FINANCIAL REPORT 2014

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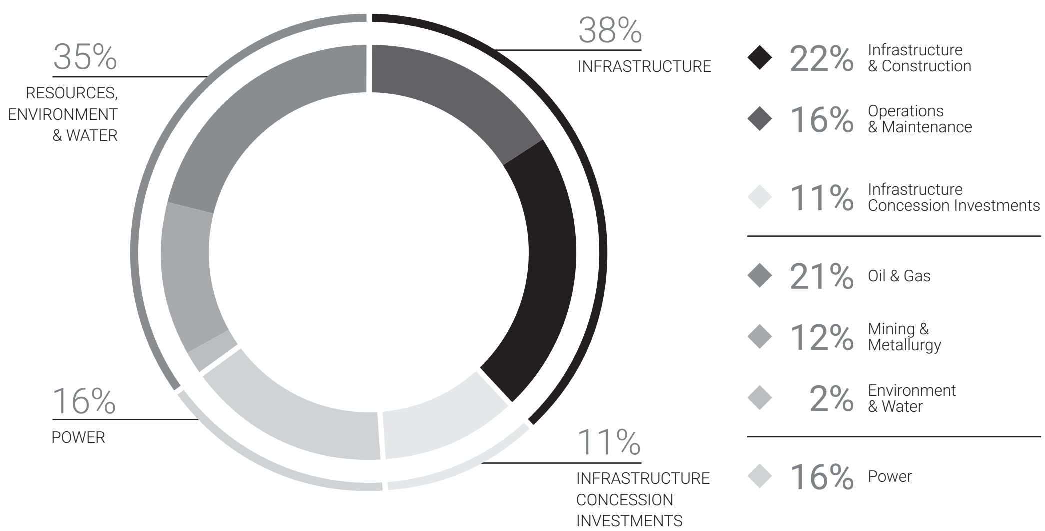
Financial Highlights

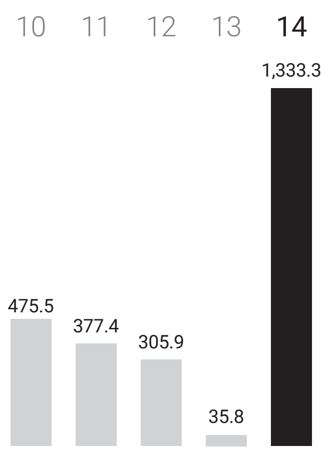
2014 REVENUES
By industry segment



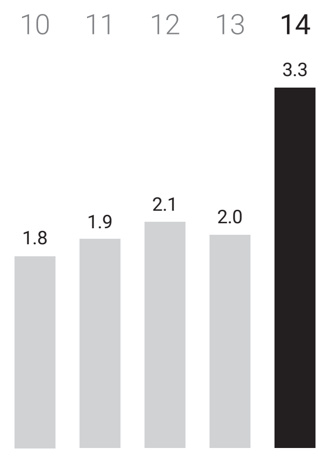
By geographic area

42,000 EMPLOYEES | ACTIVE IN SOME 100 COUNTRIES | $8 BILLION OF REVENUES

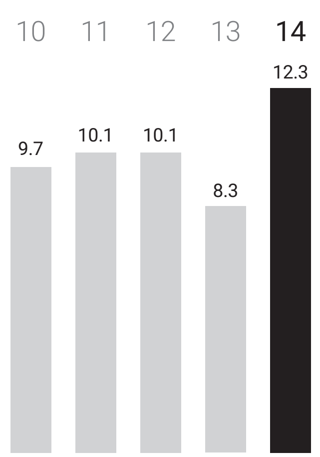
Net income attributable to SNC-Lavalin shareholders
(IN MILLIONS CA$)



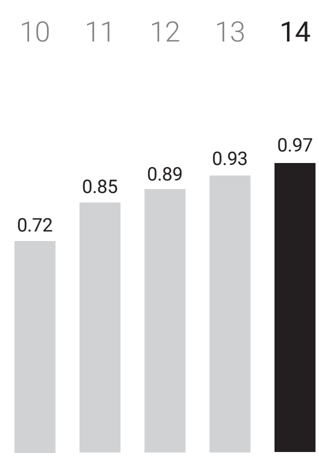
Equity attributable to SNC-Lavalin shareholders
(IN BILLIONS CA$)



Revenue backlog
(IN BILLIONS CA$)



Dividends
(IN CA$)



2014 Management's Discussion and Analysis

March 5, 2015

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

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on the Company's website (www.snclavalin.com) as well as on SEDAR (www.sedar.com), the system used for electronically filing most securities-related information with the Canadian securities regulatory authorities. None of the information contained on, or connected to the SNC-Lavalin website is incorporated by reference or otherwise part of this MD&A.

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

COMPARATIVE FIGURES

In 2014, the Company revised its reportable segments to reflect the changes made to its internal reporting structure. SNC-Lavalin's reportable segments are now i) **Resources, Environment and Water** ("**REW**"); ii) **Power**; iii) **Infrastructure**; and iv) **ICI**. The Company also provides additional information on certain sub-segments of its segments, notably on the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments of REW, as well as on the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure. In 2014, the Company also changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by "segment earnings before interest and taxes" ("segment EBIT"). As such, the Company no longer calculates imputed interest. The Company also no longer includes net financial expenses and income taxes in its measure of profit or loss for the ICI segment. In the year ended December 31, 2014, the Company has also made a retrospective change to the presentation of its statement of cash flows and comparative figures were reclassified for the change in restricted cash position, to provide details on this element. Therefore, the amount of the change in restricted cash position of $22.2 million in the year ended December 31, 2013 was reclassified from "Other" to "Change in restricted cash position" included in the investing activities in the statement of cash flows. The comparative figures have been adjusted in this MD&A to reflect the abovementioned changes.

Forward-looking statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on March 5, 2015. The assumptions are set out throughout this MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in this MD&A). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the CFPOA and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in ICI that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) the Company may be unable to successfully integrate the businesses of SNC-Lavalin and Kentz and realize the anticipated benefits of the Acquisition; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (cc) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (dd) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (ee) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in this report.

The forward-looking statements herein reflect the Company's expectations as at March 5, 2015, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTENTS

1. 2014 EXECUTIVE SUMMARY

1.1 EXECUTIVE SUMMARY – FINANCIAL INDICATORS

NET INCOME

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS PER SHARE)	2014	2013	CHANGE (%)
Net income (loss) attributable to SNC-Lavalin shareholders:			
From E&C	**$ (300.5)**	$ (245.8)	22.3%
From ICI	**1,633.9**	281.6	480.2%
Net income attributable to SNC-Lavalin shareholders	**$ 1,333.3**	$ 35.8	N/A
Earnings (loss) per share - diluted (in $)			
From E&C	**$ (1.97)**	$ (1.62)	21.6%
From ICI	**10.71**	1.86	478.9%
Earnings per share - diluted (in $)	**$ 8.74**	$ 0.24	N/A

> For the year ended December 31, 2014, net income attributable to SNC-Lavalin shareholders was $1,333.3 million ($8.74 per share on a diluted basis), compared to $35.8 million ($0.24 per share on a diluted basis) for the comparable period in 2013. The higher net income attributable to SNC-Lavalin shareholders in 2014 was mainly due to a higher net income attributable to SNC-Lavalin shareholders from Infrastructure Concession Investments ("ICI"), notably from a gain on disposal of the Company's ownership interest in AltaLink Holdings, L.P. ("AHLP" or "AltaLink"), partially offset by a higher net loss attributable to SNC-Lavalin shareholders from Engineering & Construction ("E&C").

> Net loss attributable to SNC-Lavalin shareholders from E&C was $300.5 million in 2014, compared to $245.8 million in 2013, mainly attributable to:

- $149.9 million ($149.0 million after taxes) of additional reserves mainly due to increased counterparty credit risk, impairment of an investment, as well as other charges relating to the restructuring and right-sizing plan announced on November 6, 2014;
- $99.9 million ($80.4 million after taxes) of financing, acquisition-related and integration costs in 2014, related to the acquisition of Kentz Corporation Limited ("Kentz");
- $36.5 million ($26.5 million after taxes) of amortization of intangible assets related to the acquisition of Kentz on August 22, 2014.
- $109.9 million ($99.5 million after taxes) of restructuring costs in 2014, compared to $123.5 million ($112.1 million after taxes) of restructuring costs and goodwill impairment in 2013.

When excluding the abovementioned items, there was a lower negative segment EBIT in Infrastructure combined with a higher contribution from REW, partially offset by a lower contribution from Power, compared to the previous year.

> Net income attributable to SNC-Lavalin shareholders from ICI increased in 2014 compared to 2013, principally due to the net gain of $1,334.2 million on disposals of AltaLink, Astoria and Ovation further described in section 8.4.3.3, compared to a net gain of $36.2 million on partial disposal of Astoria Project Partners II LLC ("Astoria II"), a higher net income from AltaLink, and the Company ceasing to depreciate and amortize AltaLink's non-current assets starting May 1st, 2014, resulting from the classification of AltaLink's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date, as well as higher dividends received from Highway 407. The increase was partially offset by the impairment of an investment, as well as a lower contribution from SKH.

REVENUES

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2014	2013	CHANGE (%)
Revenues	$ 8,238.8	$ 7,913.2	4.1%

> Revenues increased in 2014, compared to 2013, reflecting an increase in Services, ICI, as well as Packages, mainly due to the incremental Services and Packages revenues from Kentz.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2014	2013	CHANGE (%)
Selling costs	$ 188.4	$ 216.2	(12.9%)
General and administrative expenses	653.0	620.4	5.3%
Selling, general and administrative expenses	$ 841.4	$ 836.6	0.6%

> Selling, general and administrative expenses in 2014 were in line with 2013, and amounted to $841.4 million, despite the incremental selling, general and administrative expenses from Kentz of $67.8 million, mainly attributable to costs savings resulting from the Company's restructuring plans implemented in the second half of 2013, as well as other initiatives under the Value Up program. The Company expects to continue implementing selling, general and administrative expenses reduction initiatives and expects to integrate further potential selling, general and administrative expenses synergies following the acquisition of Kentz.

CASH NET OF RECOURSE DEBT

AT DECEMBER 31 (IN MILLIONS CA$)	2014	2013	CHANGE (%)
Cash and cash equivalents	$ 1,702.2	$ 1,108.7	53.5%
Less:			
Cash and cash equivalents of ICI accounted for by the full consolidation method	29.3	17.8	65.0%
Recourse debt	348.9	348.7	0.1%
Cash net of recourse debt	$ 1,324.0	$ 742.2	78.4%

> Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents from ICI and recourse debt) increased as at December 31, 2014 compared to December 31, 2013, mainly reflecting an increase in cash and cash equivalents.

REVENUE BACKLOG

AT DECEMBER 31 (IN MILLIONS CA$)	2014	2013
Services	$ 4,684.0	$ 1,629.6
Packages	5,693.5	4,429.7
Operations & Maintenance ("O&M")	1,947.9	2,228.5
Total	$ 12,325.5	$ 8,287.8

> The Company's revenue backlog increased at December 31, 2014 compared to 2013, reflecting an increase in Services and Packages, mainly from the acquisition of Kentz, partially offset by a decrease in O&M.

DIVIDEND INCREASE

> On March 5, 2015, the Company's Board of Directors approved a quarterly dividend of $0.25 per share, a 4.2% increase over the previous quarterly dividend declared.

1.2 EXECUTIVE SUMMARY – OTHER ITEMS

BUSINESS ACQUISITION

> On June 23, 2014, in line with its strategy, the Company announced that it has reached an agreement with Kentz Corporation Limited ("Kentz"), approved by the boards of directors of both companies, on the terms of a cash acquisition by which the entire ordinary share capital of Kentz, issued and to be issued, was to be acquired by SNC-Lavalin (the "Acquisition") for a consideration estimated at approximately £1.2 billion (CA$2.1 billion). Kentz is a global oil & gas services company. On August 22, 2014, the Company announced that it has completed the Acquisition. Christian Brown, Kentz's Chief Executive Officer, was then appointed President, Oil & Gas, SNC-Lavalin Group Inc., leading the Company's Oil & Gas business unit.

> In August 2014, in connection with Kentz acquisition, the Facility entered into by the Company in December 2013 was amended to: i) increase the committed amount from $3,500 million to $4,250 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of $1,800 million applicable to financial letters of credit and cash draws but not to performance letters of credit; and ii) extend the maturity of the Facility from December 2016 to August 2017, with an annual extension option for a one-year period upon lenders' approval.

> The Company successfully completed its acquisition of Kentz without ultimately increasing its level of indebtedness.

ICI PORTFOLIO

> In February 2014, the Company announced that InPower BC General Partnership, its wholly owned subsidiary, signed an agreement with BC Hydro to design, build, partially finance, maintain and rehabilitate the John Hart Generating Replacement Facility, in Canada, under a 20-year contract.

> On September 30, 2014, SNC-Lavalin sold its 100% ownership interest in Ovation Real Estate Group (Quebec) Inc. ("Ovation") which principal activity was to build, operate and maintain an acoustic concert hall in Montreal, Canada. SNC-Lavalin will continue to provide operations and maintenance services for this acoustic concert hall and its new owner, until 2038.

> On October 15, 2014, SNC-Lavalin announced that it sold its 21% ownership interest in Astoria, the owner of the legal entity that owns and operates a gas-fired combined-cycle power plant in New York City. The total cash consideration received amounted to US$93.5 million (CA$104.9 million).

> On December 1, 2014, SNC-Lavalin sold its 100% ownership interest in AltaLink Holdings, L.P. ("AHLP"), the parent company of AltaLink, L.P., the owner and operator of transmission lines and substations subject to rate regulation in Alberta, to Berkshire Hathaway Energy. The total cash consideration received amounted to $3.1 billion.

ACTIONS TO ALIGN OPERATIONS WITH GROWTH STRATEGY AND END-MARKET ECONOMICS

> On November 6, 2014, the Company announced that it will take a number of steps to restructure and right-size certain areas of its business as it continues to execute its five-year strategic plan to build a global Tier-1 engineering and construction firm. Accordingly, over 18 months following this announcement, SNC-Lavalin expected to incur charges of approximately $200 million after taxes to scale back certain underperforming activities and adjust, consolidate and streamline some of its operations and corporate structure to improve efficiency, effectiveness and competitive positioning. Simultaneously, the Company was also expecting to record approximately $100 million after taxes of non-cash charges over this time.

2. OVERVIEW OF OUR BUSINESS AND STRATEGY

2.1 OUR BUSINESS

SNC-Lavalin is one of the leading engineering and construction groups in the world, and is a major player in the ownership of infrastructure and in the provision of operations and maintenance ("O&M") services.

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

SNC-LAVALIN CONSISTS OF:
A network of offices located in over 50 countries with approximately 42,000 EMPLOYEES working on projects around the world, offering expertise that meets clients' needs and making selective investments in infrastructure concessions

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

- Mining & Metallurgy
- Oil & Gas
- Environment & Water
- Power
- Infrastructure & Construction

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

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

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

- Airports
- Bridges
- Cultural and public service buildings
- Highways
- Mass transit systems
- Power
- Water treatment facilities

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

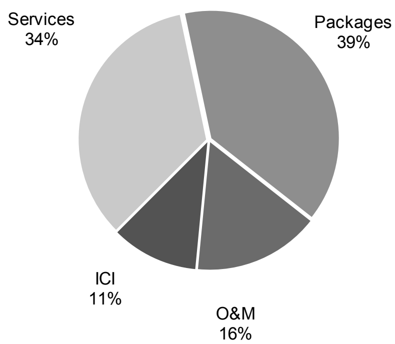
SNC-Lavalin has ongoing projects in multiple geographic regions and for multiple segments, showing the diversity of the Company's operations. The Company's geographic and industry diversification is one of the key factors that allows SNC-Lavalin to differentiate itself from its competitors.

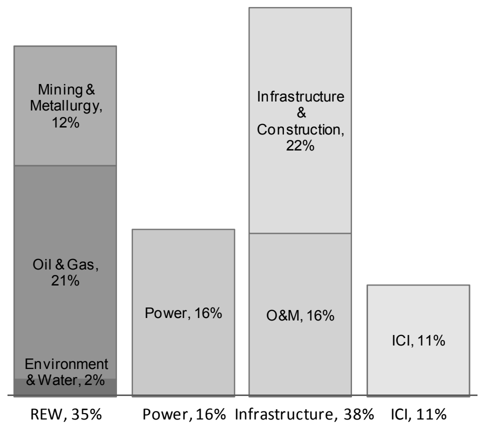
The **diversity of the Company's revenue base** and its capacity to operate in different categories of activity, industry segments and geographic areas are illustrated in the following 2014 revenue charts.

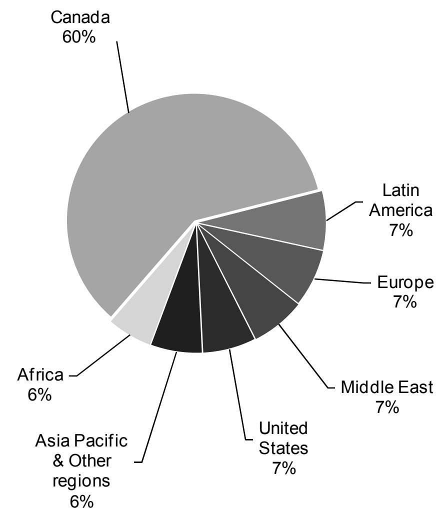
DIVERSITY OF THE COMPANY'S REVENUE BASE

2014 Revenues
($8.2 billion)

CATEGORIES OF ACTIVITY	SEGMENTS	GEOGRAPHIC AREAS







Four activities that are complimentary... **...serving multiple industry segments...** **...with good geographic coverage and Canada as its largest base**

2.2 OUR BUSINESS STRATEGY

On May 2, 2013, the Company announced its five year strategic plan designed to increase long-term stability and profitability and maximizing shareholder value. SNC-Lavalin's new strategy outlines key sectors and geographic markets that the Company will target. It also outlines the integrated solutions for its Infrastructure Concession Investments ("ICI") and its disciplined approach to employing capital.

SNC-Lavalin's strategy contains three pillars, which are designed to work together to enhance performance on multiple levels and across the organization. They are:

GROWTH PLATFORMS:

SNC-Lavalin is putting renewed focus on strengthening its position in certain key sectors and geographic markets.

The Company has determined an accelerated growth path for its Resources, Environment and Water Group. In Oil & Gas, SNC-Lavalin will leverage the acquisition of Kentz and expand its capabilities and market reach to compete in projects which deliver high value to its targeted blue chip international and national oil and gas companies. For the Mining & Metallurgy practice, SNC-Lavalin wants to solidify its tier 1 status and position for higher long-term profitability. With the Environment & Water sectors, the Company envisages multiple opportunities to generate growth, including synergies with the Oil & Gas and Mining & Metallurgy sectors. The Company is committed to a global platform.

The Clean Power and Infrastructure markets represent a sustained growth platform for the Company. In Clean Power, SNC-Lavalin intends to focus on high growth and margin subsectors such as transmission & distribution, nuclear, and hydro. The Company has a strong and mature position in these key sectors. In the Infrastructure sector, the Company will focus on growing the transportation market by leveraging its Public-Private Partnership ("P3") and transit experience. The Group will be centered around major, complex projects, building on its strong capabilities in airports, ports, major bridges and highways. The Company will emphasize expanding its strong footprint in Canada and the rest of the Americas with selective global expansion.

SNC-Lavalin will continue to evaluate strategic acquisitions to support its growth strategy as described above. The acquisition of Kentz in 2014 was a major milestone in delivering on its strategy.

Regarding its offering mix, the Company intends to leverage the full spectrum of its capabilities which include: Services; Packages; O&M and Sustaining Services. Services is an area of core strength for the Company and will be key to its growth strategy as it intends to increase the percentage of Services revenues as a percentage of total revenues. SNC-Lavalin will reposition its offering for increased project and technical complexity to deliver higher margins. Packages expertise will continue to be key to accessing sectors of growth such as onshore oil & gas and infrastructure. The Company will proactively manage portfolio risk through tight governance mechanisms. O&M and Sustaining Services also constitute a key growth lever. It will allow the Company to pursue services with technical complexity in Oil & Gas, mining, nuclear power and transportation. It will also create opportunities in capital asset management, operations, maintenance, commissioning and training.

