERPRETATION ISSUED TO BE ADOPTED AT A LATER DATE

The following interpretation and amendments to an existing standard have been issued and are applicable to the Company for its annual periods beginning on January 1, 2014 and thereafter, with an earlier application permitted:

- IFRIC Interpretation 21, *Levies*, considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements.
- *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36, *Impairment of Assets*) address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

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

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2015 and thereafter, 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.

3. SEGMENT DISCLOSURES

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

	THIRD QUARTER 2013 REVENUES	THIRD QUARTER 2013 OPERATING INCOME (LOSS)	THIRD QUARTER 2012 [1] REVENUES	THIRD QUARTER 2012 [1] OPERATING INCOME	NINE MONTHS ENDED SEPTEMBER 30 2013 REVENUES	NINE MONTHS ENDED SEPTEMBER 30 2013 OPERATING INCOME (LOSS)	NINE MONTHS ENDED SEPTEMBER 30 2012 [1] REVENUES	NINE MONTHS ENDED SEPTEMBER 30 2012 [1] OPERATING INCOME
Services and Packages								
Infrastructure & Environment [2]	$ 478,092	$ (130,000)	$ 536,824	$ 15,726	$ 1,375,543	$ (229,529)	$ 1,464,882	$ 10,810
Mining & Metallurgy	392,993	14,641	401,413	34,963	1,145,549	25,523	1,044,635	62,614
Power	349,993	12,044	297,661	38,461	1,141,832	100,777	929,623	59,394
Oil & Gas (Previously Hydrocarbons and Chemicals) [3]	147,340	3,031	216,810	10,941	363,084	(82,575)	611,290	32,756
Other Industries	78,213	10,198	90,536	10,541	254,741	20,526	268,987	25,963
O&M	318,838	8,640	304,488	15,854	1,000,074	32,513	981,078	27,968
ICI	179,726	55,675	127,517	30,908	507,994	157,717	368,922	86,536
	$ 1,945,195	(25,771)	$ 1,975,249	157,394	$ 5,788,817	24,952	$ 5,669,417	306,041
Reversal of items included above:								
Imputed interest benefit		(8,294)		(12,141)		(31,293)		(42,075)
Net financial expenses from ICI		30,467		30,001		93,346		81,920
Income tax expense from ICI		7,843		5,339		19,424		14,269
Non-controlling interests before income tax expense		325		225		636		814
Income before net financial expenses and income tax expense (benefit)		4,570		180,818		107,065		360,969
Restructuring costs and goodwill impairment (Note 6) [4]		68,249		–		68,249		–
Net financial expenses (Note 7)		41,924		35,906		110,162		96,060
Income (loss) before income tax expense (benefit)		(105,603)		144,912		(71,346)		264,909
Income tax expense (benefit), net		(33,139)		30,986		(15,100)		52,537
Net income (loss) for the period		$ (72,464)		$ 113,926		$ (56,246)		$ 212,372
Net income (loss) attributable to:								
SNC-Lavalin shareholders		$ (72,717)		$ 114,056		$ (56,769)		$ 212,085
Non-controlling interests		253		(130)		523		287
Net income (loss) for the period		$ (72,464)		$ 113,926		$ (56,246)		$ 212,372

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

(2) For the nine-month period ended September 30, 2013, the operating loss of $229.5 million is mainly due to unfavourable cost reforecasts on certain unprofitable legacy fixed price contracts, particularly in the hospital and road sectors, recognized by the Company in the third quarter of 2013, a risk provision of $47.0 million recognized in the second quarter of 2013, following an unexpected attempt to draw this amount under letters of credit previously issued in favour of a client on a Libyan project, as well as approximately $32 million recognized in the first quarter of 2013 from additional costs on a major hospital project.

(3) For the nine-month period ended September 30, 2013, the operating loss of $82.6 million results mainly from an unfavourable cost reforecast recognized by the Company in the third quarter of 2013 and from a loss of $70.1 million recognized in the second quarter of 2013 relating to a confirmation of claim received alleging late penalties, both for a legacy fixed-price project in Algeria.

(4) Goodwill impairment for the "Services and Packages-Europe" cash-generating unit related to the Infrastructure & Environment, Oil & Gas and Other Industries reportable segments. The operating income (loss) by reportable segment presented above excludes the amount of restructuring costs and goodwill impairment.