GROWTH ENABLERS:

SNC-Lavalin is improving how it shares resources, promoting greater interaction between its business units and developing more coordinated approaches to client management and business development in its offices worldwide through the execution of a Global Operations model.

The further globalization of the Company's operations also involves making better and more efficient company-wide use of its systems and processes. SNC-Lavalin is planning investments in several of these systems, including its enterprise management system, its Human Resources Management System, and its proprietary project management suite, PM+, which the Company believes provide a strategic advantage when bidding on and carrying out medium- and large-scale projects.

Underlying all of this will be a continuing, relentless focus on maintaining world-class ethics, governance and health and safety performance, as well as developing and retaining the best talent the industry has to offer.

ENHANCED ICI MANAGEMENT APPROACH:

SNC-Lavalin is continuing to reinforce its ICI business, which has historically been a source of project work for its engineering and construction units, as well as a significant contributor to the strength of its earnings. ICI is an important element of building a successful engineering and construction company. Going forward, the Company will employ an ever more disciplined and balanced approach to managing its portfolio of assets, which includes exiting investments at maturity, unless strategic considerations justify otherwise. The Company is also actively looking at the potential disposal of non-core ICI assets. As such, the Company completed the sale of its ownership interest in Ovation, Astoria and AltaLink in 2014, while its Highway 407 stake is expected to be reduced in a near future. The Company will also seek financing solutions and partnering opportunities to unlock value as it proactively manages the portfolio.

As SNC-Lavalin looks at new opportunities, it will continue to prioritize greenfield (new-build) ICIs that it believes should provide its engineering, construction and operations and maintenance units with significant project opportunities. Brownfield (existing) ICIs will be considered mainly as a means of extending SNC-Lavalin's investment résumé into new markets and providing an additional platform for engineering and construction opportunities.

SNC-Lavalin's key geographical focus for major ICIs and public-private partnerships will continue to be the Americas.

2.3 EXECUTING ON OUR BUSINESS STRATEGY – SCORECARD

PILLARS	STRATEGIC OBJECTIVES	KEY STEPS ACCOMPLISHED IN 2014
Growth Platforms	Markets – Accelerated growth focus Markets – Sustained growth focus Service mix – Leverage full spectrum	✓ Completed landmark acquisition of Kentz, which transformed oil and gas capabilities; ✓ Announced a number of steps to restructure and right-size certain areas of its business as it continues to align its operations with its growth strategy and end-markets economics.
Growth Enablers	Efficient operating model World-class project execution Talent development and retention	✓ Implementation of a Global Operations model to better integrate our business development and project delivery efforts worldwide; ✓ Increased efficiency through selling, general and administrative (SG&A) expenses reductions and enhanced client focus by further restructuring and right-sizing our operations; ✓ In 2014, reduced the total number of recordable incidents by 25% and lost-time incidents by 23%, compared to 2013; ✓ Ongoing: Systems excellence - Upgrading key systems.
Enhanced ICI Management Approach	Prioritize greenfield (new-build) ICIs Exiting investments at maturity	✓ Addition of InPower BC General Partnership; ✓ Rebalanced ICI portfolio , while continuing to evaluate how best to manage assets as reflected by the following disposals of ICI: • AltaLink • Ovation • Astoria

3. HOW WE ANALYZE AND REPORT OUR RESULTS

3.1 RESULTS BY CATEGORY OF ACTIVITY

The Company reports its results under **four categories of activity**, which are **Services** and **Packages**, **O&M** (together these regroup activities from **engineering and construction** or **"E&C"**) and **ICI**. The Company's management regularly analyzes the results of these categories independently as they generate different gross margin yields and have different risk profiles.

3.1.1 SERVICES ACTIVITIES

Services revenues are derived primarily from cost-plus reimbursable contracts. Services revenues from individual contracts are typically lower than those of Packages activities, which are discussed below, as they mainly reflect the professional and technical services rendered. Services contracts that provide for engineering, procurement and construction management are referred to as "EPCM" contracts. Services activities include contracts wherein SNC-Lavalin provides **engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning**, which aim to generate a gross margin yield exceeding 25%. Services revenues also include **materials and/or multi-disciplinary construction services, namely provision of structural mechanical, electrical, instrumentation and piping services**, mainly from Kentz projects portfolio and aim to generate a gross margin yield exceeding 11%.

3.1.2 PACKAGES ACTIVITIES

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

3.1.3 O&M ACTIVITIES

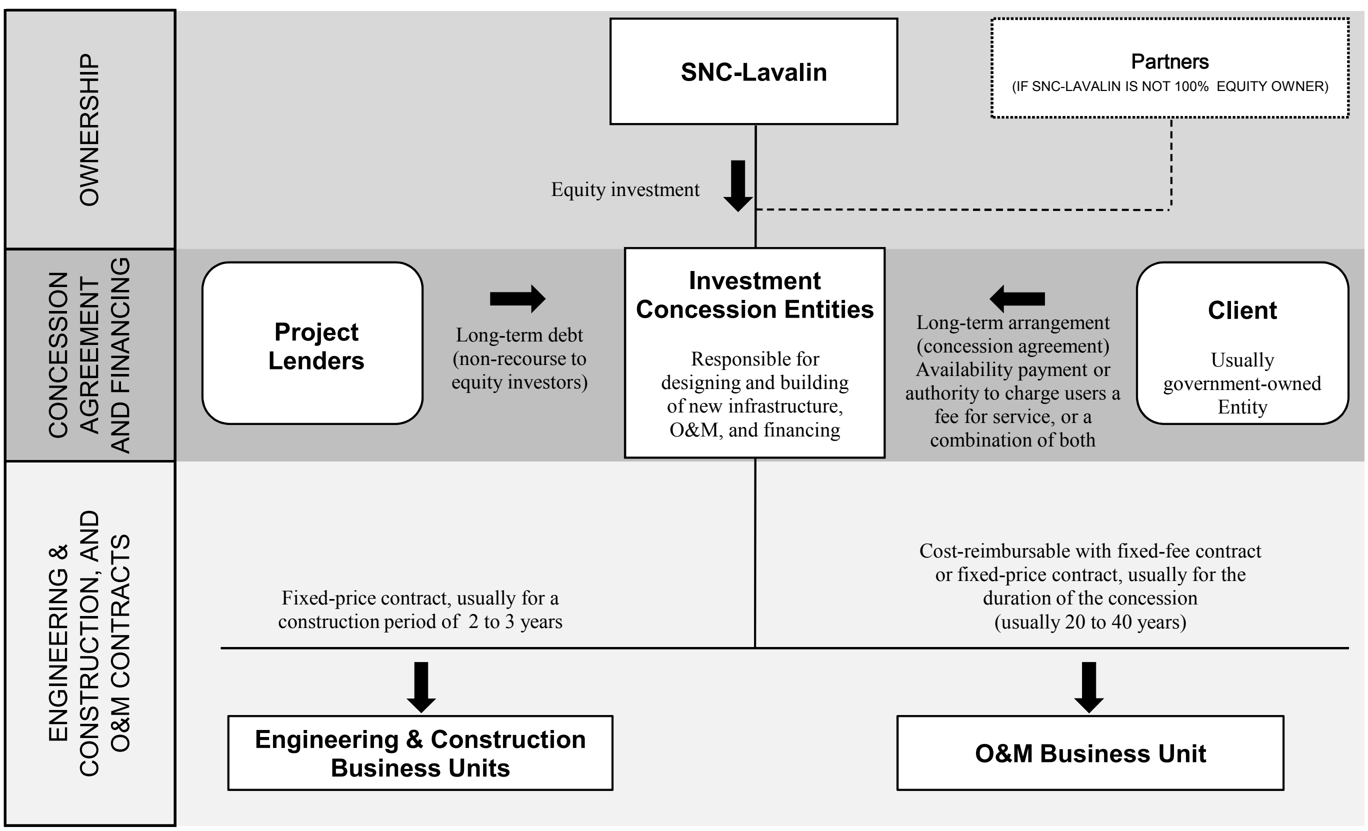
The Company provides **operations, maintenance and logistics solutions** for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, telecommunications infrastructure, highways, bridges, light rail transit systems, airports, ships, oil and gas facilities, and camps for construction operations and the military. **O&M revenues** are derived primarily from cost-reimbursable with fixed-fee contracts, and from fixed-price contracts. O&M activities usually involve a high volume of transactions, which are mainly cost-reimbursable by the client, and therefore result in a lower gross margin-to-revenue ratio than Services and Packages activities. O&M activities have historically generated a gross margin yield between 3% and 5%. As more infrastructure concession investments are getting to the O&M cycle and due to the evolution of the projects portfolio, the Company now aims to generate a gross margin yield between 4% and 6% from its O&M activities.

3.1.4 ICI ACTIVITIES

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

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

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

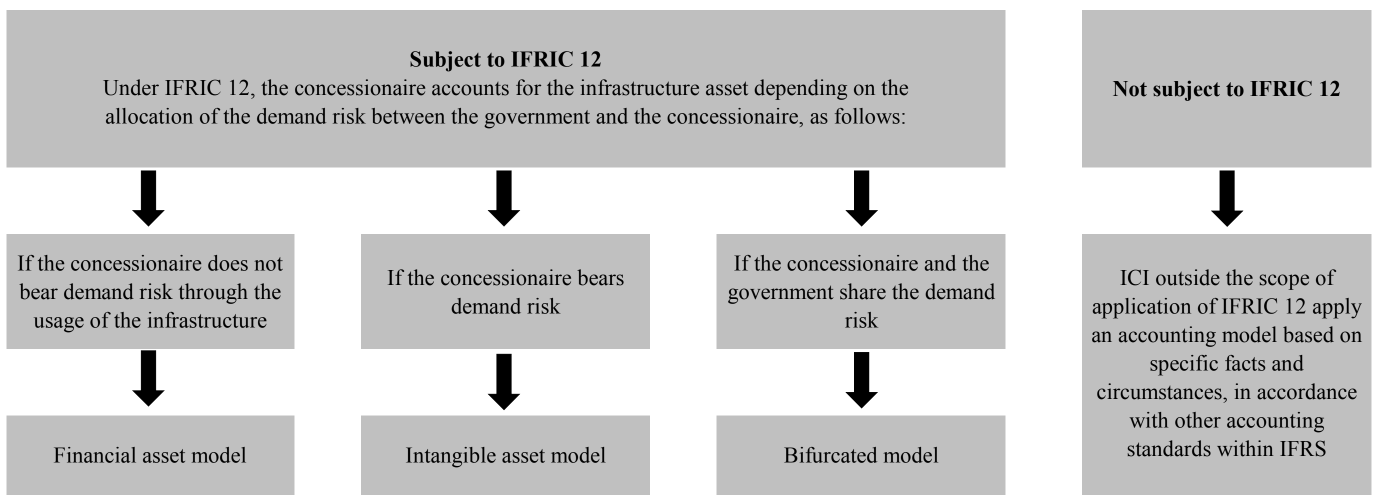


3.1.5 ACCOUNTING MODELS USED BY CONCESSION ENTITIES

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

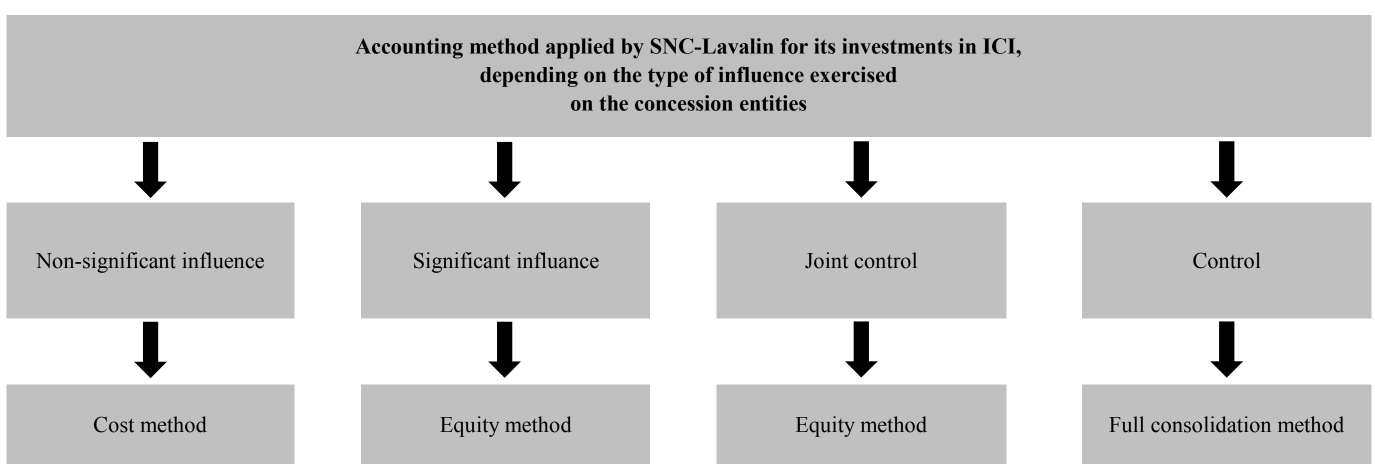
i. controls or regulates what services the operator (the "concessionaire") must provide with the infrastructure, to whom it must provide them, and at what price; and
ii. controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

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



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

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



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

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

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

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

It should be noted that most of the financial impact of ICI accounted for by the full consolidation method were from AltaLink, which was sold in December 2014. While the assets and liabilities related to ICI significantly decreased as at December 31, 2014 compared to the previous year, additional information is still provided in this MD&A and in the audited consolidated financial statements for comparative purposes and for operations that occurred in 2014.

Section 8.4 of the current MD&A also presents specific information on the Company's ICI, including a snapshot on Highway 407, which is considered to represent the most significant portion of the total fair value of the Company's ICI portfolio.

3.2 SEGMENTED INFORMATION

In addition to analyzing its results by categories of activity, the Company presents information in the way management performance is evaluated.

In 2014, the Company revised its reportable segments to reflect the changes made to its internal reporting structure. SNC-Lavalin's reportable segments are now i) **Resources, Environment and Water** ("**REW**"); ii) **Power**; iii) **Infrastructure**; and iv) **ICI**. The Company also provides additional information on certain sub-segments of its segments, notably on the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments of REW, as well as on the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure.

The Company presents the information in the way management performance is evaluated by regrouping its engineering and construction projects within the related industries, which are as follows: i) Mining & Metallurgy; ii) Oil & Gas; iii) Environment & Water; iv) Power; v) Infrastructure & Construction; and vi) O&M. The O&M sub-segment and ICI segment correspond to the O&M and ICI categories of activity, respectively.

3.3 HOW WE BUDGET AND FORECAST OUR RESULTS

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

PROJECT LEVEL

- The budget information is prepared for individual projects and/or prospects, which will form the primary basis for the Company’s consolidated Annual Budget.

DIVISIONAL LEVEL

- The project information is then compiled by each division and approved by the Company’s divisional management.

CONSOLIDATED LEVEL

- The divisional budgets are subsequently reviewed by the Company’s senior executives.

BOARD OF DIRECTORS

- Final Approval is provided by the Board of Directors in the fourth quarter of the current year.

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

The key elements taken into account when estimating revenues and gross margin for budget and forecast purposes from E&C activities are the following:

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

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

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

SOURCE OF VARIATION	EXPLANATION
Level of activity for E&C	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period. The revenue mix between the categories of activity will also affect, among other elements, the gross margin of the Company.
Changes in the estimated costs to complete each individual project (“cost reforecasts”)	Variation of the estimated costs to complete projects for fixed-price contracts result in either a positive or negative impact to a project’s results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution.

Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables, contracts in progress and other financial assets, may impact the financial results of the Company.
Changes in the results of its ICI	Variation in the financial results of each ICI accounted for under the full consolidation or equity methods will impact the financial results of the Company. Additions to the Company's ICI portfolio, or divestitures from it, can also impact the Company's results.
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance, that can be recurring or not.
Acquisition-related costs and integration costs	Business acquisitions, such as the acquisition of Kentz, might require the Company to incur significant acquisition-related costs and integration costs, which have an impact on actual and future results.
Restructuring costs and goodwill impairment	Changes made to the way the Company operates, closure of certain locations where it conducts business and modifications to its offerings might result in restructuring costs and goodwill impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, as, amongst others, the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company as well as tax assessments made by authorities.

3.4 NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

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

PERFORMANCE		LIQUIDITY	
NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE	NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Earnings before interests and income taxes ("EBIT")	Section 5.2	Cash net of recourse debt	Section 10.2
Earnings before interests, income taxes, depreciation and amortization ("EBITDA")	Section 5.2	Working capital	Section 10.4
Gross margin by category of activity	Section 5.3	Recourse debt-to-capital ratio	Section 10.5
Revenue backlog	Section 6		
Booking-to-revenue ratio	Section 6		
Segment or sub-segment earnings before interest and income taxes	Section 8		
Return on average shareholders equity ("ROASE")	Section 10.9		
Diluted earnings per share from E&C	Section 4		
Diluted earnings per share from ICI	Section 1.1		

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

4. OUR KEY FINANCIAL PERFORMANCE INDICATORS

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

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

> **Earnings before interest and income taxes ("EBIT")**, **Earnings before interest, income taxes, depreciation and amortization ("EBITDA")** and **Diluted earnings per share from E&C** which are key indicators of the Company's operational performance;

> **Operating cash flow**, which corresponds to the net cash generated from operating activities as presented in the Company's consolidated statement of cash flows, is a key indicator of the Company's ability to generate cash from its operations including how it manages its working capital; and

> **Cash net of recourse debt**, which is a key indicator of the Company's financial capability.

The following table presents a summary of the Company's key financial performance indicators and outlines the results achieved as at or for the years ended December 31, 2014, 2013 and 2012.

KEY FINANCIAL PERFORMANCE INDICATORS

FINANCIAL INDICATORS ACTUAL RESULTS (IN MILLIONS CA$, EXCEPT DILUTED EARNINGS (LOSS) PER SHARE FROM E&C)	**2014**	2013	2012
Net income attributable to SNC-Lavalin shareholders	**$ 1,333.3**	$ 35.8	$ 305.9
Earnings before interest and income taxes ("EBIT")	**$ 1,877.4**	$ 228.8	$ 499.5
Earnings before interest, income taxes, depreciation and amortization ("EBITDA")	**$ 2,073.1**	$ 486.2	$ 660.3
Diluted earnings (loss) per share from E&C (in $)	**$ (1.97)**	$ (1.62)	$ 0.98
Operating cash flow	**$ 264.1**	$ 333.2	$ 504.3
Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents from ICI and recourse debt)	**$ 1,324.0**	$ 742.2	$ 808.7

Net income attributable to SNC-Lavalin shareholders in 2014 increased to $1,333.3 million ($8.74 per share on a diluted basis), compared to $35.8 million ($0.24 per share on a diluted basis) in 2013. Net income attributable to SNC-Lavalin shareholders of the past three years is discussed in section 5.1.

EBIT increased to $1,877.4 million in 2014, compared to 228.8 million in 2013. **EBITDA increased to $2,073.1 million in 2014,** compared to 486.2 million in 2013. The Company's EBIT and EBITDA are discussed in section 5.2.

Diluted earnings per share from E&C, as calculated by the Company, is an additional IFRS measure which corresponds to net income attributable to SNC-Lavalin shareholders from E&C divided by the weighted average outstanding number of shares for the period. **The decrease in 2014,** compared to 2013, mainly reflected the variance in net income attributable to SNC-Lavalin shareholders from E&C, as the increase in weighted average outstanding number of shares was not significant in 2014, compared to 2013.

Operating cash flow generated $264.1 million in 2014, compared to $333.2 million in 2013. Cash generated from operating activities is discussed in section 10.3.

The Company's cash net of recourse debt of $1,324.0 million as at December 31, 2014 contributes to the capacity of the Company to meet operating, investing and financing needs. The Company's liquidity and capital resources are discussed in section 10.2.