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 (loss) excluding ICI, as this information is useful in assessing the value of the Company's share price.

	THIRD QUARTER 2013	THIRD QUARTER 2012 [1]	NINE MONTHS ENDED SEPTEMBER 30 2013	NINE MONTHS ENDED SEPTEMBER 30 2012 [1]
Supplementary information:				
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	$ 33,548	$ 14,677	$ 72,129	$ 44,032
From AltaLink	21,312	13,552	52,469	37,771
From other ICI [2]	815	2,679	33,119	4,733
Net income (loss) attributable to SNC-Lavalin shareholders excluding ICI	(128,392)	83,148	(214,486)	125,549
Net income (loss) attributable to SNC-Lavalin shareholders for the period	$ (72,717)	$ 114,056	$ (56,769)	$ 212,085

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

(2) For the nine-month period ended September 30, 2013, uncertainties on dividend collection from one of the Company's ICI accounted for by the equity method were resolved, positively impacting net income from other ICI.

4. 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

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

I) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

RIDEAU TRANSIT GROUP PARTNERSHIP

In February 2013, the Company announced that the Rideau Transit Group Partnership, a consortium of which SNC-Lavalin is a partner at 40%, has finalized an agreement with the City of Ottawa to design, build, finance and maintain the Confederation Line, the city’s first-ever light rail transit system. The Rideau Transit Group Partnership will be responsible for the construction of 12.5 km of guideway, 10 above-ground stations, three underground stations and a 2.5-km tunnel beneath the downtown core. The consortium will also widen a portion of Highway 417, supply the light rail transit vehicles, build a maintenance and storage facility, and provide ongoing maintenance of the system for a 30-year period. The Company committed to invest in this ICI an amount of $30 million in equity.

SNC-Lavalin’s investment in the Rideau Transit Group Partnership is accounted for by the equity method.

II) IN THE YEAR ENDED DECEMBER 31, 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.

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

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.

B) NET BOOK VALUE OF ICI

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

		SEPTEMBER 30 2013		DECEMBER 31 2012
Cash and cash equivalents	**$**	**75,277**	$	17,606
Restricted cash		**2,521**		2,454
Trade receivables, other current financial assets and other current assets		**176,048**		175,807
Property and equipment [1]		**4,653,478**		3,469,990
Goodwill		**203,786**		203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets		**471,395**		348,961
Other non-current assets and deferred income tax asset		**226,621**		192,394
Total assets		**5,809,126**		4,410,998
Trade payables, deferred revenues, other current financial liabilities and other current liabilities		**715,222**		300,060
Non-recourse short-term debt and current portion of non-recourse long-term debt [2]		**84,241**		484,575
Non-recourse long-term debt [2]		**3,087,971**		2,000,696
Other non-current financial liabilities		**157,194**		76,539
Provisions and other non-current liabilities		**706,517**		596,757
Total liabilities		**4,751,145**		3,458,627
Net assets from ICI accounted for by the full consolidation method [3]	**$**	**1,057,981**	$	952,371
Net book value of ICI accounted for by the equity method [4]		**429,602**	$	373,445
Net book value of ICI accounted for by the cost method [5]		**344,416**		338,963
Total net book value of ICI	**$**	**1,831,999**	$	1,664,779

(1) The increase of property and equipment from ICI from December 31, 2012 to September 30, 2013 is due to AltaLink's acquisition of property and equipment for a total cash outflow of $887.1 million for the nine-month period ended September 30, 2013.

(2) For the nine-month period ended September 30, 2013, the variation in non-recourse debt from ICI is explained as follows:

		Short-term debt and current portion of long-term debt		Long-term debt
Balance as at December 31, 2012	$	484,575	$	2,000,696
Issuance by AltaLink of long-term debt (Medium-Term Notes, 3.36% to 4.95%, due from 2020 to 2053)		–		925,000
Repayment by AltaLink of long-term debt		(325,000)		–
Repayment by AltaLink of short-term debt		(76,002)		–
Issuance by Rainbow Hospital Partnership of long-term debt (Note 4D)		–		122,924
Other		668		39,351
Balance as at September 31, 2013	**$**	**84,241**	**$**	**3,087,971**

(3) The net assets related to AltaLink totalled $950.9 million as at September 30, 2013 (December 31, 2012: $820.4 million).