5. BREAKDOWN OF INCOME STATEMENT

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS (LOSS) PER SHARE)	2014		2013		2012	
Revenues by activity:						
Services	**$ 2,815.8**		$ 2,697.6		$ 3,174.9	
Packages	**3,205.5**		3,113.4		3,020.4	
O&M	**1,313.4**		1,338.3		1,330.5	
ICI	**904.1**		763.8		565.1	
	$ 8,238.8		$ 7,913.2		$ 8,091.0	
Gross margin by activity:						
Services	**$ 406.8**	**14.4%**	$ 554.0	20.5%	$ 747.3	23.5%
Packages	**223.4**	**7.0%**	19.8	0.6%	227.1	7.5%
O&M	**70.7**	**5.4%**	77.1	5.8%	64.1	4.8%
ICI	**639.9**	**70.8%**	464.9	60.9%	316.6	56.0%
	$ 1,340.8	**16.3%**	$ 1,115.8	14.1%	$ 1,355.0	16.7%
Selling, general and administrative expenses:						
From E&C	**765.7**		783.4		826.8	
From ICI	**75.7**		53.1		28.6	
	841.4		836.6		855.5	
Restructuring costs and goodwill impairment	**109.9**		123.5		–	
Impairment of investments	**28.5**		–		–	
Acquisition-related costs and integration costs	**62.5**		–		–	
Amortization of intangible assets related to Kentz acquisition	**36.5**		–		–	
Gain on disposals of ICI	**(1,615.4)**		(73.0)		–	
Earnings before interest and income taxes	**$ 1,877.4**	**22.8%**	$ 228.8	2.9%	$ 499.5	6.2%
Net financial expenses:						
From E&C	**38.9**		19.5		13.7	
From ICI	**180.9**		131.2		112.5	
	219.8		150.7		126.2	
Earnings before income taxes	**1,657.6**		78.1		373.4	
Income taxes	**323.0**		41.7		67.0	
Net income	**$ 1,334.6**		$ 36.4		$ 306.3	
Net income attributable to:						
SNC-Lavalin shareholders	**$ 1,333.3**		$ 35.8		$ 305.9	
Non-controlling interests	**1.2**		0.6		0.4	
Net income	**$ 1,334.6**		$ 36.4		$ 306.3	
Earnings per share ($)						
Basic	**$ 8.76**		$ 0.24		$ 2.03	
Diluted	**$ 8.74**		$ 0.24		$ 2.02	
Supplementary information						
Net income (loss) attributable to SNC-Lavalin shareholders:						
From E&C	**$ (300.5)**		$ (245.8)		$ 149.0	
From ICI	**1,633.9**		281.6		156.9	
Net income attributable to SNC-Lavalin shareholders	**$ 1,333.3**		$ 35.8		$ 305.9	
Diluted earnings (loss) per share from E&C ($)	**$ (1.97)**		$ (1.62)		$ 0.98	

5.1 NET INCOME ANALYSIS

The analysis that follows is for 2014, 2013 and 2012.

Net income attributable to SNC-Lavalin shareholders increased in 2014 compared to 2013, reflecting a higher net income attributable to SNC-Lavalin shareholders from ICI, notably from a gain on disposal of the Company's ownership interest in AltaLink, partially offset by a higher net loss attributable to SNC-Lavalin shareholders from E&C. The decrease in net income in 2013 compared to 2012 was reflective of a net loss attributable to SNC-Lavalin shareholders from E&C compared to a net income in 2012, partially offset by higher net income attributable to SNC-Lavalin shareholders from ICI.

Net loss attributable to SNC-Lavalin shareholders from E&C was $300.5 million in 2014, compared to $245.8 million in 2013, mainly attributable to:

> $149.9 million ($149.0 million after taxes) of additional reserves mainly due to increased counterparty credit risk, impairment of an investment, as well as other charges relating to the restructuring and right-sizing plan announced on November 6, 2014;

> $99.9 million ($80.4 million after taxes) of financing, acquisition-related and integration costs in 2014, related to the acquisition of Kentz;

> $36.5 million ($26.5 million after taxes) of amortization of intangible assets related to the acquisition of Kentz on August 22, 2014;

> $109.9 million ($99.5 million after taxes) of restructuring costs in 2014, compared to $123.5 million ($112.1 million after taxes) of restructuring costs and goodwill impairment in 2013.

When excluding the abovementioned items, there was a lower negative segment EBIT in Infrastructure combined with a higher contribution from REW, partially offset by a lower contribution from Power, compared to the previous year.

There was a net loss attributable to SNC-Lavalin shareholders from E&C in 2013 compared to a net income attributable to SNC-Lavalin shareholders from E&C in 2012. The net loss in 2013 mainly reflected a negative sub-segment EBIT in Infrastructure & Construction and Oil & Gas, a $123.5 million ($112.1 million after taxes) charge for restructuring costs and goodwill impairment relating mainly to Europe, while the gross margin-to-revenue ratio in 2012 was negatively impacted notably by unfavourable cost reforecasts on a major Packages project in Power with an adverse impact of $110.9 million on gross margin. The negative sub-segment EBIT in Infrastructure & Construction in 2013 was mainly due to unfavourable cost reforecasts and additional costs on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, as well as a risk provision recorded on a North African project. The negative sub-segment EBIT in Oil & Gas in 2013 was mainly due to a loss recorded in the second quarter of 2013 and an unfavourable cost reforecast in the third quarter of 2013, both of which are related to a fixed-price project in Algeria.

Net income attributable to SNC-Lavalin shareholders from ICI increased in 2014 compared to 2013, principally due to the net gain of $1,334.2 million on disposals of AltaLink, Astoria and Ovation further described in section 8.4.3.3, compared to a net gain of $36.2 million on partial disposal of Astoria II, a higher net income from AltaLink, and the Company ceasing to depreciate and amortize AltaLink's non-current assets starting May 1st, 2014, resulting from the classification of AltaLink's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date, as well as higher dividends received from Highway 407. The increase was partially offset by the impairment of an investment, as well as a lower contribution from SKH. Net income attributable to SNC-Lavalin shareholders from ICI increased in 2013 compared to 2012, mainly due to higher net income from AltaLink and SKH, a net gain on partial disposal of Astoria II, and higher dividends received from Highway 407.

5.2 EARNINGS BEFORE INTEREST AND INCOME TAXES ("EBIT") AND EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") ANALYSIS

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

RECONCILIATION OF EBIT AND EBITDA TO NET INCOME (LOSS)

(IN MILLIONS CA$)	2014			2013		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Net income (loss)	**$ (299.3)**	**$ 1,633.9**	**$ 1,334.6**	$ (245.2)	$ 281.6	$ 36.4
Net financial expenses	**38.9**	**180.9**	**219.8**	19.5	131.2	150.7
Income taxes	**(22.7)**	**345.8**	**323.0**	(30.3)	72.0	41.7
EBIT	**$ (283.1)**	**$ 2,160.5**	**$ 1,877.4**	$ (255.9)	$ 484.7	$ 228.8
Goodwill impairment and impairment of investments	**9.4**	**19.1**	**28.5**	56.5	–	56.5
Amortization of intangible assets related to Kentz acquisition	**36.5**	**–**	**36.5**	–	–	–
Depreciation and amortization	**77.2**	**53.5**	**130.8**	67.9	133.1	201.0
EBITDA	**$ (160.0)**	**$ 2,233.1**	**$ 2,073.1**	$ (131.6)	$ 617.8	$ 486.2

In 2014, EBIT from E&C was negative $283.1 million, compared to a negative EBIT of $255.9 million in 2013, mainly due to $62.5 million of acquisition-related costs and integration costs in 2014, compared to $nil in 2013, higher restructuring costs, as well as a higher negative segment EBIT from REW in 2014 and a lower contribution from Power, partially offset by a lower negative segment EBIT from Infrastructure. While EBIT from E&C in 2014 included $9.4 million of impairment of an investment, EBIT from E&C in 2013 included goodwill impairment of $56.5 million. In addition, following the acquisition of Kentz, the Company began amortizing intangible assets acquired which resulted in amortization of $36.5 million in 2014, compared to $nil in 2013. Depreciation and amortization of property and equipment was higher in 2014 compared to 2013. This resulted in **negative EBITDA from E&C of $160.0 million in 2014,** compared to a negative EBITDA of $131.6 million in 2013.

EBITDA from ICI amounted to $2,233.1 million in 2014, compared to $617.8 million in 2013, principally due to the net gain on disposal of AltaLink, Astoria and Ovation further described in section 8.4.3.3, as well as a higher contribution from AltaLink, partially offset by a lower contribution from SKH.

EBIT from ICI increased in 2014, compared to 2013, for the same reasons explained above and the Company ceasing to depreciate and amortize AltaLink's non-current assets starting May 1st, 2014, resulting from the classification of AltaLink's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date, partially offset by a an impairment of investment.

5.3 REVENUE AND GROSS MARGIN ANALYSIS

Revenues increased in 2014, compared to 2013, reflecting an increase in ICI, Services, as well as Packages, mainly due to the incremental Services and Packages revenues from Kentz. Revenues in 2013 were in line with 2012 as the decrease in Services was offset by an increase in ICI and Packages.

Gross margin in 2014 increased compared to the previous year, reflecting a higher gross margin from Packages and ICI, partially offset by a lower gross margin from Services. Gross margin in 2013 decreased compared to the previous period, reflecting a lower gross margin from both Packages and Services, partially offset by a higher gross margin from ICI.

5.3.1 SERVICES REVENUES AND GROSS MARGIN

Services revenues increased in 2014 compared to 2013, due to an increase in REW, mainly reflecting higher revenues from Oil & Gas, partially offset by lower revenues from Mining & Metallurgy. The increase in REW was partially offset by a decrease in Infrastructure and Power.

Services gross margin decreased in 2014 compared to 2013, mainly due to $140.4 million of additional reserves mainly due to increased counterparty credit risk and to other charges relating to the restructuring and right-sizing plan announced on November 6, 2014. In addition, the decrease in Services gross margin-to-revenue ratio in 2014, compared to 2013 reflected a change in the mix of revenues generated from Services activities described in section 3.1.1.

Services gross margin decreased in 2013 compared to 2012, mainly due to a lower level of activity, as well as a lower gross margin-to-revenue ratio. The Services gross margin in 2013 was also negatively impacted by losses on certain Latin America Services projects in Oil & Gas due to an increase in counterparty credit risk, and included a provision for costs of approximately $17 million recognized in the first quarter of 2013 in Mining & Metallurgy.

5.3.2 PACKAGES REVENUES AND GROSS MARGIN

Packages revenues increased in 2014 compared to 2013, mainly reflecting an increase in REW, partially offset by lower revenues from Power. The increase in REW reflected higher revenues in Oil & Gas, partially offset by a decrease in Mining & Metallurgy.

Gross margin for Packages increased in 2014 compared to 2013, principally due to a favourable variance in the gross margin-to-revenue ratio, in Infrastructure, as well as a higher gross margin in REW, partially offset by a lower volume of activity in Power. The favourable variance in gross margin-to-revenue ratio in Infrastructure was primarily attributable to reversals in 2014 of non-cash provisions on a North African project, as well as less unfavourable cost reforecasts, losses and provisions in 2014 compared to 2013. The higher gross margin in REW was mainly due to the incremental gross margin from Kentz, partially offset by a lower volume of activity in Mining & Metallurgy.

The gross margin-to-revenue ratio decreased in 2013, compared to 2012, mainly due to unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts in North Africa and in Infrastructure & Environment, particularly in the hospital and road sectors, notably from additional costs on a major hospital project recognized in the first quarter of 2013, as well as to a risk provision recorded on a North African project and a loss relating to the confirmation of a claim on a project in Algeria in the second quarter of 2013.

5.3.3 O&M REVENUES AND GROSS MARGIN

O&M revenues in 2014 were in line with 2013.

O&M gross margin decreased in 2014 compared to the previous year, mainly reflecting a lower gross margin-to-revenue ratio.

The gross margin-to-revenue ratio was within the target range of 4% to 6% and surpassed the historical range of 3% to 5% in 2014 and 2013 while the gross margin-to-revenue ratio in 2012 was within the historical range.

5.3.4 ICI REVENUES AND GROSS MARGIN

The relationship between revenues and gross margin for ICI activities is not meaningful, as a significant portion of the investments are accounted for under either the equity or cost methods, which do not reflect the line by line items of the individual ICI's financial results.

The Company's **ICI revenues increased in 2014** compared to 2013, mainly due to higher revenues from AltaLink, partially offset by lower revenues from SKH. **Gross margin increased in 2014** compared to 2013, mainly attributable to a higher gross margin from AltaLink, partially offset by a lower contribution from SKH.

5.4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

(IN MILLIONS CA$)	2014	2013	CHANGE (%)
Selling costs	**$ 188.4**	$ 216.2	(12.9%)
General and administrative expenses	**653.0**	620.4	5.3%
Selling, general and administrative expenses	**$ 841.4**	$ 836.6	0.6%

Selling, general and administrative expenses in 2014 were in line with 2013, and **amounted to $841.4 million,** despite the incremental selling, general and administrative expenses from Kentz of $67.8 million, mainly attributable to costs savings resulting from the Company's restructuring plans implemented in the second half of 2013, as well as other initiatives under the Value Up program. The Company expects to continue implementing selling, general and administrative expenses reduction initiatives and expects to integrate further potential selling, general and administrative expenses synergies following the Acquisition.

In 2014 and 2013, the Company's **corporate** selling, general and administrative expenses included, amongst others, the following expenses:

(IN MILLIONS CA$)		**2014**		2013
Investigations and related matters[1]	**$**	**(8.2)**	$	14.8
Expenses related to new information technology systems		**28.3**		22.9
Implementation of a new Compliance Program		**18.5**		12.8
Total	**$**	**38.6**	$	50.5

(1) As disclosed in Note 34 to the Company's 2014 audited consolidated financial statements, the Company was recognized as an injured party in the context of certain proceedings and is entitled to recover certain amounts of money in connection therewith.

In accordance with the methodology described in Note 4 to the Company's 2014 audited annual consolidated financial statements, **corporate** selling, general and administrative expenses are allocated to each of the Company's segments.

5.5 PROFIT IMPROVEMENT INITIATIVES

In 2014, the Company continued to implement its company-wide profit improvement program which was launched in 2013. The program contributed to enhance the Company's efficiency and effectiveness, improving its competitiveness and its ability to build a stronger backlog. The program also identified short- and long-term, cross-company initiatives which will cover many aspects of the Company's work, from streamlining its organizational structure to simplifying day-to-day tasks, in order to improve project performance and eliminate unnecessary bureaucracy. The program team is dedicated to ensuring that SNC-Lavalin becomes an industry leader in project execution, as well as a Tier-1 engineering and construction firm.

5.6 RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

In 2014, the Company continued to restructure certain of its activities and, in November 2014, announced that it will take a number of steps to restructure and right-size certain areas of its business as it continues to execute its five-year strategic plan and to build a global Tier-1 engineering and construction firm. A total of **$109.9 million of restructuring costs were incurred in 2014**.

In 2013, the Company incurred $67.0 million of restructuring costs as part of the reorganization of certain of its activities.

Such reorganization, the lack of profitability on certain activities and a decrease in the overall level of activities in the "Services and Packages – Europe" and in the "Services and Packages – Brazil" cash-generating units resulted in a goodwill impairment of $48.5 million and $8.0 million, respectively, in 2013. The recoverable amounts of the "Services and Packages – Europe" and of the "Services and Packages – Brazil" cash-generating units correspond to their value in use and amounted to $154.7 million and $94.2 million, respectively, at the date of the impairment test. In 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 ranging between 14.0% and 14.9%.

The restructuring costs recognized in 2014 and 2013 were mainly for severances, the disposal of certain activities and closure of certain offices.

5.7 IMPAIRMENT OF INVESTMENTS

During the year ended December 31, 2014, SNC-Lavalin recognized impairment losses on two of its investments accounted for by the equity method, one included in ICI, and one included in Oil & Gas, **for a combined amount of $28.5 million**. The events and circumstances that led to the recognition of impairment losses are mainly the deterioration of the expected return on these investments, in part due to a deteriorating economic environment of their respective country. The combined recoverable amount of the Company's investments was $3.3 million as at December 31, 2014, while the combined remaining cumulative exchange losses on translating foreign operations amounted to $17.5 million at the same date. The recoverable amounts were determined based on their value in use. The discount rates used in current estimates of value in use were 19.0% for the investment in ICI and 16.4% for the investment in Oil & Gas.

5.8 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

In 2014, the Company incurred acquisition-related costs and integration costs totalling $62.5 million, attributable to the acquisition of Kentz, due to a $34.7 million unfavourable remeasurement of a foreign exchange hedge settled in the third quarter of 2014, as explained in Note 6 to the Company's 2014 audited consolidated financial statements, as well as $27.8 million of professional fees and other related costs.

5.9 NET GAIN ON DISPOSALS OF ICI

In line with its business strategy, the Company completed the disposal of certain ICI assets, notably its 100% ownership interest in AltaLink, resulting in a net gain before taxes of $1,615.4 million (1,334.2 million after taxes). Additional information on these transactions is discussed in section 8.4.3.3.

5.10 NET FINANCIAL EXPENSES

Net financial expenses increased in 2014 compared to 2013, reflecting an increase from ICI and from E&C.

Net financial expenses from E&C increased in 2014 compared to 2013, mainly resulting from costs of $37.4 million related to additional financing for the acquisition of Kentz and the cost of the unsecured revolving credit agreement entered into in December 2013, partially offset by net foreign exchange gains in 2014, mainly relating to intragroup loans used for repayment of recourse debt of Kentz.

Net financial expenses from ICI increased in 2014 compared to 2013, primarily due to a higher interest expense on additional non-recourse debt mainly related to AltaLink and InPower BC General Partnership.

(IN MILLIONS CA$)	2014			2013		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Interest revenues	**$ (6.6)**	**$ (16.2)**	**$ (22.8)**	$ (6.6)	$ (6.3)	$ (12.9)
Interest on debt:						
Recourse	**59.2**	**–**	**59.2**	21.9	–	21.9
Non-recourse						
AltaLink	**–**	**178.2**	**178.2**	–	124.9	124.9
Other	**–**	**25.1**	**25.1**	–	7.6	7.6
Net foreign exchange losses (gains)	**(28.7)**	**(9.2)**	**(37.9)**	6.7	(4.9)	1.8
Other	**15.0**	**2.9**	**18.0**	(2.4)	9.8	7.4
Net financial expenses	**$ 38.9**	**$ 180.9**	**$ 219.8**	$ 19.5	$ 131.2	$ 150.7

5.11 INCOME TAXES ANALYSIS

The effective income tax rate from E&C decreased in 2014 compared to 2013. The low effective income tax rate from E&C in 2014, when compared to the Company's statutory income tax rate, mainly reflected losses that do not generate an income tax benefit, the effect of valuation allowances on previously recognized deferred income tax assets, as well as permanent differences, including non-deductible restructuring costs and acquisition-related costs, partially offset by the geographic mix of earnings (loss) before income taxes. The effective income tax rate from E&C in 2013 was also lower than the Company's statutory income tax rate, mainly due to losses recognized in 2013 that do not generate an income tax benefit, non-deductible restructuring costs and goodwill impairment, as well as the geographic mix of earnings (loss) before income taxes.

The effective income tax rate from ICI decreased in 2014 compared to 2013, mainly reflecting the effect of the taxable capital gain on disposal of AltaLink.

The following table provides a summary of the Company's effective income tax rate from E&C and from ICI.

(IN MILLIONS CA$)	2014			2013		
	FROM E&C	FROM ICI	TOTAL	FROM E&C	FROM ICI	TOTAL
Earnings (loss) before income taxes	**$ (322.0)**	**$ 1,979.6**	**$ 1,657.6**	$ (275.5)	$ 353.6	$ 78.1
Income taxes	**$ (22.7)**	**$ 345.8**	**$ 323.0**	$ (30.3)	$ 72.0	$ 41.7
Effective income tax rate (%)	**7.1%**	**17.5%**	**19.5%**	11.0%	20.4%	53.4%

6. REVENUE BACKLOG

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

O&M activities are provided under contracts that can cover a period of up to 40 years. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M revenue backlog to the earlier of: i) **the contract term**; and ii) **the next five years**. An indication of the total O&M backlog for the period beyond the five-year timeframe, that is not included in the Company's backlog, is disclosed in section 6.3.

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

In the following section, the Company presents its "booking-to-revenue ratio" by category of activity, a non-IFRS measure. The ratio is obtained by dividing the contract bookings by the revenues, for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in section 3.3, which can be a significant portion of the budgeted and/or forecasted revenues.

REVENUE BACKLOG BY SEGMENT, GEOGRAPHIC AREA AND CATEGORY OF ACTIVITY

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

AT DECEMBER 31 (IN MILLIONS CA$)	2014			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	**$ 222.5**	**$ 552.1**	**$ –**	**$ 774.6**
Oil & Gas	**3,617.1**	**1,310.1**	**–**	**4,927.2**
Environment & Water	**58.8**	**–**	**–**	**58.8**
	$ 3,898.3	**$ 1,862.2**	**$ –**	**$ 5,760.5**
Power	**$ 304.2**	**$ 2,208.3**	**$ –**	**$ 2,512.4**
Infrastructure				
Infrastructure & Construction	**$ 481.6**	**$ 1,623.0**	**$ –**	**$ 2,104.6**
O&M	**–**	**–**	**1,947.9**	**1,947.9**
	$ 481.6	**$ 1,623.0**	**$ 1,947.9**	**$ 4,052.5**
Total	**$ 4,684.0**	**$ 5,693.5**	**$ 1,947.9**	**$ 12,325.5**
FROM CANADA AND OUTSIDE CANADA				
From Canada	**$ 676.5**	**$ 3,335.0**	**$ 1,160.2**	**$ 5,171.8**
Outside Canada	**4,007.5**	**2,358.5**	**787.7**	**7,153.6**
Total	**$ 4,684.0**	**$ 5,693.5**	**$ 1,947.9**	**$ 12,325.5**

AT DECEMBER 31 (IN MILLIONS CA$)	2013[1]			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Resources, Environment and Water				
Mining & Metallurgy	$ 384.4	$ 245.5	$ –	$ 629.9
Oil & Gas	238.0	50.8	–	288.9
Environment & Water	100.8	–	–	100.8
	$ 723.2	$ 296.3	$ –	$ 1,019.5
Power	$ 383.6	$ 1,403.4	$ –	$ 1,787.0
Infrastructure				
Infrastructure & Construction	$ 522.8	$ 2,730.0	$ –	$ 3,252.8
O&M	–	–	2,228.5	2,228.5
	$ 522.8	$ 2,730.0	$ 2,228.5	$ 5,481.3
Total	$ 1,629.6	$ 4,429.7	$ 2,228.5	$ 8,287.8
FROM CANADA AND OUTSIDE CANADA				
From Canada	$ 801.3	$ 3,559.1	$ 1,458.5	$ 5,819.0
Outside Canada	828.2	870.6	770.1	2,468.8
Total	$ 1,629.6	$ 4,429.7	$ 2,228.5	$ 8,287.8

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

The Company's revenue backlog increased at December 31, 2014 compared to 2013, reflecting an increase in Services and Packages, mainly from the acquisition of Kentz, partially offset by a decrease in O&M.

Backlog from Canada decreased, primarily due to a decrease in Infrastructure, partially offset by an increase in Power.

Backlog from Outside Canada increased, principally due to an increase in REW, mainly in Oil & Gas, notably from Kentz, as well as in Infrastructure, mainly in Infrastructure & Construction.

6.1 SERVICES BACKLOG

Services backlog increased at the end of 2014 compared to the end of the previous year, mainly reflecting an increase in REW, partially offset by a decrease in Power. The increase in REW is principally due to an increase in Oil & Gas, notably from Kentz. This increase was partially offset by a decrease in Mining & Metallurgy.

RECONCILIATION OF SERVICES BACKLOG

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$ EXCEPT FOR BOOKING-TO-REVENUE RATIO)	**2014**	2013
Opening backlog	**$ 1,629.6**	$ 2,151.3
Add: Contract bookings during the year	**2,686.8**	2,296.8
Backlog from business acquisitions, net of disposals	**3,183.4**	–
Less: Revenues recognized during the year	**2,815.8**	2,697.7
Debooking of backlog of a major mining contract	**–**	120.9
Ending backlog	**$ 4,684.0**	$ 1,629.6
Booking-to-revenue ratio	**2.1**	0.8

6.2 PACKAGES BACKLOG

Packages backlog increased at the end of 2014 compared to 2013, mainly reflecting an increase in REW and Power, partially offset by a decrease in Infrastructure. The increase in REW is principally due to an increase in Oil & Gas, notably from Kentz as well as the addition in the Mining & Metallurgy sub-segment of a contract for a sulphuric acid plant in the Middle East. The increase in Power notably reflected the addition in 2014 of the John Hart Generating Replacement Facility project, further described in section 8.4.3.3, the addition of a contract relating to electrical transmission and distribution systems in Canada, as well as the addition of a contract relating to a natural gas-fired combined cycle power plant in the United States of America.

RECONCILIATION OF PACKAGES BACKLOG

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$ EXCEPT FOR BOOKING-TO-REVENUE RATIO)	**2014**	2013
Opening backlog	**$ 4,429.7**	$ 5,747.7
Add: Contract bookings during the year	**2,321.9**	1,795.4
Backlog from business acquisitions, net of business disposals	**1,697.1**	–
Backlog recognized upon disposal of AltaLink [(1)]	**450.3**	–
Less: Revenues recognized during the year	**3,205.5**	3,113.4
Ending backlog	**$ 5,693.5**	$ 4,429.7
Booking-to-revenue ratio	**1.4**	0.6

(1) Refer to section 8.4.3.3 for explanations.

6.3 O&M BACKLOG

O&M backlog at the end of 2014 decreased compared to 2013, mainly due to normal fluctuations in the timing of long-term contracts. The decrease was partially offset by the addition in 2014, of a contract to deliver integrated real estate solutions projects in Canada.

RECONCILIATION OF O&M BACKLOG

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$ EXCEPT FOR BOOKING-TO-REVENUE RATIO)	**2014**	2013
Opening backlog	**$ 2,228.5**	$ 2,234.4
Add: Contract bookings during the year	**1,032.8**	1,332.4
Less: Revenues recognized during the year	**1,313.4**	1,338.3
Ending backlog	**$ 1,947.9**	$ 2,228.5
Booking-to-revenue ratio	**0.8**	1.0

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

	INCLUDED IN BACKLOG						NOT INCLUDED IN BACKLOG
(IN MILLIONS CA$)	2015	2016	2017	2018	2019	TOTAL	THEREAFTER
O&M backlog	$ 505.5	$ 384.1	$ 380.8	$ 349.1	$ 328.5	$ 1,947.9	$ 3,279.0

7. GEOGRAPHIC BREAKDOWN OF REVENUES BY CATEGORY OF ACTIVITY

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2014					
	SERVICES	PACKAGES	O&M	ICI	TOTAL	
Canada	**$ 1,142.1**	**$ 1,818.5**	**$ 1,096.5**	**$ 856.9**	**$ 4,914.1**	**60%**
Latin America	**318.2**	**259.4**	**31.6**	**–**	**609.2**	**7%**
Europe	**293.7**	**210.9**	**78.9**	**12.3**	**595.8**	**7%**
Middle East	**260.8**	**289.9**	**17.0**	**–**	**567.7**	**7%**
United States	**179.0**	**355.3**	**1.6**	**14.2**	**550.0**	**7%**
Africa	**148.2**	**213.6**	**87.9**	**20.7**	**470.3**	**6%**
Asia Pacific & Other Regions	**473.9**	**57.8**	**–**	**–**	**531.6**	**6%**
Total	**$ 2,815.8**	**$ 3,205.5**	**$ 1,313.4**	**$ 904.1**	**$ 8,238.8**	**100%**

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2013					
	SERVICES	PACKAGES	O&M	ICI	TOTAL	
Canada	$ 1,191.6	$ 2,173.7	$ 1,128.7	$ 708.1	$ 5,202.2	66%
Latin America	553.8	215.1	48.7	–	817.5	10%
Europe	318.0	263.8	49.9	2.5	634.1	8%
Middle East	210.2	112.9	16.0	–	339.1	4%
United States	132.6	234.8	1.4	11.1	379.9	5%
Africa	161.4	98.9	93.5	42.1	396.0	5%
Asia Pacific & Other regions	130.0	14.2	–	–	144.3	2%
Total	$ 2,697.6	$ 3,113.4	$ 1,338.3	$ 763.8	$ 7,913.2	100%

Revenues in Canada decreased in 2014 compared to 2013, mainly due to a lower level of Packages activity, partially offset by higher revenues in ICI, mainly due to higher revenues from AltaLink. The decrease in Packages was mainly due to a decrease in REW and Power, partially offset by an increase in Infrastructure.

Revenues in Latin America decreased in 2014 compared to 2013, principally reflecting a lower level of Services activity in REW, partially offset by a higher level of Packages activity in REW, notably in Oil & Gas.

Revenues from Europe decreased in 2014 compared to 2013, mainly due to a lower level of Packages and Services activity, partially offset by a higher level of O&M activity.

Revenues from the Middle East increased in 2014 compared to 2013, mainly due to a higher level of Packages activity, primarily in REW partially offset by a decrease in Infrastructure, combined with a higher level of Services activity principally in REW as an increase in Oil & Gas was partially offset by a decrease in Mining & Metallurgy.

United States revenues increased in 2014 compared to 2013, mainly reflecting a higher level of Packages activity in REW, as well as a higher level of Services activity in Power, Infrastructure and REW.

Revenues from Africa increased in 2014 compared to 2013, primarily due to a higher level of Packages activity, mainly in REW, partially offset by lower revenues from SKH in the ICI category.

In Asia Pacific and Other regions, revenues increased in 2014 compared to the previous year, mainly reflecting a higher level of Services and Packages activity in REW, from its Oil & Gas sub-segment.

8. SEGMENTED INFORMATION

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

The Company revised its reportable segments in 2014 to reflect the changes made to its internal reporting structure. SNC-Lavalin's reportable segments are now i) **REW**; ii) **Power**; iii) **Infrastructure**; and iv) **ICI**. The Company also provides additional information on certain sub-segments of its segments, notably on the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments of REW, as well as on the Infrastructure & Construction and O&M sub-segments of Infrastructure.

In 2014, the Company also changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by "segment earnings before interest and taxes" ("segment EBIT"). As such, the Company no longer calculates imputed interest, which was in the past allocated to segments other than ICI at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceeded current liabilities or vice versa. The Company also no longer includes net financial expenses and income taxes in its measure of profit or loss for the ICI segment. Therefore, since January 2014, the Company evaluates segment performance, using segment EBIT, which consists of gross margin less i) directly related selling, general and administrative expenses; ii) corporate selling, general and administrative expenses; and iii) non-controlling interests before taxes. Corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Restructuring costs, goodwill impairment, acquisition-related costs and integration costs, as well as amortization of intangible assets are not allocated to the Company's segments.

It was decided by management that corporate selling, general and administrative expenses that are not directly related to projects or segments would no longer be allocated to the Company's segments starting January 2015. Therefore, the Company's segment EBIT will no longer include these corporate selling, general and administrative expenses. The Company believes that the use of such segment EBIT will improve the quality of its segment disclosure by providing information that is more comparable relating to their results from operations.

The following discussion reviews the Company's segment revenues and segment EBIT.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2014			2013(1)		
	REVENUES	SEGMENT EBIT	SEGMENT EBIT OVER REVENUES	REVENUES	SEGMENT EBIT	SEGMENT EBIT OVER REVENUES
Resources, Environment and Water						
Mining & Metallurgy	**$ 971.8**	**$ (4.7)**	**(0.5%)**	$ 1,619.8	$ 65.9	4.1%
Oil & Gas	**1,730.1**	**(17.8)**	**(1.0%)**	555.8	(55.6)	(10.0%)
Environment & Water	**135.7**	**(29.2)**	**(21.5%)**	144.7	(10.5)	(7.2%)
	$ 2,837.5	**$ (51.7)**	**(1.8%)**	$ 2,320.3	$ (0.2)	0.0%
Power	**$ 1,350.3**	**$ 54.8**	**4.1%**	$ 1,570.3	$ 97.7	6.2%
Infrastructure						
Infrastructure & Construction	**$ 1,833.4**	**$ (119.2)**	**(6.5%)**	$ 1,920.4	$ (276.7)	(14.4%)
O&M	**1,313.4**	**40.4**	**3.1%**	1,338.3	45.9	3.4%
	$ 3,146.8	**$ (78.8)**	**(2.5%)**	$ 3,258.8	$ (230.8)	(7.1%)
ICI	**$ 904.1**	**$ 2,160.5**	**239.0%**	$ 763.8	$ 484.7	63.5%
Total segment EBIT	**$ 8,238.8**	**$ 2,084.8**	**25.3%**	$ 7,913.2	$ 351.5	4.4%
Less:						
Restructuring costs and goodwill impairment		**$ (109.9)**			$ (123.5)	
Acquisition-related costs and integration costs		**(62.5)**			–	
Amortization of intangible assets related to Kentz acquisition		**(36.5)**			–	
Reversal of non-controlling interests before income taxes		**1.5**			0.8	
EBIT		**$ 1,877.4**			$ 228.8	

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

8.1 RESOURCES, ENVIRONMENT AND WATER

REW regroups projects from the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments which are further described below.

8.1.1 MINING & METALLURGY

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

(IN MILLIONS CA$)	2014	2013[1]	CHANGE (%)
Revenues from Mining & Metallurgy			
Services	**$ 586.0**	$ 925.1	(36.7%)
Packages	**385.8**	694.6	(44.5%)
Total	**$ 971.8**	$ 1,619.8	(40.0%)
Sub-segment EBIT from Mining & Metallurgy	**$ (4.7)**	$ 65.9	(107.1%)
Sub-segment EBIT over revenues from Mining & Metallurgy (%)	**(0.5%)**	4.0%	N/A
Revenue backlog at year end	**$ 774.6**	$ 629.9	23.0%

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

Mining & Metallurgy revenues decreased in 2014 compared to 2013, reflecting a lower level of Services and Packages activity, mainly attributable to a continued softening of the commodity markets and the completion or near completion of certain major projects.

The **major revenue contributors in 2014** included work on sulphuric acid plants in the Middle East and Europe, projects related to potash in Western Canada, an aluminum-related project in the Middle East, as well as an atmospheric emissions reduction project for nickel smelter complex in Canada.

The Company's **sub-segment EBIT from Mining & Metallurgy decreased in 2014** compared to 2013, mainly due to a lower volume of activity combined with a lower gross margin-to-revenue ratio, negatively impacted by some demobilization costs on certain completed or near completed projects aimed at right-sizing certain activities in the Company, partially offset by lower selling, general and administrative expenses. The gross margin-to-revenue ratio in 2014 also included the impact of favourable cost reforecasts on certain projects in the Middle East that were offset by additional reserves on certain projects in North Africa while the gross margin-to-revenue ratio in 2013 included a provision for costs of approximately $17 million following the receipt of a notice of suspension by the Company in March 2013 in connection with a major mining contract.

8.1.2 OIL & GAS

Oil & Gas includes projects in the upstream, midstream, downstream (and supporting infrastructure) sectors for major oil and gas and resources companies, supporting these clients operating across the asset lifecycle from front end evaluation through decommissioning (capital expenditures and operational expenditures). Consistent with the way the Company's performance is evaluated, the Oil & Gas sub-segment includes all projects of Kentz.

	2014			2013(1)	CHANGE (%)
(IN MILLIONS CA$)	Kentz	Other	Total	Total	
Revenues from Oil & Gas					
Services	**$ 681.9**	**$ 429.1**	**$ 1,110.9**	$ 521.3	113.1%
Packages	**596.7**	**22.4**	**619.1**	34.5	N/A
Total	**$ 1,278.6**	**$ 451.5**	**$ 1,730.1**	$ 555.8	211.3%
Sub-segment EBIT from Oil & Gas	**$ 110.8**	**$ (128.6)**	**$ (17.8)**	$ (55.6)	(68.1%)
Sub-segment EBIT over revenues from Oil & Gas (%)	**8.7%**	**(28.5%)**	**(1.0%)**	(10.0%)	N/A
Revenue backlog at year end	**$ 4,584.1**	**$ 343.1**	**$ 4,927.2**	$ 288.9	N/A

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

Oil & Gas revenues increased in 2014 compared to the previous year, due to incremental revenues from Kentz in the period from August 22, 2014 to December 31, 2014. Packages revenues in 2013 were negatively impacted by a non-cash loss of $70.1 million recognized by the Company relating to a confirmation of a claim received in July of 2013 alleging late penalties under a fixed-price project in Algeria.

The **major revenue contributors in 2014** included work on Liquefied Natural Gas ("LNG") projects in Asia Pacific, a refinery and chemical complex in United States, steam-assisted gravity drainage central processing facilities in Canada as well as project management services contracts for various types of facilities and infrastructure in Latin America.

Sub-segment EBIT from Oil & Gas was negative $17.8 million in 2014, compared to a negative sub-segment EBIT of $55.6 million in 2013, mainly reflecting a higher volume of activity from the acquisition of Kentz, partially offset by its incremental selling, general and administrative expenses, as well as a lower gross margin-to-revenue ratio, which was negatively impacted by some demobilization costs on certain completed or near completed projects aimed at right-sizing certain activities in the Company. The gross margin in 2014 also included a negative impact totalling $72.5 million from losses on certain Services projects in Latin America due to an increase in counterparty credit risk, unfavourable cost reforecasts on a legacy fixed-price project in North Africa, more specifically in Algeria, as well as a provision for loss recognized during the warranty period on a completed legacy Packages project.

The gross margin in 2013 included an unfavourable cost reforecast, as well as a loss of $70.1 million recognized by the Company in the second quarter of 2013 mentioned in the revenues analysis above. In addition, the gross margin in 2013 also included losses on Services projects in Latin America. The negative impact on gross margin from these items was partially offset by a favourable outcome on certain fixed-price EPC contracts.

8.1.3 ENVIRONMENT & WATER

Environment & Water includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.

(IN MILLIONS CA$)	2014	2013[(1)]	CHANGE (%)
Revenues from Environment & Water			
Services	**$ 135.7**	$ 144.7	(6.2%)
Total	**$ 135.7**	$ 144.7	(6.2%)
Sub-segment EBIT from Environment & Water	**$ (29.2)**	$ (10.5)	(179.0%)
Sub-segment EBIT over revenues from Environment & Water (%)	**(21.5%)**	(7.2%)	N/A
Revenue backlog at year end	**$ 58.8**	$ 100.8	(41.7%)

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

Environment & Water revenues decreased in 2014 compared to 2013, reflecting a lower level of activity.

There was a **negative sub-segment EBIT from Environment & Water in 2014 of $29.2 million,** compared to a negative sub-segment EBIT of $10.5 million in 2013, mainly reflecting a lower gross margin-to-revenue ratio resulting in insufficient gross margin to cover selling, general and administrative expenses.

The Company has strengthened management of its Environment & Water sub-segment in 2014 in order to enhance its ability to deliver a positive contribution.

8.2 POWER

Power includes projects and services in: hydro, nuclear and thermal power generation; renewable power generation; energy from waste; and electrical transmission and distribution systems.

(IN MILLIONS CA$)	2014	2013[(1)]	CHANGE (%)
Revenues from Power			
Services	**$ 387.3**	$ 435.5	(11.1%)
Packages	**963.0**	1,134.8	(15.1%)
Total	**$ 1,350.3**	$ 1,570.3	(14.0%)
Segment EBIT from Power	**$ 54.8**	$ 97.7	(43.9%)
Segment EBIT over revenues from Power (%)	**4.1%**	6.2%	N/A
Revenue backlog at year end	**$ 2,512.4**	$ 1,787.0	40.6%

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

Power revenues decreased in 2014 compared to 2013, principally reflecting a lower level of Packages activity, mainly due to certain major projects nearing completion. Following completion of the disposal of AltaLink, the Company recognized all E&C revenues generated from transactions with AltaLink whereas only profits from these projects, which were deemed to have been realized by AltaLink, were recognized prior the transaction date, as explained in section 8.4.4.