(4) Includes the Company's investment in Highway 407, for which the net book value was $nil as at September 30, 2013 and December 31, 2012.

(5) Represents mainly the net book value of the Company's investment in Ambatovy.

C) AMBATOVY NICKEL PROJECT

As disclosed in its annual audited consolidated financial statements for the year ended December 31, 2012, SNC-Lavalin provides a US$105 million financial guarantee and a US$70 million cross-guarantee to the Ambatovy project's lenders. Both guarantees will remain outstanding until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning of the project (the "Completion Date") and could be called by the lenders if such conditions are not met by the Completion Date. In July 2013, lenders to the Ambatovy project agreed to extend the Completion Date from September 2013 to September 2015.

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

D) RAINBOW HOSPITAL PARTNERSHIP

In August 2013, SNC-Lavalin announced that Rainbow Hospital Partnership, in which it holds a 100% ownership interest, has completed an agreement with external lenders to refinance its project debt, which was initially internally financed by the Company, for the Restigouche Hospital Center for psychiatric care in New Brunswick. The agreement refinances an aggregate principal amount of $122.9 million, composed of i) $51.5 million of short-term bonds due in October 2014 and bearing interest at a fixed rate of 2.636%; and ii) $71.4 million in long-term bonds due in March 2044 and bearing interest at a fixed rate of 4.994%. This project debt is non-recourse to SNC-Lavalin. Upon refinancing, an amount of $66.6 million of proceeds from issuance of this project debt was invested in deposit notes, which are included in "other current financial assets" in the Company's consolidated statement of financial position.

E) ASTORIA PROJECT PARTNERS II LLC ("ASTORIA II")

In September 2013, SNC-Lavalin announced that it has reached an agreement to sell 66% of its ownership interest in Astoria II, the owner of the legal entity that owns and operates the Astoria II power plant in New York City. SNC-Lavalin has an 18.5% ownership interest in Astoria II. This transaction is subject to closing conditions, regulatory approvals and the provisions of the Astoria II governing documents.

Due to the cumulative share of other comprehensive loss of this investment accounted for by the equity method (Note 11) exceeding the carrying value of this ICI, the carrying value related to SNC-Lavalin's ownership interest in Astoria II was $nil as at September 30, 2013.

5. SNC-LAVALIN FAYEZ ENGINEERING ("SLFE")

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

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

6. RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

Restructuring costs and goodwill impairment amounted to $68.2 million before taxes in the third quarter of 2013 and were as follows:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Restructuring costs	**$ 19,749**	$ –	**$ 19,749**	$ –
Goodwill impairment	**48,500**	–	**48,500**	–
Restructuring costs and goodwill impairment	**$ 68,249**	$ –	**$ 68,249**	$ –

As part of the reorganization of its activities intended to implement its strategic plan and to increase efficiency and competitiveness, the Company incurred restructuring costs totalling $19.7 million in the third quarter of 2013. These costs represent amounts paid during the period for a total of $9.6 million, as well as provisions for costs for a total of $10.1 million as at September 30, 2013, mainly for severances and office closures. These accrued restructuring costs are expected to be disbursed within the next 12 months.

The restructuring costs recognized were mainly for the reorganization of the Company's European activities, including the disposal and closure of certain offices. Such reorganization, the lack of profitability on certain activities and a decrease in the overall level of activities in the "Services and Packages – Europe" cash-generating unit resulted in a goodwill impairment totalling $48.5 million in the third quarter of 2013. The amount of goodwill impairment was calculated using a discounted cash flow model, which is based on key assumptions such as future cash flows and discount rates. The discount rate used for the current estimate and previous impairment test as at October 31, 2012 was 14.0%.