The **major revenue contributors in 2014** included work on hydroelectric power facilities in Canada, nuclear generating stations in Latin America and Canada, combined cycle power plants in the United States and Europe, as well as a dam rehabilitation project and a thermal power plant in Africa.

The Company's **segment EBIT from Power decreased in 2014** compared to 2013 mainly reflecting a lower volume of activity, primarily in Packages, partially offset by a less unfavourable impact mainly from additional reserves and cost reforecasts for a net total amount of $50.4 million in 2014, compared to an adverse impact of $67.2 million from unfavourable cost reforecasts on certain major contracts, including an unprofitable legacy fixed-price contract in North Africa.

8.3 INFRASTRUCTURE

Infrastructure regroups projects from Infrastructure & Construction and O&M which are further described below.

8.3.1 INFRASTRUCTURE & CONSTRUCTION

Infrastructure & Construction includes projects in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering and materials testing, as well as water infrastructure and treatment facilities.

(IN MILLIONS CA$)	2014	2013[(1)]	CHANGE (%)
Revenues from Infrastructure & Construction			
Services	**$ 595.9**	$ 671.0	(11.2%)
Packages	**1,237.5**	1,249.4	(1.0%)
Total	**$ 1,833.4**	$ 1,920.4	(4.5%)
Sub-segment EBIT from Infrastructure & Construction	**$ (119.2)**	$ (276.7)	(56.9%)
Sub-segment EBIT over revenues from Infrastructure & Construction (%)	**(6.5%)**	(14.4%)	N/A
Revenue backlog at year end	**$ 2,104.6**	$ 3,252.8	(35.3%)

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

Revenues from Infrastructure & Construction decreased in 2014 compared to 2013, principally reflecting a lower level of Services activity.

The **major revenue contributors in 2014** included work on hospitals in Eastern Canada, as well as highways and mass transit systems in Western and Central Canada.

Sub-segment EBIT from Infrastructure & Construction was negative $119.2 million in 2014 compared to a negative sub-segment EBIT of $276.7 million in 2013, principally reflecting a higher gross margin-to-revenue ratio, partially offset by higher selling, general and administrative expenses. Legacy fixed-price contracts negatively impacted gross margin by a net amount of $112.4 million in 2014, mainly due to an additional loss and unfavourable cost reforecasts on certain major hospital projects. This negative impact was partially offset by a net favourable impact of $35.3 million on gross margin in 2014 explained by: i) letters of credit on which a draw was attempted in 2013 matured in the first quarter of 2014 which led the Company to reverse a risk provision recorded in the second quarter of 2013 for an amount of $47.0 million on a Libyan project; partially offset by ii) a risk provision recorded in the first quarter of 2014 covering in full the cash held in Libya caused by the increasing risk on the availability of such funds as difficult conditions in the country have worsened during the first quarter of 2014. Further explaining the negative sub-segment EBIT in 2014 were additional costs on a mass transit project in Canada in the fourth quarter of 2014.

In addition to the risk provision recorded in the second quarter of 2013 described above, the negative sub-segment EBIT in 2013 was mainly attributable to a loss and unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, recorded by the Company in 2013 which had a total adverse impact of $192.3 million on gross margin.

8.3.2 O&M

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

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

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

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

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

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

SNC-Lavalin's expertise in O&M activities, in addition to obtaining stand-alone O&M contracts, allows the Company to expand on its Services, Packages, and ICI activities by offering all-inclusive expertise that meets clients' needs, and complements its ICI.

(IN MILLIONS CA$)	2014	2013[1]	CHANGE (%)
Revenues from O&M			
Integrated Real Estate Solutions	**$ 801.6**	$ 854.1	(6.1%)
Industrial	**179.3**	201.4	(11.0%)
Transportation	**157.9**	118.2	33.6%
Defence & logistics	**174.6**	164.6	6.1%
Total	**$ 1,313.4**	$ 1,338.3	(1.9%)
Sub-segment EBIT from O&M	**$ 40.4**	$ 45.9	(12.0%)
Sub-segment EBIT over revenues from O&M (%)	**3.1%**	3.4%	N/A
Revenue backlog at year end	**$ 1,947.9**	$ 2,228.5	(12.6%)

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

O&M revenues in 2014 were in line with 2013.

Sub-segment EBIT from O&M decreased in 2014 compared to 2013, mainly reflecting a lower gross margin-to-revenue ratio.

8.4 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

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

It is the Company's view that the aggregate fair value of its ICI is much higher than their net book value of $812.8 million. Highway 407 is considered to represent the most significant portion of the total fair value of the Company's ICI portfolio.

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

The ICI net book value, as at December 31, 2014 and 2013, can be summarized as followed:

AT DECEMBER 31 (IN MILLIONS CA$)	NET BOOK VALUE	
	2014	2013
Highway 407 (1)	**$ –**	$ –
AltaLink (2)	**–**	1,019.5
Others	**812.8**	988.3
Total	**$ 812.8**	$ 2,007.8

(1) The net book value is $nil as the Company had previously stopped recognizing its share of the losses of Highway 407 when the recognition of such losses resulted in a negative balance for the Company's investment in Highway 407.
(2) The Company's ownership interest in AltaLink was sold in December 2014. Refer to section 8.4.3.3 for details.

The Company provides, in section 8.4.3.1, additional information on Highway 407 due to the significance that this ICI may have on the Company's value and net income.

8.4.1 ICI ACCOUNTING METHODOLOGY

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

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

In evaluating the performance of the segment, the relationship between revenues and EBIT is not meaningful, as a significant portion of the investments are accounted for by the cost and equity methods, which do not reflect the line by line items of the individual ICI's financial results.

8.4.2 REVENUES, SEGMENT EBIT AND DIVIDENDS OF THE ICI SEGMENT

For the year ended December 31, 2014, the ICI segment EBIT increased to $2,160.5 million, compared to $484.7 million in 2013 and $288.0 million in 2012. EBIT from Highway 407, which corresponds to the dividends paid to SNC-Lavalin (see explanations below), increased to $122.5 million in 2014 from $114.1 million in 2013, while EBIT from AltaLink increased to $412.5 million in 2014 from $247.3 million in 2013.

(IN MILLIONS CA$)	2014	2013(1)	2012(1)
Revenues from ICI	**$ 904.1**	$ 763.8	$ 565.1
Segment EBIT from ICI:			
From Highway 407	**$ 122.5**	$ 114.1	$ 100.6
From AltaLink (2)	**412.5**	247.3	177.2
From other ICI (3)	**10.1**	50.3	10.1
From gain on disposals or partial disposal of ICI	**1,615.4**	73.0	–
Segment EBIT from ICI	**$ 2,160.5**	$ 484.7	$ 288.0
Dividends and distributions received by SNC-Lavalin from ICI accounted for by the equity method:			
From Highway 407	**$ 122.5**	$ 114.1	$ 100.6
From other ICI	**36.2**	44.8	11.8
Total	**$ 158.7**	$ 158.9	$ 112.4

(1) Comparative figures have been restated to reflect changes made to segment reporting structure and measure of profit and loss for the Company's reportable segments.
(2) Starting May 1, 2014, the Company ceased to depreciate and amortize non-current assets of AltaLink on a prospective basis. Refer to section 8.4.3.3 for explanations. The Company completed the sale of its 100% ownership interest in AltaLink in December, 2014, date at which it ceased to consolidate the results of operations from AltaLink.
(3) Net income from other ICI is net of divisional and allocated corporate selling, general and administrative expenses, as well as from selling, general and administrative expenses from all other ICI accounted for by the full consolidation method.

Under the equity method of accounting, distributions from a joint venture 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 joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends payable by the joint venture 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 joint venture. 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 joint venture in its net income.

The Company recognized in its income statement dividends received from Highway 407 of $122.5 million in 2014 (2013: $114.1 million) and did not recognize its share of Highway 407's net income of $37.4 million (2013: $41.7 million) in the same period, as the carrying amount of its investment in Highway 407 was $nil at December 31, 2014 and December 31, 2013.

The Company's **ICI revenues increased in 2014** compared to 2013, mainly due to higher revenues from AltaLink, partially offset by lower revenues from SKH. **Gross margin increased in 2014** compared to 2013, mainly attributable to a higher gross margin from AltaLink, partially offset by a lower contribution from SKH.

Segment EBIT from ICI increased in 2014 compared to 2013, principally due to the net gain on disposal of AltaLink, Astoria and Ovation further described in section 8.4.3.3, as well as a higher contribution from AltaLink, and the Company ceasing to depreciate and amortize AltaLink's non-current assets starting May 1st, 2014, resulting from the classification of AltaLink's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date. The increase was partially offset by a lower contribution from SKH.

As described in Note 4 to the Company's 2014 audited consolidated financial statements, an amount of impairment losses of $19.1 million was recognized in ICI in 2014. Also, uncertainties on dividend collection from one of the Company's ICI accounted for by the equity method were resolved in 2013, positively impacting segment EBIT from ICI in 2013.

8.4.3 ICI PORTFOLIO

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

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 East Development Group General Partnership ("407 EDGGP")	50%	Equity	Yes	2012	2045	Under construction	Upon completion of the design and construction, it will operate, maintain and rehabilitate Phase 1 of the new highway 407 East.
Groupe immobilier santé McGill ("MIHG")	60%	Equity	Yes	2010	2044	Under construction(1)	Once construction is completed, it will operate and maintain the McGill University Health Centre's new Glen Campus.
InPower BC General Partnership ("InPower BC")	100%	Full consolidation	Yes	2014	2033	Under construction	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility, in Canada
Rainbow Hospital Partnership ("Rainbow")	100%	Full consolidation	Yes	2011	2044	Under construction(1)	Designs, builds, commissions, finances and, once construction is completed, will operate and maintain certain functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick.
Rayalseema Expressway Private Limited ("REPL")	36.9%	Equity	Yes	2010	2040	Under construction	Builds and will operate a 189-kilometre section of a toll highway in India, under a 30-year concession agreement.
Rideau Transit Group Partnership ("Rideau")	40%	Equity	Yes	2013	2043	Under construction	Designs, builds, finances and, once construction is completed, will maintain the Confederation Line, City of Ottawa's light rail transit system.
Ambatovy Nickel Project ("Ambatovy") (see section 8.4.3.2 for more details on the investment in Ambatovy)	5%	Cost	N/A	2007	N/A	In operation	An open-pit mine operation, and a hydrometallurgical processing plant in Madagascar that produces mainly nickel and cobalt.
Astoria Project Partners II LLC ("Astoria II")	6.2%	Cost	No	2008	N/A	In operation	Astoria II owns and operates a 550-MW natural gas-fired combined cycle power plant in Queens, New York. Astoria II signed a 20-year firm Power Purchase Agreement with the New York Power Authority ("NYPA").
Chinook Roads Partnership ("Chinook")	50%	Equity	Yes	2010	2043	In operation	Operates and maintains the southeast Stoney Trail, being the southeast leg of the Ring Road for the City of Calgary.
407 International Inc. ("Highway 407")	16.77%	Equity	No	1999	2098	In operation	Operates, maintains and manages highway 407, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
InTransit BC Limited Partnership ("InTransit BC")	33.3%	Equity	Yes	2005	2040	In operation	InTransit BC operates and maintains the Canada Line, a 19-kilometre rapid transit line connecting the cities of Vancouver and Richmond with Vancouver International Airport in British Columbia under a 35-year concession agreement.
Malta International Airport p.l.c.	15.5%	Equity	No	2002	2067	In operation	Has the right to own and manage the Malta International Airport under a 65-year concession agreement.

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
Myah Tipaza S.p.A. (“Myah Tipaza”)	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m^3pd seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l’Algérienne des Eaux (“ADE”) under a 25-year take-or-pay agreement.
Okanagan Lake Concession Limited Partnership (“Okanagan Lake Concession”)	100%	Full consolidation	Yes	2005	2035	In operation	Operates, maintains and manages the five-lane, 1.1-km William R. Bennett Bridge in Kelowna, British Columbia, under a 30-year concession agreement.
Shariket Kahraba Hadjret En Nouss S.p.A. (“SKH”)	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227-MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
Société d’Exploitation de l’Aéroport de Mayotte S.A.S. (“Mayotte”)	100%	Full consolidation	Yes	2011	2026	In operation	Upgrades the infrastructure, builds a new terminal building, manages and maintains the airport under a 15-year concession agreement.
TC Dôme S.A.S. (“TC Dôme”)	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3 -km electric cog railway in France.
Highway Concessions One Private Limited (Previously Piramal Roads Infra Private Limited)	10%	Cost	N/A	2012	N/A	Ongoing activities (construction and operation)	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India.

N/A: not applicable

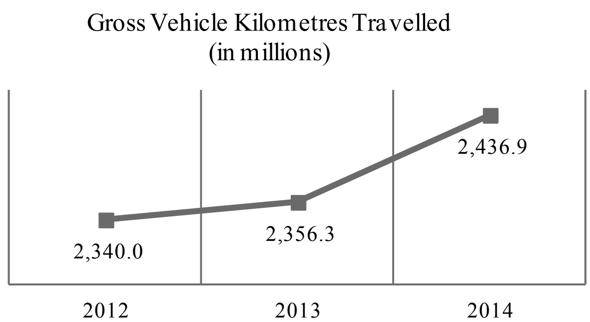
(1) Substantial completion certificate received in 2014

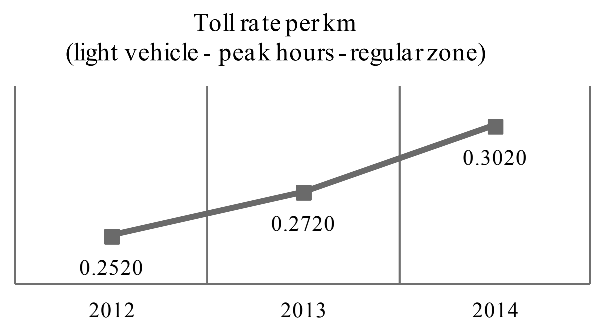
8.4.3.1 HIGHWAY 407

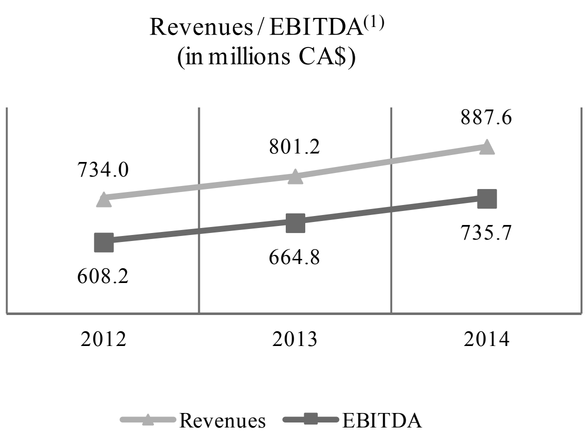
The following information is intended to provide the reader with a general understanding of the operations and key metrics of Highway 407. As 407 International Inc. issue public debt, 407 International Inc. financial statements, MD&A and other relevant financial materials can be found on www.sedar.com, which is the website maintained by the Canadian Securities regulators. The following section is only intended to provide the reader with a general understanding of the operations and key metrics of this ICI, for full financial disclosure, the reader should refer to 407 International Inc. official documents.

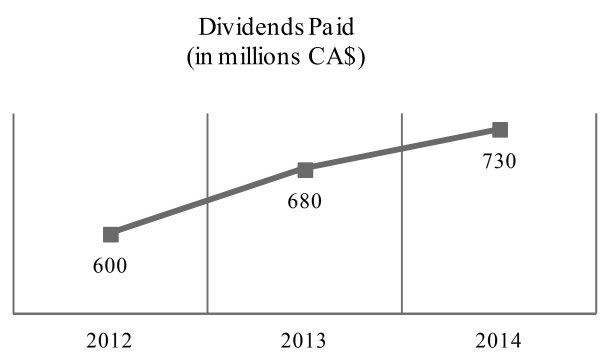
The Company’s investment in Highway 407 is accounted for by the equity method, however the Company recognized in its 2014, 2013 and 2012 income statement the dividends from Highway 407 instead of its share of Highway 407's net income because the carrying amount of its investment was $nil at the end of each of these years. The dividends received by SNC-Lavalin are not taxable.

407 INTERNATIONAL INC.– KEY HISTORICAL INDICATORS









(1) EBITDA: Earnings before interest and other expenses, deferred income tax expense, depreciation and amortization.

407 INTERNATIONAL INC. FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2014	2013
Revenues	$ 887.6	$ 801.2
Operating expenses	151.9	136.4
EBITDA	735.7	664.8
Depreciation and amortization	78.4	62.6
Interest and other expenses	354.6	264.7
Deferred income tax expense	79.8	88.8
Net income	$ 222.9	$ 248.7

407 INTERNATIONAL INC. TRAFFIC RESULTS

YEAR ENDED DECEMBER 31 (EXCEPT TRANSPONDERS IN CIRCULATION)	**2014**	2013
Traffic/Trips (in millions)	**118.2**	114.9
Average Workday Number of Trips (in thousands)	**391.5**	381.3
Vehicle Kilometres Travelled ("VKT", in millions)	**2,436.9**	2,356.3
Average Trip Length ("ATL", in kilometres)	**20.6**	20.5
Unbillable traffic (percent)	**2.3**	2.3
Transponder Penetration rate (percent)	**82.0**	81.5
Transponders in Circulation at December 31	**1,202,393**	1,157,830

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

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

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

8.4.3.2 AMBATOVY

SNC-Lavalin has a 5% ownership interest in Ambatovy, in Madagascar, on which it was awarded an EPCM contract in 2007. In March 2008, Ambatovy obtained senior debt project financing whereupon each shareholder concurrently provided the Ambatovy senior lenders with a financial guarantee in proportion to their respective ownership interests. Also, to support the portion of the financial guarantee issued by one of the shareholders who is also the project operator of Ambatovy ("Project Operator"), the remaining shareholders ("Other Shareholders"), including SNC-Lavalin, provided cross guarantees to the Ambatovy senior lenders. Until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning of the project (the "Completion Date"), the financial guarantee of US$105 million and cross-guarantee of US$70 million will remain outstanding. The guarantees were initially recognized at their fair value of approximately $9 million in the Company's consolidated statement of financial position, and not at their aggregated nominal value of US$175 million. Both guarantees could be called by the lenders if such conditions are not met by the Completion Date. In July, 2013, lenders to the Ambatovy project agreed to extend the Completion Date from September 2013 to September 2015. A key milestone defined in the operating conditions of the Completion Date is the production of nickel at a rate of 90% of nameplate capacity measured over 90 days in a 100 day continuous period.

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

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

In January 2014, the Project Operator announced that commercial production had been achieved at Ambatovy. Commercial production is defined as 70% of ore throughput of nameplate capacity in the Pressure Acid Leach circuit on average over a thirty-day period and is the point at which all revenue and operating costs ceased to be capitalized in the project.

The following table summarizes SNC-Lavalin's disbursements and remaining commitments at December 31, 2014 related to the Ambatovy project, presented in "ICI accounted for by the cost method":

(IN MILLIONS CA$)	December 31 2014
Equity contributions in Ambatovy [(1)]	
Amount disbursed	**$ 297.0**
Remaining commitments	**10.1**
Loans to Project Operator [(1)(2)]	**92.8**
Net book value of SNC-Lavalin's investment in Ambatovy	**$ 399.9**

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

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

8.4.3.3 ADDITION/DISPOSALS OF ICI IN 2014

INPOWER BC GENERAL PARTNERSHIP

In February 2014, the Company announced that InPower BC General Partnership, its wholly owned subsidiary, signed an agreement with BC Hydro to design, build, partially finance, maintain and rehabilitate the John Hart Generating Replacement Facility, in Canada, under a 20-year contract. The wholly owned subsidiary is an ICI accounted for by the full consolidation method.

ALTALINK HOLDINGS, L.P. ("AHLP" OR "ALTALINK")

On May 1, 2014, SNC-Lavalin announced that it had entered into a binding agreement to sell 100% of its interest in AltaLink Holdings, L.P. ("AHLP"), the ultimate parent company of AltaLink, L.P. (together with other related holding entities referred to as "AltaLink"), the owner and operator of transmission lines and substations subject to rate regulation in Alberta, to Berkshire Hathaway Energy. On December 1, 2014, SNC-Lavalin completed the sale transaction. The total cash consideration received amounted to $3.1 billion.

Impact on the Consolidated Statement of Financial Position

Upon the sale of AltaLink, the Company derecognized all assets and liabilities of AltaLink. The main categories of assets related to property and equipment, and goodwill while the main categories of liabilities consisted of debt, as well as deferred revenues.

As AltaLink ceased to be a subsidiary of the Company, trade receivables from AltaLink that were previously eliminated upon consolidation were recognized at that same date.

AS AT DECEMBER 1 (IN MILLIONS CA$)	2014
Current assets	$ 197.1
Non-current assets	7,463.3
Assets disposed of	$ 7,660.4
Current liabilities	$ 977.5
Non-current liabilities	5,264.8
Liabilities disposed of	$ 6,242.2
Net assets disposed of	**$ 1,418.1**

Impact on the Consolidated Income Statement

Upon signature of a binding agreement to sell AltaLink on May 1, 2014, the Company reclassified the aggregate amount of assets and liabilities of AltaLink as assets and liabilities of a disposal group classified as held for sale, in accordance with IFRS 5, on its consolidated statement of financial position. At that same date, the Company ceased to depreciate and amortize non-current assets of AltaLink.

The excess amount of the consideration received, net of disposition-related costs, over AltaLink's net book value was recorded as a gain on disposal, which included a cumulative loss on cash flow hedges reclassified from equity on loss of control of AltaLink.

Following completion of the sale, the Company recognized all E&C revenues generated from transactions with AltaLink whereas only profits from these projects, which were deemed to have been realized by AltaLink, were recognized prior the transaction date, as explained in section 8.4.4. As such, while the recognition of gross margin amounts remains unchanged, the gross margin-to-revenue ratio on revenues generated from these projects is lower due to the additional revenues being presented at the consolidated level.

Impact on the Consolidated Statement of Comprehensive Income

Upon the loss of control of the Company over AltaLink, the cumulative loss on cash flow hedges previously recorded in the Company's other components of equity was reclassified to net income.

Impact on the Consolidated Statement of Cash Flows

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

Impact on the Company's Revenue Backlog

E&C revenue backlog, which was eliminated upon consolidation, except for the profit component, is now presented in a way consistent with revenues generated from transactions with AltaLink in the Company's consolidated income statement. This resulted in an increase in Packages revenue backlog as shown in section 6.2.

ASTORIA PROJECT PARTNERS LLC ("ASTORIA")

On October 15, 2014, SNC-Lavalin announced that it sold its 21% ownership interest in Astoria, the owner of the legal entity that owns and operates a gas-fired combined-cycle power plant in New York City. The total cash consideration received amounted to US$93.5 million (CA$104.9 million).

OVATION REAL ESTATE GROUP (QUEBEC) INC. ("OVATION")

On September 30, 2014, SNC-Lavalin sold for a total consideration of $77.6 million its 100% ownership interest in Ovation which principal activity was to build, operate and maintain an acoustic concert hall in Montreal, Canada. SNC-Lavalin will continue to provide operations and maintenance services for this acoustic concert hall and its new owner, until 2038.

8.4.4 RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

(1) Up until December 1, 2014, effective disposal date of AltaLink (see Note 5A to the the 2014 audited annual consolidated financial statements), AltaLink was a subsidiary of the Company.

For the year ended December 31, 2014, SNC-Lavalin recognized revenues of $607.8 million (2013: $734.8 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 $171.4 million for the year ended December 31, 2014 (2013: $183.9 million). Intragroup revenues generated from transactions with AltaLink, which amounted to $1,290.7 million in the period from January 1, 2014 to December 1, 2014 (year ended December 31, 2013: $1,529.9 million), were eliminated upon consolidation, while profits from those transactions were not eliminated. Following the disposal of AltaLink, revenues generated from transactions with AltaLink that were realized after December 1, 2014 were recognized by the Company in its consolidated income statement.

SNC-Lavalin's trade receivables from ICI accounted for by the equity method amounted to $60.7 million as at December 31, 2014 (2013: $35.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $96.4 million as at December 31, 2014 (2013: $300.0 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $45.9 million as at December 31, 2014 (2013: $155.2 million).

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

9. FOURTH QUARTER RESULTS

For the fourth quarter of 2014, net income attributable to SNC-Lavalin shareholders was $1,146.6 million ($7.51 per share on a diluted basis), compared to $92.5 million ($0.61 per share on a diluted basis) for the comparable quarter in 2013, notably from a gain on disposal of the Company's ownership interest in AltaLink, partially offset by a higher net loss attributable to SNC-Lavalin shareholders from E&C.

For the fourth quarter of 2014, there was a net loss attributable to SNC-Lavalin shareholders from E&C of $255.6 million, compared to $31.3 million for the same period last year, mainly due to:

> $149.9 million ($149.0 million after taxes) of additional reserves mainly due to increased counterparty credit risk, impairment of an investment, as well as other charges relating to the restructuring and right-sizing plan announced on November 6, 2014;

> $94.0 million ($87.5 million after taxes) of restructuring costs in the fourth quarter of 2014, compared to $55.2 million ($49.7 million after taxes) of restructuring costs and goodwill impairment in the corresponding period of 2013;

> $31.6 million ($24.2 million after taxes) of financing, acquisition-related and integration costs, related to the acquisition of Kentz;

> $24.2 million ($17.6 million after taxes) of amortization of intangible assets related to the acquisition of Kentz on August 22, 2014.

When excluding the abovementioned items, there was a higher contribution from REW and a foreign exchange gain, partially offset by a higher negative segment EBIT in Infrastructure combined with a lower contribution from Power, compared to the fourth quarter of 2013.

The higher contribution from REW primarily reflected the incremental contribution from Kentz, partially offset mainly by an unfavourable cost reforecast on a legacy fixed-price project in North Africa. The negative variance for Infrastructure was mainly due to a higher negative sub-segment EBIT from Infrastructure & Construction, principally due to unfavourable cost reforecasts in the fourth quarter of 2014, mainly in the hospitals and mass transit sectors, negatively impacting gross margin by a total of $106.1 million, compared to a negative impact of $18.0 million in the fourth quarter of 2013 from unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts in the road sector. The lower contribution from Power mainly reflected a lower gross margin-to-revenue ratio, including a negative impact of certain reserves and unfavourable cost reforecasts on certain major projects in the fourth quarter of 2014. The gross margin from Power, in the fourth quarter of 2013, was negatively impacted by unfavourable cost reforecasts on a major project in North Africa totalling $28.0 million.

Net income attributable to SNC-Lavalin shareholders from ICI increased to $1,402.2 million in the fourth quarter of 2014, compared to $123.8 million for the fourth quarter of 2013, principally due to the net gain of $1,337.3 million on disposals of AltaLink and Astoria further described in section 8.4.3.3, compared to a net gain of $36.2 million on partial disposal of Astoria II. The increase was partially offset by an impairment of investment as well as a lower dividend received from Highway 407.

Revenues for the fourth quarter of 2014 increased compared to 2013, mainly reflecting an increase in Packages and Services from the acquisition of Kentz, partially offset by lower revenues from ICI, principally due to the disposals of AltaLink and Astoria.

The Company's backlog as at December 31, 2014 amounted to $12.3 billion, **in line** with the end of the third quarter of 2014, as a decrease in Packages and O&M was offset by an increase in Services.

At the end of December 2014, the Company's cash and cash equivalents were $1.7 billion, compared to $1.1 billion at the end of September 2014, mainly due to net cash generated from operating activities and net cash inflow on disposals of ICI, partially offset by repayment of recourse debt used to finance the Acquisition.

10. LIQUIDITY AND CAPITAL RESOURCES

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

> A **financial position** analysis, which has been prepared with the objective of providing additional information on the major changes in the Company's consolidated statements of financial position in 2014 and 2013;

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

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

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

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

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

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

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed, which are all elements specifically discussed in the following section. While liquidity remains subject to numerous risks and limitations, including but not limited to the risks described under Section 13 "Risks and Uncertainties" and in this section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations for the foreseeable future.

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

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

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

10.1 FINANCIAL POSITION ANALYSIS

AT DECEMBER 31 (IN MILLIONS CA$)	**2014**	2013	2012
Current assets	**$ 5,050.9**	$ 3,915.8	$ 3,794.1
Non-current assets	**4,960.4**	7,856.9	5,816.8
Total assets	**10,011.3**	11,772.6	9,610.9
Current liabilities	**5,195.0**	4,442.7	4,062.0
Non-current liabilities	**1,499.6**	5,289.7	3,470.5
Total liabilities	**6,694.6**	9,732.4	7,532.5
Equity attributable to SNC-Lavalin shareholders	**3,305.6**	2,036.7	2,075.4
Non-controlling interests	**11.1**	3.6	3.0
Total liabilities and equity	**$ 10,011.3**	$ 11,772.6	$ 9,610.9

10.1.1 TOTAL CURRENT ASSETS

Total current assets increased by $1,135.1 million between December 31, 2013 and **December 31, 2014,** reflecting primarily:

From E&C	From ICI
An increase of $1,184.5 million mainly reflecting: > An increase of $582.0 million in cash and cash equivalents as explained in section 10.3; > An increase of $228.1 million in trade receivables as a decrease due to various ongoing projects was more than offset by an increase from incremental trade receivables of Kentz, as well as the recognition of trade receivables from AltaLink following the sale of this subsidiary on December 1, 2014 as explained in section 8.4.3.3; > An increase of $190.6 million in contracts in progress, mainly due to the same factors explaining the increase in trade receivables; > An increase of $69.1 million in other current assets; and > Inventories of Kentz totalling $111.4 million.	A decrease of $49.4 million mainly reflecting: > A decrease of $80.1 million in trade receivables mainly due to the derecognition of trade receivables of AltaLink; > A decrease of $34.3 million in other current assets; partially offset by > An increase of $40.7 million in other current financial assets, mainly due to an increase from InPower BC partially offset by a decrease from Rainbow.

Total current assets increased by $121.7 million between December 31, 2012 and December 31, 2013, reflecting primarily:

From E&C	From ICI
An increase of $99.2 million mainly reflecting: > An increase of $332.0 million in other current financial assets, mainly due to an increase in retentions on client contracts, mainly from MIHG and the Evergreen line rapid transit project, and an increase in advances to suppliers, subcontractors and employees and deposits on contracts; partially offset by > A decrease of $118.5 million in contracts in progress due to various ongoing projects; and > A decrease of $83.1 million in trade receivables, due to various ongoing projects.	An increase of $22.5 million mainly reflecting: > An increase of $14.3 million in trade receivables; and > An increase of $8.0 million in restricted cash.

10.1.2 TOTAL NON-CURRENT ASSETS

Total non-current assets decreased by $2,896.4 million from December 31, 2013 to **December 31, 2014**, mainly due to:

From E&C	From ICI
An increase of $2,821.8 million mainly reflecting: > Goodwill of $2,206.9 million and intangible assets of $320.0 million recognized upon acquisition of Kentz; > An increase of $128.6 million in deferred income tax asset; and > An increase of $65.7 million in property and equipment mainly from the acquisition of Kentz.	A decrease of $5,718.2 million mainly reflecting: > The derecognition of property and equipment, goodwill and other non-current assets from AltaLink; > A decrease of $86.3 million in investments accounted for by the equity method mainly due to the sale of the Company's investment in Astoria as described in section 8.4.3.3, as well as to an impairment of investment.

Total non-current assets increased by $2,040.0 million from December 31, 2012 to December 31, 2013, mainly due to:

From E&C	From ICI
An increase of $19.8 million mainly reflecting: > An increase of $77.1 million in deferred income tax asset; partially offset by > A decrease in Goodwill, mainly reflecting a $56.5 million goodwill impairment charge in 2013.	An increase of $2,020.2 million mainly reflecting: > An increase of $1,662.0 million in property and equipment, from AltaLink, to reinforce and expand the transmission system; > An increase of $87.9 million in ICI accounted for by the cost method, mainly reflecting an increase in the investment in Ambatovy and the remaining ownership interest in Astoria II being accounted for as an available-for-sale financial asset following its partial disposal in December 2013; > An increase of $86.9 million in non-current financial assets, mainly from third party deposits from AltaLink; and > An increase of $75.2 million in ICI accounted for by the equity method, mainly reflecting an increase in the investments in Rideau and InTransit BC.

10.1.3 TOTAL CURRENT LIABILITIES

Total current liabilities increased by $752.3 million between December 31, 2013 and **December 31, 2014,** mainly due to:

From E&C	From ICI
An increase of $1,371.7 million mainly resulting from: > The acquisition of Kentz which contributed to: > An increase of $661.9 million in trade payables; > An increase of $202.5 million in deferred revenues; > An increase of $96.7 million in current portion of provisions; > An increase of $82.1 million in other current liabilities; > As well as an increase of $232.1 million in advances under contract financing arrangements related to certain major projects in Canada, primarily from the Evergreen line rapid transit project; and > An increase of $72.9 million in other current financial liabilities, mainly from an increase in retentions on suppliers contracts.	A decrease of $619.4 million mainly reflecting: > A decrease of $435.2 million in trade payables and a decrease of $269.6 million in current portion of long-term recourse debt mainly due to the sale of AltaLink; and > A decrease of $129.6 million in other current financial liabilities mainly due to payments of commitments to invest in MIHG and Ambatovy; partially offset by > An increase of $249.5 million in other current liabilities, mainly reflecting income taxes payable on the gain from disposal of AltaLink.

Total current liabilities increased by $380.7 million between December 31, 2012 and December 31, 2013, mainly due to:

From E&C	From ICI
An increase of $364.0 million mainly reflecting: > An increase of $324.5 million in trade payables mainly due to certain major Packages projects; > An increase of $76.4 million in other current financial liabilities, mainly from an increase in retentions on supplier contracts; > An increase of $55.9 million in current portion of provisions; and An increase of $43.9 million in advances under contract financing arrangements, primarily from the Evergreen line rapid transit project; partially offset by > A decrease of $120.8 million in downpayments on contracts.	An increase of $16.7 million mainly reflecting: > An increase of $171.5 million in trade payables; > An increase of $32.5 million in commitments to invest in ICI accounted for by the equity and cost methods; and > An increase of $20.0 million in deferred revenues; partially offset by > A decrease of $207.2 million in non-recourse short term debt and current portion of non-recourse long-term debt, primarily from AltaLink.

10.1.4 TOTAL NON-CURRENT LIABILITIES

Total non-current liabilities decreased by $3,790.1 million from December 31, 2013 to **December 31, 2014**, mainly reflecting:

From E&C	From ICI
An increase of $65.0 million mainly reflecting: > An increase of $89.1 million in provisions; partially offset by > A decrease of $18.4 million in deferred tax liability.	A decrease of $3,855.1 million mainly reflecting derecognition of non-current liabilities due to the sale of AltaLink, notably: > A decrease of $3,006.3 million in long-term recourse debt; > A decrease of $733.7 million in other non-current liabilities; and > A decrease of $110.0 million in other non-current financial liabilities.

Total non-current liabilities increased by $1,819.2 million from December 31, 2012 to December 31, 2013, mainly reflecting:

From E&C	From ICI
An increase of $103.8 million mainly reflecting: > An increase of $61.3 million in deferred tax liability; and > An increase of $38.8 million in provisions.	An increase of $1,715.4 million mainly reflecting: > An increase of $1,536.2 million in the non-recourse long-term debt, primarily relating to AltaLink, mainly to finance its capital expenditures; and > An increase of $143.2 million in other non-current liabilities, mainly due to an increase in third party contributions of AltaLink.

10.1.5 TOTAL FINANCIAL LIABILITIES

The Company's total financial liabilities, as presented in Note 31A to the 2014 audited annual consolidated financial statements, **were $4.3 billion as at December 31, 2014**, compared to $7.2 billion and $5.3 billion as at December 31, 2013 and 2012, respectively. The decrease in 2014 was mainly attributable to the disposal of AltaLink.

10.1.6 TOTAL EQUITY

Equity attributable to SNC-Lavalin shareholders increased by $1,269.0 million as at December 31, 2014, compared to December 31, 2013, mainly reflecting the Company's 2014 net income.

The decrease of $38.8 million from December 31, 2012 to December 31, 2013 mainly reflected dividends declared to SNC-Lavalin shareholders, partially offset by total comprehensive income and shares issued under stock option plans in 2013.

10.2 CASH NET OF RECOURSE DEBT

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

AT DECEMBER 31 (IN MILLIONS OF CA$)	**2014**	2013	2012
Cash and cash equivalents	**$ 1,702.2**	$ 1,108.7	$ 1,174.9
Less:			
Cash and cash equivalents of ICI accounted for by the full consolidation method	**29.3**	17.8	17.6
Recourse debt	**348.9**	348.7	348.5
Cash net of recourse debt	**$ 1,324.0**	$ 742.2	$ 808.7

The Company's cash net of recourse debt as at December 31, 2014 was $1,324.0 million, compared to $742.2 million as at December 31, 2013, mainly reflecting an increase in cash and cash equivalents as explained in section 10.3.

Management continues to believe, subject to the risks and limitations described herein, that its current liquidity position, including its cash position and unused capacity under its credit facility should be sufficient to fund its operations over the foreseeable future. Management remains focused on maintaining appropriate cash balances and intends to manage its working capital more efficiently.

10.3 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2014	2013
Cash flows generated from (used for):		
Operating activities	**$ 264.1**	$ 333.2
Investing activities	**(499.0)**	(1,670.9)
Financing activities	**816.6**	1,269.5
Increase in exchange differences on translating cash and cash equivalents held in foreign operations	**11.8**	2.0
Net increase (decrease) in cash and cash equivalents	**593.5**	(66.2)
Cash and cash equivalents at beginning of year	**1,108.7**	1,174.9
Cash and cash equivalents at end of year	**$ 1,702.2**	$ 1,108.7

The section below explains the major cash flow items that impacted the movement of the Company's cash and cash equivalents for the year ended December 31, 2014.

OPERATING ACTIVITIES

Cash generated from operating activities totalled $264.1 million in 2014 compared to cash generated of $333.2 million in 2013. The major elements impacting operating activities were as follows:

> Net cash generated from operating activities before net change in non-cash working capital items, totalled $166.2 million in 2014, compared to $203.5 million in 2013, mainly reflecting :
- A net income of $1,334.6 million in 2014, compared to $36.4 million in 2013;
- Non-cash gains from disposal of ICI totalling $1,615.4 million, compared to a non-cash gain from partial disposal of Astoria II of $73.0 million in 2013;
- A non-cash income tax expense of $323.0 million in 2014, compared to $41.7 million in 2013, mainly due to income taxes payable on the gain on disposals of ICI;
- Non-cash impairment of investments totalling $28.5 million in 2014, compared $nil in 2013;
- A decrease in non-cash provisions related to forecasted losses on certain contracts of $21.9 million in 2014, compared to an increase of $29.6 million in 2013.

> Cash generated from the net change in non-cash working capital items totalled $98.0 million in 2014, compared to $129.7 million in 2013, reflecting working capital requirements on certain major projects.