7. NET FINANCIAL EXPENSES

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Interest revenues:				
From ICI	**$ (2,407)**	$ (1,234)	**$ (4,027)**	$ (3,761)
From other activities	**(1,833)**	(1,493)	**(5,865)**	(6,110)
Interest on debt:				
Recourse	**5,467**	5,458	**16,389**	16,380
Non-recourse from ICI:				
AltaLink	**30,089**	28,084	**87,600**	76,023
Other	**2,715**	1,920	**6,492**	5,795
Other:				
From ICI	**70**	1,231	**3,281**	3,863
From other activities	**7,823**	1,940	**6,292**	3,870
Net financial expenses	**$ 41,924**	$ 35,906	**$ 110,162**	$ 96,060

8. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the third quarter and the nine-month period ended September 30, 2013 was $2.0 million (third quarter of 2012: $2.1 million) and $8.2 million (nine-month period ended September 30, 2012: $10.3 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	THIRD QUARTER (*)		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Risk-free interest rate	**–**	–	**1.15%**	1.61%
Expected stock price volatility	**–**	–	**30.26%**	33.62%
Expected option life	**–**	–	**4.5 years**	4 years
Expected dividend yield	**–**	–	**2.00%**	1.50%

(*) There are no figures for the third quarters of 2013 and 2012 as no stock options were granted to employees during these periods.

During the nine-month period ended September 30, 2013, the Company introduced the 2013 Stock Option Plan in favour of its key employees. The 2013 Stock Option Plan is similar to the 2011 Stock Option Plan with the exception that, among other things, the expiry of stock options has increased from 5 to 6 years.

During the third quarters of 2013 and 2012, no stock options were granted to employees. For the nine-month period ended September 30, 2013, 1,246,800 stock options under the Company's 2013 Stock Option Plan were granted to employees (nine-month period ended September 30, 2012: 1,173,900 stock options under the Company's 2011 Stock Option Plan) with a weighted average fair value of $9.28 per stock option (nine-month period ended September 30, 2012: weighted average fair value of $9.39 per stock option).

As at September 30, 2013, 4,698,706 stock options were outstanding (December 31, 2012: 5,363,600 stock options), while 2,265,900 stock options remained available for future grants under the Company's 2013 Stock Option Plan (December 31, 2012: 123,300 stock options under the Company's 2011 Stock Option Plan).

B) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the nine-month periods ended September 30, 2013 and 2012:

NINE MONTHS ENDED SEPTEMBER 30	**2013**		2012	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)
2009 PSU plan	**55,150**	**$ 43.01**	44,120	$ 37.04
2009 DSU plan	**58,650**	**$ 43.01**	46,820	$ 37.04
RSU plan	**317,581**	**$ 41.57**	418,177	$ 37.16
DSU plan	**30,894**	**$ 41.89**	28,065	$ 41.47

The compensation expense recorded in the third quarter and the nine-month period ended September 30, 2013 relating to cash-settled share-based payment arrangements was $5.8 million (third quarter of 2012: $3.4 million) and $8.7 million (nine-month period ended September 30, 2012: $7.7 million), respectively.

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the third quarters and the nine-month periods ended September 30, 2013 and 2012 used to calculate the basic and diluted earnings (loss) per share were as follows:

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Weighted average number of outstanding shares - basic	**151,588**	151,035	**151,423**	151,061
Dilutive effect of stock options	**–**	140	**–**	270
Weighted average number of outstanding shares - diluted	**151,588**	151,175	**151,423**	151,331

In the third quarter and the nine-month period ended September 30, 2013, 4,698,706 outstanding stock options (third quarter and nine-month period ended September 30, 2012: 3,106,498 outstanding stock options) have not been included in the computation of diluted loss (diluted earnings) per share because they were anti-dilutive.

10. DIVIDENDS

During the nine-month period ended September 30, 2013, SNC-Lavalin recognized as distributions to its equity shareholders dividends of $104.5 million or $0.69 per share (nine-month period ended September 30, 2012: $99.7 million or $0.66 per share).

NINE MONTHS ENDED SEPTEMBER 30		**2013**		2012
Dividends payable at January 1	**$**	**–**	$	–
Dividends declared during the period		**104,514**		99,694
Dividends paid during the period		**(104,514)**		(99,694)
Dividends payable at September 30	**$**	**–**	$	–

11. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income tax, within its other components of equity at September 30, 2013 and December 31, 2012:

		SEPTEMBER 30 2013		DECEMBER 31 2012
Exchange differences on translating foreign operations	**$**	**(50,526)**	$	(47,975)
Available-for-sale financial assets		**2,069**		2,558
Cash flow hedges		**(705)**		395
Share of other comprehensive loss of investments accounted for by the equity method		**(43,308)**		(57,664)
Other components of equity	**$**	**(92,470)**	$	(102,686)

- 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 at fair value of available-for-sale financial assets. Where 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. Where a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's proportionate share of the other comprehensive income (loss) from its investments accounted for by the equity method.

11. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the third quarters and the nine-month periods ended September 30, 2013 and 2012:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ (50,658)**	$ (41,670)	**$ (47,975)**	$ (33,028)
Current period gains (losses)	**132**	(14,410)	**(2,551)**	(23,052)
Balance at end of period	**(50,526)**	(56,080)	**(50,526)**	(56,080)
Available-for-sale financial assets:				
Balance at beginning of period	**3,127**	1,670	**2,558**	1,538
Current period gains (losses)	**(1,359)**	448	**(344)**	704
Income tax (expense) benefit relating to current period gains (losses)	**439**	(39)	**200**	(89)
Reclassification to net income	**(189)**	–	**(428)**	(85)
Income tax expense relating to amounts reclassified to net income	**51**	–	**83**	11
Balance at end of period	**2,069**	2,079	**2,069**	2,079
Cash flow hedges:				
Balance at beginning of period	**(4,969)**	7,219	**395**	(24,375)
Current period gains (losses)	**2,306**	11,596	**(2,515)**	5,065
Income tax expense relating to current period gains (losses)	**(1,023)**	(2,695)	**(521)**	(597)
Reclassification to net income	**4,192**	(18,380)	**1,993**	25,179
Income tax expense (benefit) relating to amounts reclassified to net income	**(1,211)**	1,376	**(57)**	(6,156)
Balance at end of period	**(705)**	(884)	**(705)**	(884)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(42,514)**	(60,188)	**(57,664)**	(59,948)
Current period share	**(5,088)**	830	**11,953**	(4,769)
Income tax (expense) benefit relating to current period share	**1,818**	(1,082)	**(3,415)**	123
Reclassification to net income	**3,394**	1,383	**7,933**	7,256
Income tax benefit relating to amounts reclassified to net income	**(918)**	(126)	**(2,115)**	(1,845)
Balance at end of period [1]	**(43,308)**	(59,183)	**(43,308)**	(59,183)
Other components of equity	**$ (92,470)**	$ (114,068)	**$ (92,470)**	$ (114,068)

[1] The cumulative share of other comprehensive loss of investments accounted for by the equity method related to SNC-Lavalin's ownership interest in Astoria II was $15.7 million, net of tax, as at September 30, 2013.

The following tables provide a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the third quarters and the nine-month periods ended September 30, 2013 and 2012:

THREE MONTHS ENDED SEPTEMBER 30	**2013**			2012		
	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX
Cumulative amount at beginning of period	**$ (9,818)**	**$ 2,580**	**$ (7,238)**	$ (13,152) [1]	$ 3,527 [1]	$ (9,625) [1]
Recognized during the period	**(9,326)**	**2,288**	**(7,038)**	(1,571) [1]	397 [1]	(1,174) [1]
Cumulative amount at end of period	**$ (19,144)**	**$ 4,868**	**$ (14,276)**	$ (14,723)	$ 3,924	$ (10,799)

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

NINE MONTHS ENDED SEPTEMBER 30	**2013**			2012		
	BEFORE TAX	INCOME TAX BENEFIT (EXPENSE)	NET OF TAX	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX
Cumulative amount at beginning of period	**$ (22,136)**	**$ 5,690**	**$ (16,446)**	$ (14,078) [2]	$ 3,766 [2]	$ (10,312) [2]
Recognized during the period	**2,992**	**(822)**	**2,170**	(645) [1]	158 [1]	(487) [1]
Cumulative amount at end of period	**$ (19,144)**	**$ 4,868**	**$ (14,276)**	$ (14,723)	$ 3,924	$ (10,799)

(1) See Note 2C for explanations relating to comparative figures.
(2) As at January 1, 2012, the amendments to IAS 19 resulted in a decrease in cumulative actuarial losses of $3.4 million and in a decrease in cumulative income tax benefit of $0.9 million.