INVESTING ACTIVITIES	**Cash used for investing activities decreased to $499.0 million in 2014** compared to cash used of $1,670.9 million in 2013. The major investing activities were as follows: > Net cash used for the acquisition of Kentz amounted to $1,763.0 million in 2014, as described in Note 6 to the 2014 audited annual consolidated financial statements. The difference between the purchase price of $2,073.6 million and the net cash used for the acquisition of Kentz represents cash and cash equivalents held by Kentz at the date of acquisition; > Net cash inflow on disposals of ICI of $3,253.3 million, resulting from the sale of the Company's 100% ownership interest in AltaLink, Astoria and Ovation as described in Note 5 to the 2014 audited annual consolidated financial statements, as well as payments for disposition-related costs on disposals of ICI of $60.3 million in 2014; > The acquisition of property and equipment from fully consolidated ICI used a total cash outflow of $1,522.4 million in 2014 compared to $1,545.9 million in 2013, both due to AltaLink, mainly relating to capital expenditures to reinforce and expand the transmission system; > The acquisition of property and equipment from E&C activities amounted to a total cash outflow of $70.2 million in 2014, compared to $55.5 million in 2013; > The cash outflow of $133.1 million relating to payments for ICI in 2014, reflecting payments for MIHG and Ambatovy, compared to $43.6 million in 2013, reflecting payments mainly for Ambatovy and Chinook; > Costs net of recovery of $34.7 million associated to a foreign exchange hedge in 2014, as described in Note 6 to the 2014 audited consolidated financial statements, compared to $nil for the corresponding period of 2013; > The investment in deposit notes of a portion of $260.5 million of proceeds resulting from the issuance by InPower BC of senior bonds in 2014 as described in Note 5 to the 2014 audited consolidated financial statements.
FINANCING ACTIVITIES	**Cash generated from financing activities totalled $816.6 million in 2014** compared to cash generated from financing activities of $1,269.5 million in 2013. The major financing activities were as follows: > An increase of $2,630.0 million in recourse debt, related to the acquisition of Kentz, to finance the purchase price of the Acquisition, and for repayment of $482.4 million of recourse debt of Kentz, as described in section 10.5, as well as the repayment of $2,630.0 millions of recourse debt using the proceeds received from the sale of AltaLink; > An increase in non-recourse debt from ICI totaling $1,657.8 million in 2014, primarily relating to AltaLink and other related holding entities up to December 1, 2014, as well as to InPower BC compared to $1,744.8 million in 2013, which related primarily to AltaLink and Rainbow. > The repayment of non-recourse debt from ICI amounted to $427.5 million in 2014, compared to $410.2 million in 2013, primarily relating to AltaLink and Rainbow, including repayment in full in 2014 of the outstanding balance from a $350.0 million credit facility used to finance equity injections in AltaLink, L.P.; > An increase in advances under contract financing arrangements of $230.1 million in 2014, compared to $159.5 million in 2013; > Dividends paid to SNC-Lavalin shareholders amounted to $146.2 million in 2014 compared to $139.4 million in 2013, mainly reflecting an increase in dividends per share. The increase in dividends reflects dividends paid of $0.96 per share in 2014 compared to $0.92 per share for 2013; > The issuance of shares pursuant to the exercise of stock options generated $26.9 million of cash in 2014 (657,869 stock options at an average price of $40.92), compared to $26.5 million in 2013 (737,876 stock options at an average price of $35.89). As at February 23, 2015, there were 3,060,069 stock options outstanding with exercise prices varying from $37.04 to $57.07 per common share. At that same date there were 152,466,586 common shares issued and outstanding.

10.4 WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS CA$, EXCEPT CURRENT RATIO)	2014	2013	2012	CHANGE FROM 2013 TO 2014	CHANGE FROM 2012 TO 2013
Current assets	**$ 5,050.9**	$ 3,915.8	$ 3,794.1	$ 1,135.1	$ 121.7
Current liabilities	**5,195.0**	4,442.7	4,062.0	752.3	380.7
Working Capital	**$ (144.2)**	$ (527.0)	$ (267.9)	$ 382.8	$ (259.0)
Current Ratio	**0.97**	0.88	0.93	0.09	(0.05)

The working capital and current ratio increased as at December 31, 2014 compared to the previous year. The variance in working capital is mainly attributable to the disposal of AltaLink and the acquisition of Kentz as explained in the financial position analysis in sections 10.1.1 and 10.1.3.

10.5 RECOURSE DEBT AND NON-RECOURSE DEBT

10.5.1 RECOURSE DEBT

10.5.1.1 RECOURSE REVOLVING CREDIT FACILITY

In December 2013, the Company entered into an unsecured revolving credit agreement (the "Facility") with a syndicate of financial institutions, totalling $3,500 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of $1,650 million applicable to financial letters of credit and cash draws but not to performance letters of credit. Amounts drawn under the Facility bear interest at variable rates plus an applicable margin. The Facility was initially set to mature in December 2016, with an annual extension option for a one-year period upon lenders' approval. As explained below, the Facility was amended in August 2014.

The Facility is committed and subject to affirmative, negative and financial covenants, including the requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio, as defined in the Facility, not exceeding a certain limit.

If the covenants of the Facility are not met, the lenders may, among others, terminate the right of the Company to use the Facility and demand immediate payment of the whole or part of all indebtedness outstanding under the Facility.

To finance the acquisition of Kentz Corporation Limited (see Note 6 to the Company's audited annual consolidated financial statements), SNC-Lavalin entered in June 2014 into a recourse non-revolving acquisition credit agreement (the "Acquisition Facility") for an aggregate amount of $2,750 million comprised of the following: i) an asset sale bridge facility of $2,550 million, maturing at the latest in December 2015; and ii) a term facility of $200 million, maturing at the latest in June 2016. Amounts drawn under the asset sale bridge facility and term facility bore interest at variable rates plus an applicable margin. Under the terms of the Acquisition Facility, SNC-Lavalin had to make a mandatory prepayment on the outstanding balance of borrowings under the Acquisition Facility upon the receipt by SNC-Lavalin of net proceeds from disposition of certain of its ICI, including AltaLink. The Acquisition Facility was to be used solely to fund the acquisition of Kentz and its related indebtedness, fees and expenses.

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

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

In August 2014, in connection with the acquisition of Kentz, the Facility entered into by the Company in December 2013 was amended to: i) increase the committed amount from $3,500 million to $4,250 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of $1,800 million applicable to financial letters of credit and cash draws but not to performance letters of credit; and ii) extend the maturity of the Facility from December 2016 to August 2017, with an annual extension option for a one-year period upon lenders' approval.

In September 2014, the Company amended the Acquisition Facility entered in June 2014 by cancelling the term facility of $200 million, while all other terms of the Acquisition Facility remained unchanged. In addition, the Company used a portion of its unsecured recourse revolving credit facility to finance the acquisition of Kentz.

The use of funds from these facilities in 2014 is summarized in the table below:

(IN MILLIONS CA$)	
Increase in recourse short-term debt	**$ 2,630.0**
Main use of funds from recourse short-term debt:	
Purchase price of Kentz	**$ (2,073.6)**
Repayment of a portion of recourse debt of Kentz	**(482.4)**
Acquisition-related costs	**(52.8)**
Excess of financing over main use of funds listed above	**$ 21.2**

In December 2014, following the disposition of AltaLink, the Company repaid in full the outstanding balance of the Acquisition Facility, which was cancelled at the same time, as well as the outstanding balance of the non-recourse debt related to the financing of the Company's equity contributions in AHLP. As such, the Company successfully completed its acquisition of Kentz without ultimately increasing its level of indebtedness.

As at December 31, 2014, $2,501.7 million of the Facility remained unused, while the balance of $1,748.3 million was exclusively used for the issuance of letters of credit, including $245.4 million of financial letters of credit.

In addition, the Facility contemplates the issuance of bilateral letters of credit on a non-committed basis for a maximum of $2,000 million, which are subject to the covenants of the Facility. As at December 31, 2014, $141.2 million was used for the issuance of bilateral letters of credit. Also, as at December 31, 2014, Kentz had $214.7 million of issued bilateral letters of credit, that were outside of the Company's Facility.

10.5.1.2 RECOURSE DEBENTURE – CREDIT RATING

On April 1, 2014, Standard & Poor's affirmed the credit rating of the Company's debenture at BBB and revised its outlook upwards to stable. On June 24, 2014, Standard & Poor's affirmed the credit rating of the Company's debenture at BBB with a stable outlook, following the Company's announcement of its acquisition of Kentz. On February 19, 2015, Standard & Poor's revised its outlook to negative from stable while affirming its credit rating of the Company's debenture at BBB, following the Charges described in section 13.

On June 23, 2014, DBRS placed the Company's rating "Under Review with Negative Implications" following the announcement of its acquisition of Kentz. On December 5, 2014, DBRS confirmed its credit rating of the Company's debenture at BBB with a stable trend, and removed "Under Review with Negative Implications", reflecting the completion of the Company's sale of its 100% ownership interest in AltaLink, and the repayment of its Acquisition Facility. On February 19, 2015, following the Charges described in section 13, DBRS issued a press release. DBRS stated that no rating action was warranted in view that there was limited near-term impact to the Company, and that the Charges were not indicative of the Company's current business strategy and conduct.

The Company retains its investment grade status from both rating agencies.

10.5.1.3 RECOURSE DEBT-TO-CAPITAL RATIO

This ratio compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. As at December 31, 2014 and 2013, the Company's recourse debt-to-capital ratio was 10:90 and 14:86, respectively, below the Company's objective, which is not to surpass a ratio of 30:70.

10.5.2 NON RECOURSE-DEBT

SNC-Lavalin does not consider non-recourse debt when monitoring its capital because such debt results from the full consolidation of certain ICI held by the Company. As such, the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the ICI they finance. The Company's ICI accounted for by the full or equity consolidation methods may, however, be at risk if such investments were unable to repay their non-recourse long-term debt.

10.6 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

10.6.1 CONTRACTUAL OBLIGATIONS

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

(IN MILLIONS CA$)	2015	2016-2017	2018-2019	THEREAFTER	TOTAL
Short-term debt and long-term debt repayments:					
Recourse	$ –	$ –	$ 350.0	$ –	$ 350.0
Non-recourse from ICI	8.6	17.2	20.6	508.7	555.0
Commitments to invest in ICI	56.0	–	–	–	56.0
Rental obligations under operating lease arrangements	114.6	129.4	81.8	77.0	402.8
Total	$ 179.2	$ 146.6	$ 452.4	$ 585.7	$ 1,363.8

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 20D to the Company's 2014 audited annual consolidated financial statements. The commitments to invest in ICI result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to its 2014 audited annual consolidated financial statements. The commitments to invest in ICI are recognized for investments accounted for by the equity or cost methods and mainly related to Ambatovy, Rideau and 407 EDGGP. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 35 to its 2014 audited annual consolidated financial statements.

10.6.2 FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 31 to its 2014 audited annual consolidated financial statements.

Derivative financial instruments	**Financial arrangement**
SNC-Lavalin enters into derivative financial instruments, namely: i) forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements.	The Company has a financial arrangement with an investment grade financial institution to limit its exposure to the variability of its cash-settled share-based payment arrangements caused by fluctuations in its share price (refer to Note 24C to the 2014 audited annual consolidated financial statements).
All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.	

The Company does not hold or issue any derivative instruments for speculative purposes, but rather for hedging purposes only, including entering into a foreign exchange hedge in 2014 for the foreign exchange exposure of the Acquisition, as described in Note 6 to its audited annual consolidated financial statements. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures.

10.7 DIVIDENDS DECLARED

The Board of Directors has decided to increase the quarterly cash dividend payable to shareholders from $0.24 per share to $0.25 per share for the fourth quarter of 2014, resulting in total cash dividends declared of $0.97 per share relating to 2014.

The table below summarizes the dividends declared for each of the past three years:

YEAR ENDED DECEMBER 31 (IN CA$)	**2014**	2013	2012
Dividends per share declared to SNC-Lavalin shareholders [1]	**$ 0.97**	$ 0.93	$ 0.89
Dividend increase (%)	**4%**	4%	5%

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

Total cash dividends paid in 2014 were $146.2 million compared to $139.4 million in 2013. The Company has paid quarterly dividends for 25 consecutive years and has increased its yearly dividend paid per share for each of the past 14 years.

10.8 RETURN ON AVERAGE SHAREHOLDERS EQUITY (“ROASE”)

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

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

For 2014, **ROASE was 58.7%**, compared to 1.6% for 2013 and 14.6% for 2012, due to the gain on disposal of AltaLink.

11. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, which are described in Note 2 to the Company’s 2014 audited annual consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the Company’s 2014 audited annual consolidated financial statements.

12. ACCOUNTING POLICIES AND CHANGES

12.1 NEW ACCOUNTING POLICIES ADOPTED IN 2014

Following the acquisition of Kentz by the Company in 2014, the Company adopted two new accounting policies applicable to: i) the inventories of Kentz (see Note 2O to the Company’s 2014 audited annual consolidated financial statements); and ii) the intangible assets related to Kentz acquisition (see note 2Q Company’s 2014 audited annual consolidated financial statements).

12.2 INTERPRETATION AND AMENDMENTS ADOPTED IN 2014

The following interpretation and amendments to an existing standard have been adopted by the Company on January 1, 2014:

> IFRIC Interpretation 21, *Levies*, ("IFRIC 21") 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 retrospective initial application of IFRIC 21 and of the amendments to IAS 36, *Impairment of Assets*, ("IAS 36") did not have any impact on the Company's financial statements.

The following amendments to existing standards have been adopted by the Company on July 1, 2014:

> Amendments to IFRS 2, *Share-based Payments*, relate to the definitions of "vesting condition" and "market condition" and add definitions for "performance condition" and "service condition" and are applicable to share-based payment transactions for which the grant date is on or after July 1, 2014.

> Amendments to IFRS 3, *Business Combinations*, ("IFRS 3") clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date for business combinations for which the acquisition date is on or after July 1, 2014, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.

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

12.3 STANDARDS AND AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments to the standards has been issued by the International Accounting Standards Board ("IASB") and are applicable to the Company for its annual periods beginning on January 1, 2015 and thereafter, with an earlier application permitted:

> *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19, *Employee Benefits*) apply to contributions from employees or third parties to defined benefit plans, which objective is to simplify the accounting for contributions that are independent of the number of years of employee service.

> Annual improvements to IFRS (2010-2012 Cycle), which include among others:

- Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- Amendments to IFRS 13, *Fair Value Measurement*, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

> Annual improvements to IFRS (2011-2013 Cycle), which include among others:

- Amendments to IFRS 3, *Business Combinations*, clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
- Amendments to IFRS 13, *Fair Value Measurement*, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, even if those contracts do not meet the definition of financial assets or financial liabilities.

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

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

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

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

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

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

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2017 and thereafter, with an earlier application permitted:

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

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

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

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

13. RISKS AND UNCERTAINTIES

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

RISKS RELATED TO LITIGATION, REGULATORY MATTERS AND INVESTIGATIONS

The outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation.

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

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

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

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

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

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

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

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

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

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

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

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

On February 19, 2015, the Company was charged with one count of corruption under the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and one count of fraud under the Criminal Code (Canada) (the "Criminal Code"). The Company is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business.

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

Charges and RCMP Investigations

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

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

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

AMF Investigation; AMF Certification under the Quebec Public Contracts Act

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

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

World Bank Settlement

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

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aissa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec. On October 1, 2014, Mr. Ben Aissa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aissa by Swiss authorities since April 2012. The Company was recognized as an injured party in the context of the Swiss proceedings and is entitled to recover certain amounts of money in connection therewith.

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

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

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

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

Further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions.

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

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

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

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

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

If the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected.

On May 2, 2013, the Company announced a new strategic plan designed to strengthen its core operations with a view to increasing long-term profitability. The strategic plan, described earlier in this MD&A, outlines the sectors and geographies which the Company will target, and the integrated solutions for Infrastructure Concessions model with a disciplined approach to employing capital for its ICI portfolio. Implementation of this plan presents various managerial, organizational, administrative, operational and other challenges. Implementing the new strategic plan may require, among other things, recruiting, developing, motivating and retaining talented employees, and executing on dispositions of certain ICI assets at the appropriate time as well as potentially making strategic acquisitions to support the Company's growth strategy. If the Company is unable to successfully execute on any or all of the initiatives contained in the new strategic plan, the Company's revenues, operating results and profitability may be adversely affected. Even if the Company successfully implements its new strategic plan, there can be no guarantee that its revenues, operating results and profitability will improve.

Fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability.

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

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

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

The Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs.

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

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

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

The Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability.

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

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

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting. SNC-Lavalin's failure to comply with the terms of one or more government contracts or government statutes and regulations could result in the Company's contracts with government agencies being terminated or the Company being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties and the risk of public scrutiny of the Company's performance, and potential harm to its reputation, each of which could have a material adverse effect on SNC-Lavalin's business. Other remedies that the Company's government clients may seek for improper activities or performance issues include sanctions such as forfeiture of profits and suspension of payments. In addition, virtually all of the Company's contracts with governments contain "termination for convenience" provisions, as described in the risk factor above entitled "*The Company's backlog is subject to unexpected adjustments and cancellations, including under 'termination for convenience' provisions, and does not represent a guarantee of the Company's future revenues or profitability.*"

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

The Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk.

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

- recessions and other economic crises in other regions, such as Europe, or specific foreign economies and the impact on the Company's costs of doing business in those countries;
- difficulties in staffing and managing foreign operations, including logistical, security and communication challenges;
- changes in foreign government policies, laws, regulations and regulatory requirements, or the interpretation, application and/or enforcement thereof;
- difficulty or expense in enforcing contractual rights due to a lack of a developed legal system or otherwise;
- renegotiation or nullification of existing contracts;
- the adoption of new, and the expansion of existing, trade or other restrictions;
- difficulties, delays and expense that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions;
- embargoes;
- acts of war, civil unrest, force majeure and terrorism;
- social, political and economic instability;
- expropriation of property;
- tax increases or changes in tax laws, legislation or regulation or in the interpretation, application and/or enforcement thereof; and
- limitations on the Company's ability to repatriate cash, funds or capital invested or held in jurisdictions outside Canada.

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

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

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

In accordance with its business strategy, SNC-Lavalin makes investments in ICI. When SNC-Lavalin holds an ownership interest in an ICI, it assumes a degree of risk associated with the financial performance of the ICI. The value of the Company's investment in such ICI is dependent on the ability of the ICI to attain its revenue and cost projections as well as the ability to secure initial and ongoing financing, which can be influenced by numerous factors, some partially beyond the ICI's control, including, but not limited to, political or legislative changes, lifecycle maintenance, operating revenues, collection success, cost management and the general state of the capital and/or credit markets. In addition, the Company is sometimes required to guarantee the obligations of the ICI or partners in such ICI, which may result in a liability for the Company in the event such guarantee is enforced or applied. See, for example, the discussion on the guarantee given by SNC-Lavalin in connection with its investment in Ambatovy (see section 8.3.4.1).

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

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

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

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

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

The Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects.

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

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

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

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

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

The Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations.

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

Any acquisition or other investment may present risks or uncertainties.

The integration of a business acquisition can be a challenging task that includes, but is not limited to, realization of synergies, cost management to avoid duplication, information systems integration, staff reorganization, establishment of controls, procedures, and policies, as well as cultural alignment. The inability to adequately integrate an acquired business in a timely manner might result in departures of qualified personnel, lost business opportunities and/or higher than expected integration costs. In addition, there are risks associated with the acquisition of a business where certain liabilities including, but not limited to, contingent liabilities, legal claims and environmental exposures, were unknown at the time the acquisition was negotiated and concluded.

The Company may be unable to successfully integrate the businesses of SNC-Lavalin and Kentz and realize the anticipated benefits of the Acquisition.

The integration of the businesses of SNC-Lavalin and Kentz, which include its recently acquired subsidiary, Valerus Field Solutions, will require the dedication of substantial effort, time and resources on the part of management which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that management will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Acquisition. The extent to which synergies are realized and the timing of such cannot be assured. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits of the Company. Any inability of management to successfully integrate the operations of SNC-Lavalin and Kentz, including, but not limited to, information technologies and financial reporting systems, could have a material adverse effect on the business, financial condition and results of operations of the Company.

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

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

The Company relies both on its cash position as well as on the credit and capital markets to provide some of its capital requirements and it is, in certain instances, required to obtain bank guarantees as a means to secure its various contractual obligations. Significant instability or disruptions of the capital markets, including the credit markets, or a deterioration in or weakening of its financial position, including its cash net of recourse debt, due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the cost of one or more of these financing sources, including credit facilities, the issuance of long-term debt, or the availability of letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate cash net of recourse debt and generate sufficient cash flow from operations in an amount to enable itself to fund its operations and liquidity needs, service its debt and/or maintain its ability to obtain and secure bank guarantees. In particular, the Company's credit facility is subject to affirmative, negative and financial covenants, including the requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio, as defined in the agreement, not exceeding a certain limit. If the covenants of the facility are not met, the lenders may, among others, terminate the right of the Company to use the facility and demand immediate payment of the whole or part of all indebtedness outstanding under the facility, which could have a material adverse effect on the Company's business and financial position.