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	**2013**	2012
Decrease (increase) in trade receivables	**$ 11,892**	$ (74,161)	**$ 39,763**	$ (80,535)
Increase in contracts in progress	**(63,568)**	(99,633)	**(66,834)**	(185,597)
Increase in other current financial assets	**(52,425)**	(45,720)	**(187,974)**	(58,904)
Decrease (increase) in other current assets	**9,285**	18,069	**14,250**	(26,434)
Increase in trade payables	**203,619**	77,461	**116,904**	112,098
Increase (decrease) in downpayments on contracts	**(45,885)**	(15,838)	**(57,993)**	21,424
Increase (decrease) in deferred revenues	**(107,448)**	(35,855)	**(80,771)**	51,950
Increase in other current financial liabilities	**25,062**	12,092	**70,709**	23,171
Decrease in other current liabilities	**(10,031)**	(37,057)	**(4,388)**	(57,265)
Net change in non-cash working capital items	**$ (29,499)**	$ (200,642)	**$ (156,334)**	$ (200,092)

13. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

In May 2012, SNC-Lavalin announced the financial closure and official signing of the Grandir en santé expansion project of the Sainte-Justine University Hospital Centre. Under the contract, SNC-Lavalin provides engineering, construction and financing to the Sainte-Justine University Hospital Centre.

In the second quarter of 2013, the Company entered into a non-recourse $201.0 million credit facility agreement with financial institutions for the financing of this project. Amounts drawn under the revolving credit facility bear interest at a rate for bankers' acceptances plus 1.45% per year. The credit facility matures no later than 2016.

The Company has the following non-recourse advances under contract financing arrangements, which are secured by the projects' specific assets, at September 30, 2013 and December 31, 2012:

	SEPTEMBER 30 2013	DECEMBER 31 2012
Sainte-Justine University Hospital Centre	**$ 67,744**	$ –
Evergreen Line rapid transit project	**63,200**	43,273
Advances under contract financing arrangements	**$ 130,944**	$ 43,273

14. 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.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

For the third quarter and the first nine months of 2013, SNC-Lavalin recognized revenues of $194.3 million (third quarter of 2012: $184.5 million) and $525.3 million (first nine months of 2012: $542.5 million), respectively, from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these ICI accounted for by the equity method of $45.0 million for the third quarter of 2013 (third quarter of 2012: $20.8 million) and $122.5 million for the first nine months of 2013 (first nine months of 2012: $55.5 million), respectively. For the third quarter and the first nine months of 2013, intragroup revenues generated from transactions with AltaLink, which amounted to $412.7 million (third quarter of 2012: $191.9 million) and $1,156.5 million (first nine months of 2012: $509.6 million), respectively, 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 $48.8 million as at September 30, 2013 (December 31, 2012: $23.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $237.1 million as at September 30, 2013 (December 31, 2012: $172.4 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $155.2 million at September 30, 2013 (December 31, 2012: $141.5 million).

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

15. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

In February 2012, the Board of Directors initiated an independent investigation (the "Independent Review"), led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements, 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 three former employees of a subsidiary of the Company under the *Corruption of Foreign Public Officials Act* (Canada) in regard to the Bangladesh project.

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

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.

15. CONTINGENT LIABILITIES (CONTINUED)

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

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 and communicate with authorities in connection with these 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 (such as the World Bank Settlement) 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 outcomes of these investigations (including the World Bank Settlement) and any negative publicity associated therewith, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described below).

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.

15. CONTINGENT LIABILITIES (CONTINUED)

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.

16. SUBSEQUENT EVENT

On October 30, 2013, AltaLink announced that it has agreed to issue $500.0 million principal amount of 3.668% Medium-Term Notes due November 6, 2023 led by a syndicate of financial institutions. Distribution of the Medium-Term Notes is scheduled to close on November 4, 2013. The Medium-Term Notes are secured by a first floating charge security interest in and to the present and future property and assets of AltaLink. The Medium-Term Notes rank *pari passu* with all present and future senior secured indebtedness and have priority over all present and future unsecured indebtedness and all subordinated indebtedness. The net proceeds of the offering will be used to repay outstanding short-term debt and fund the growth and expansion of its electric transmission network in Alberta.

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