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

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

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

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

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

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

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

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

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

The Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition.

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

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

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

GLOBAL / MACROECONOMIC RISKS

Global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing.

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

Fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects.

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

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

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

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

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

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

14. CONTROLS AND PROCEDURES

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

14.1 DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2014, excluding Kentz's disclosure controls and procedures, as described in section 14.3.

14.2 INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2014, using the *Internal Control - Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework"), excluding Kentz's internal control over financial reporting, as described in section 14.3.

At the request of the Company's Audit Committee, its independent auditor, Deloitte, conducted an audit of the effectiveness of the Company's internal control over financial reporting as at December 31, 2014 based on the COSO 2013 Framework. The audit did not include the internal control over financial reporting at Kentz. Deloitte has issued an audit report dated March 5, 2015 which concludes that, in Deloitte's opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, in accordance with criteria established in the COSO 2013 Framework. The Independent Auditor's Report on the effectiveness of the Company's internal control over financial reporting as at December 31, 2014 is included with the Company's 2014 audited annual consolidated financial statements and should be read in its entirety.

14.3 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting other than changes resulting from the acquisition of Kentz described below.

The Company completed its Acquisition on August 22, 2014. As a result, management's assessment and conclusion on the design of disclosure controls and procedures, and internal control over financial reporting, excludes the controls, policies and procedures of Kentz. Kentz represents 15.5% of revenues, 5.7% of net income attributable to SNC-Lavalin shareholders and 40.0% of total assets of the consolidated figures reported in the Company's 2014 audited consolidated financial statements. Note 6 to the audited consolidated financial statements presents summary financial information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about the Acquisition and Kentz's business impact on the consolidated results of the Company.

15. QUARTERLY INFORMATION

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT PER SHARE AMOUNTS)	2014					2013				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER[(1)]	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues by activity:										
Services	503.6	558.6	723.2	1,030.4	2,815.8	650.7	723.1	626.8	697.1	2,697.6
Packages	610.2	625.0	726.0	1,244.3	3,205.5	723.4	736.9	819.8	833.2	3,113.4
O&M	375.2	284.0	311.6	342.6	1,313.4	382.9	298.4	318.8	338.2	1,338.3
ICI	231.2	228.8	243.3	200.7	904.1	143.3	185.0	179.7	255.9	763.8
	1,720.1	1,696.5	2,004.1	2,818.0	8,238.8	1,900.3	1,943.4	1,945.2	2,124.3	7,913.2
Gross margin	356.9	348.7	420.2	215.0	1,340.8	306.5	231.7	180.3	397.3	1,115.8
Selling, general and administrative expenses	186.8	208.3	204.3	242.0	841.4	207.1	228.7	175.7	225.1	836.6
Restructuring costs, goodwill impairment and impairment of investments	1.2	0.9	13.8	122.5	138.3	-	-	68.2	55.2	123.5
Acquisition-related costs and integration costs	-	25.9	30.0	6.7	62.5	-	-	-	-	-
Amortization of intangible assets related to the Acquisition	-	-	12.3	24.2	36.5	-	-	-	-	-
(Gain) loss from disposals of ICI	-	-	4.1	(1,619.5)	(1,615.4)	-	-	-	(73.0)	(73.0)
EBIT	168.9	113.7	155.7	1,439.1	1,877.4	99.4	3.1	(63.7)	190.0	228.8
Net financial expenses:										
From E&C	4.0	11.9	18.7	4.4	38.9	1.6	3.8	11.5	2.7	19.5
From ICI	46.6	51.8	54.8	27.7	180.9	31.6	31.3	30.5	37.8	131.2
	50.6	63.7	73.5	32.1	219.8	33.2	35.0	41.9	40.5	150.7
Earnings (Loss) before income taxes	118.3	50.1	82.2	1,407.0	1,657.6	66.2	(32.0)	(105.6)	149.4	78.1
Income taxes:										
From E&C	12.0	3.3	3.0	(41.0)	(22.7)	5.9	0.5	(41.0)	4.2	(30.3)
From ICI	11.6	14.7	18.4	301.0	345.8	6.6	5.0	7.8	52.6	72.0
	23.6	17.9	21.4	260.0	323.0	12.5	5.5	(33.1)	56.8	41.7
Net income (loss)	94.7	32.1	60.8	1,147.0	1,334.6	53.7	(37.5)	(72.5)	92.6	36.4
Net income (loss) attributable to:										
SNC-Lavalin shareholders	94.6	32.1	60.0	1,146.6	1,333.3	53.6	(37.7)	(72.7)	92.5	35.8
Non-controlling interests	0.1	0.1	0.7	0.3	1.2	0.1	0.2	0.3	0.1	0.6
Net income (loss)	94.7	32.1	60.8	1,147.0	1,334.6	53.7	(37.5)	(72.5)	92.6	36.4
Basic earnings (loss) per share ($)	0.62	0.21	0.39	7.52	8.76	0.35	(0.25)	(0.48)	0.61	0.24
Diluted earnings (loss) per share($):										
From E&C	0.20	(0.31)	(0.19)	(1.68)	(1.97)	0.12	(0.69)	(0.85)	(0.21)	(1.65)
From ICI	0.42	0.52	0.58	9.18	10.71	0.23	0.44	0.37	0.82	1.89
Diluted earnings (loss) per share ($)	0.62	0.21	0.39	7.51	8.74	0.35	(0.25)	(0.48)	0.61	0.24
Dividend declared per share ($)	0.24	0.24	0.24	0.25	0.97	0.23	0.23	0.23	0.24	0.93
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	30.8	(46.9)	(28.9)	(255.6)	(300.5)	18.6	(104.7)	(128.4)	(31.3)	(245.8)
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:										
From Highway 407	29.4	29.4	29.4	34.4	122.5	16.8	21.8	33.5	41.9	114.1
From AltaLink	23.2	44.7	58.9	48.8	175.6	13.7	17.5	21.3	39.3	91.8
From other ICI	11.2	4.9	0.7	1,319.0	1,335.9	4.6	27.7	0.8	42.6	75.7
Net income (loss) attributable to SNC-Lavalin shareholders	94.6	32.1	60.0	1,146.6	1,333.3	53.6	(37.7)	(72.7)	92.5	35.8
Revenue backlog (at end of quarter)										
Services	1,604.3	1,526.0	4,325.9	4,684.0		1,889.2	1,848.6	1,672.5	1,629.6	
Packages	4,780.9	4,843.4	6,085.4	5,693.5		5,954.2	5,553.4	5,050.2	4,429.7	
O&M	1,988.9	1,843.9	2,102.6	1,947.9		2,392.4	2,250.4	2,272.7	2,228.5	
	8,374.1	8,213.2	12,513.9	12,325.5		10,235.8	9,652.4	8,995.4	8,287.8	

(1) During the three-month period ended December 31, 2014, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

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, 2014, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2014, 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. Management excluded from its assessment the internal control over financial reporting at Kentz Corporation Limited ("Kentz"), which was acquired on August 22, 2014 and whose revenues, net income attributable to SNC-Lavalin shareholders and total assets constitute approximately 16%, 6% and 40%, respectively, of the consolidated financial statements as at and for the year ended December 31, 2014.

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 control 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. Deloitte LLP also have expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as at December 31, 2014. 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 *(signed)*
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

ALAIN-PIERRE RAYNAUD *(signed)*
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

MARCH 5, 2015
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, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

We also have audited, in accordance with the standard for audits of internal control over financial reporting set out in the CPA Canada Handbook – Assurance, SNC-Lavalin Group Inc.'s internal control over financial reporting as at December 31, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 5, 2015 expressed an unqualified opinion on the effectiveness of SNC-Lavalin Group Inc.'s internal control over financial reporting.

(s) Deloitte LLP[1]

MARCH 5, 2015
MONTREAL, CANADA

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

Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

We have audited the effectiveness of SNC-Lavalin Group Inc.'s internal control over financial reporting as at December 31, 2014.

Management excluded from its assessment the internal control over financial reporting at Kentz Corporation Limited ("Kentz"), which was acquired on August 22, 2014 and whose revenues, net income attributable to SNC-Lavalin shareholders and total assets constitute approximately 16%, 6% and 40%, respectively, of the consolidated financial statements as at and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting at Kentz.

Management's Responsibility

Management is responsible for maintaining effective internal control over financial reporting and for the assessment of its effectiveness.

Auditor's Responsibility

Our responsibility is to express an opinion based on our audit, on whether the entity's internal control over financial reporting was effectively maintained in accordance with criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 COSO Framework").

We conducted our audit in accordance with the standard for audits of internal control over financial reporting set out in the CPA Canada Handbook – Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

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

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

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

Opinion

In our opinion, SNC-Lavalin Group Inc. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, in accordance with criteria established in the 2013 COSO Framework.

We have also audited, in accordance with Canadian generally accepted auditing standards, the consolidated financial statements of SNC-Lavalin Group Inc. and issued our report dated March 5, 2015.

(s) Deloitte LLP[1]

MARCH 5, 2015
MONTREAL, CANADA

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

SNC-LAVALIN GROUP INC.

Consolidated Statements of Financial Position

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	**DECEMBER 31 2014**	DECEMBER 31 2013
ASSETS			
Current assets			
Cash and cash equivalents	7	**$ 1,702,205**	$ 1,108,694
Restricted cash	7	**27,503**	54,616
Trade receivables	8	**1,254,360**	1,106,360
Contracts in progress		**836,593**	646,019
Inventories	6, 9	**111,374**	–
Other current financial assets	10	**844,727**	760,813
Other current assets	11	**274,130**	239,263
Total current assets		**5,050,892**	3,915,765
Property and equipment:			
From E&C	12	**246,098**	180,368
From ICI	12	**–**	5,132,027
ICI accounted for by the equity method	5	**362,336**	448,677
ICI accounted for by the cost method	5	**440,809**	426,868
Goodwill	13, 27	**2,706,068**	576,929
Intangible assets related to Kentz acquisition	6, 14	**301,071**	–
Deferred income tax asset	30	**395,987**	254,421
Non-current portion of receivables under service concession arrangements		**250,769**	300,758
Non-current financial assets	15	**157,463**	201,276
Other non-current assets	16	**99,848**	335,536
Total assets		**$ 10,011,341**	$ 11,772,625
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,372,489**	$ 2,145,755
Downpayments on contracts		**249,521**	226,028
Deferred revenues		**1,149,653**	981,584
Other current financial liabilities	17	**354,492**	411,228
Other current liabilities	18	**485,429**	153,894
Advances under contract financing arrangements	19	**319,321**	87,188
Current portion of provisions	22	**256,392**	159,661
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	20	**7,750**	277,392
Total current liabilities		**5,195,047**	4,442,730
Long-term debt:			
Recourse	20	**348,932**	348,733
Non-recourse from ICI	20	**530,684**	3,536,912
Other non-current financial liabilities	21	**9,457**	125,044
Non-current portion of provisions	22	**341,268**	257,271
Other non-current liabilities	23	**3,702**	737,767
Deferred income tax liability	30	**265,541**	283,925
Total liabilities		**6,694,631**	9,732,382
Equity			
Share capital	24	**531,460**	497,130
Retained earnings		**2,785,067**	1,610,503
Other components of equity	25	**(10,897)**	(70,975)
Equity attributable to SNC-Lavalin shareholders		**3,305,630**	2,036,658
Non-controlling interests		**11,080**	3,585
Total equity		**3,316,710**	2,040,243
Total liabilities and equity		**$ 10,011,341**	$ 11,772,625

See accompanying notes to consolidated financial statements.

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

ROBERT G. CARD *(signed)*
DIRECTOR

PATRICIA A. HAMMICK *(signed)*
DIRECTOR

SNC-LAVALIN GROUP INC.

Consolidated Statements of Changes in Equity

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2014

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 25)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	**151,807**	**$ 497,130**	**$1,610,503**	**$ (70,975)**	**$ 2,036,658**	**$ 3,585**	**$ 2,040,243**
Net income	**–**	**–**	**1,333,344**	**–**	**1,333,344**	**1,243**	**1,334,587**
Other comprehensive income (loss)	**–**	**–**	**(8,752)**	**60,078**	**51,326**	**–**	**51,326**
Total comprehensive income	**–**	**–**	**1,324,592**	**60,078**	**1,384,670**	**1,243**	**1,385,913**
Dividends declared (Note 24F)	**–**	**–**	**(146,182)**	**–**	**(146,182)**	**–**	**(146,182)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(375)**	**(375)**
Stock option compensation (Note 24B)	**–**	**–**	**3,567**	**–**	**3,567**	**–**	**3,567**
Shares issued under stock option plans (Note 24B)	**658**	**34,330**	**(7,413)**	**–**	**26,917**	**–**	**26,917**
Additional non-controlling interests arising on acquisition of Kentz (Note 6)	**–**	**–**	**–**	**–**	**–**	**6,627**	**6,627**
Balance at end of year	**152,465**	**$ 531,460**	**$2,785,067**	**$ (10,897)**	**$ 3,305,630**	**$ 11,080**	**$ 3,316,710**

YEAR ENDED DECEMBER 31
(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 25)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	151,069	$ 463,740	$1,714,379	$ (102,686)	$2,075,433	$ 3,003	$ 2,078,436
Net income	–	–	35,768	–	35,768	616	36,384
Other comprehensive income (loss)	–	–	(1,578)	31,711	30,133	–	30,133
Total comprehensive income	–	–	34,190	31,711	65,901	616	66,517
Dividends declared (Note 24F)	–	–	(139,415)	–	(139,415)	–	(139,415)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(34)	(34)
Stock option compensation (Note 24B)	–	–	8,260	–	8,260	–	8,260
Shares issued under stock option plans (Note 24B)	738	33,390	(6,911)	–	26,479	–	26,479
Balance at end of year	151,807	$ 497,130	$ 1,610,503	$ (70,975)	$ 2,036,658	$ 3,585	$ 2,040,243

See accompanying notes to consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Income Statements

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)	Note	**2014**	2013
Revenues by activity:			
Services		**$ 2,815,785**	$ 2,697,611
Packages		**3,205,472**	3,113,381
O&M		**1,313,419**	1,338,318
ICI accounted for by the full consolidation or cost methods		**732,640**	579,918
ICI accounted for by the equity method		**171,446**	183,930
		8,238,762	7,913,158
Direct costs of activities		**6,897,933**	6,797,331
Gross margin		**1,340,829**	1,115,827
Selling, general and administrative expenses	26	**841,415**	836,588
Restructuring costs and goodwill impairment	27A	**109,859**	123,464
Impairment of investments	27B	**28,461**	–
Acquisition-related costs and integration costs	6D	**62,543**	–
Amortization of intangible assets related to Kentz acquisition	14	**36,472**	–
Gain on disposals of ICI before taxes	5A	**(1,615,358)**	(72,996)
EBIT (1)		**1,877,437**	228,771
Financial expenses	28	**242,596**	163,548
Financial income	28	**(22,788)**	(12,869)
Earnings before income taxes		**1,657,629**	78,092
Income taxes	30	**323,042**	41,708
Net income		**$ 1,334,587**	$ 36,384
Net income attributable to:			
SNC-Lavalin shareholders		**$ 1,333,344**	$ 35,768
Non-controlling interests		**1,243**	616
Net income		**$ 1,334,587**	$ 36,384
Earnings per share (in $)			
Basic		**$ 8.76**	$ 0.24
Diluted		**$ 8.74**	$ 0.24
Weighted average number of outstanding shares (in thousands)	24E		
Basic		**152,218**	151,497
Diluted		**152,605**	151,814

(1) Earnings before interest and taxes ("EBIT")

See accompanying notes to consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Comprehensive Income

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2014		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	**$ 1,333,344**	**$ 1,243**	**$ 1,334,587**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 25)	**66,911**	**–**	**66,911**
Available-for-sale financial assets (Note 25)	**(3,722)**	**–**	**(3,722)**
Cash flow hedges (Note 25)	**7,965**	**–**	**7,965**
Share of other comprehensive loss of investments accounted for by the equity method (Note 25)	**(15,643)**	**–**	**(15,643)**
Income taxes (Note 25)	**4,567**	**–**	**4,567**
Total of items that will be reclassified subsequently to net income	**60,078**	**–**	**60,078**
Defined benefit pension plans and other post-employment benefits (Note 25)	**(8,801)**	**–**	**(8,801)**
Income taxes (Note 25)	**49**	**–**	**49**
Total of items that will not be reclassified subsequently to net income	**(8,752)**	**–**	**(8,752)**
Total other comprehensive income	**51,326**	**–**	**51,326**
Total comprehensive income	**$ 1,384,670**	**$ 1,243**	**$ 1,385,913**

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2013		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	$ 35,768	$ 616	$ 36,384
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 25)	912	–	912
Available-for-sale financial assets (Note 25)	(151)	–	(151)
Cash flow hedges (Note 25)	(5,032)	–	(5,032)
Share of other comprehensive income of investments accounted for by the equity method (Note 25)	53,339	–	53,339
Income taxes (Note 25)	(17,357)	–	(17,357)
Total of items that will be reclassified subsequently to net income	31,711	–	31,711
Defined benefit pension plans and other post-employment benefits (Note 25)	(2,241)	–	(2,241)
Income taxes (Note 25)	663	–	663
Total of items that will not be reclassified subsequently to net income	(1,578)	–	(1,578)
Total other comprehensive income	30,133	–	30,133
Total comprehensive income	$ 65,901	$ 616	$ 66,517

See accompanying notes to consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	2014	2013 (1)
Operating activities			
Net income		**$ 1,334,587**	$ 36,384
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation of property and equipment and amortization of other non-current assets:			
From E&C		**113,722**	67,879
From ICI		**53,513**	133,074
Income taxes recognized in net income	30	**323,042**	41,708
Income taxes paid		**(133,768)**	(73,007)
Net financial expenses recognized in net income	28	**219,808**	150,679
Interest paid:			
From E&C		**(48,310)**	(24,337)
From ICI		**(172,873)**	(116,436)
Expense recognized in respect of stock options	24B	**3,567**	8,260
Expense recognized in respect of cash-settled share-based payment arrangements	24C	**13,550**	7,081
Income from ICI accounted for by the equity method		**(171,446)**	(183,930)
Dividends and distributions received from ICI accounted for by the equity method		**158,675**	158,870
Goodwill impairment	27A	**–**	56,500
Net change in provisions related to forecasted losses on certain contracts		**(21,907)**	29,600
Gain on disposals of ICI before taxes	5A	**(1,615,358)**	(72,996)
Remeasurement of a foreign exchange hedge	6D	**34,697**	–
Impairment of investments	27B	**28,461**	–
Other		**46,222**	(15,856)
		166,182	203,473
Net change in non-cash working capital items	29	**97,961**	129,720
Net cash generated from operating activities		**264,143**	333,193
Investing activities			
Acquisition of property and equipment:			
From E&C		**(70,166)**	(55,520)
From ICI		**(1,522,364)**	(1,545,946)
Payments for ICI	5C	**(133,135)**	(43,632)
Costs associated to a foreign exchange hedge	6D	**(50,000)**	–
Recovery associated to a foreign exchange hedge	6D	**15,303**	–
Acquisition of businesses	6B	**(1,762,991)**	(1,925)
Change in restricted cash position	2B	**8,565**	(22,192)
Increase in receivables under service concession arrangements		**(147,388)**	(63,194)
Recovery of receivables under service concession arrangements		**141,212**	12,845
Increase in short-term and long-term investments		**(331,623)**	(114,157)
Decrease in short-term and long-term investments		**159,290**	85,294
Net cash inflow on disposals of ICI accounted for by the full consolidation method	5A	**3,148,415**	–
Net cash inflow on disposals of ICI accounted for by the equity method	5A	**104,898**	86,349
Payments for disposition-related costs on disposals of ICI		**(60,287)**	–
Other		**1,226**	(8,844)
Net cash used for investing activities		**(499,045)**	(1,670,922)
Financing activities			
Increase in recourse debt	20	**2,630,000**	–
Repayment of recourse debt	20	**(2,630,000)**	–
Increase in non-recourse debt from ICI		**1,657,827**	1,744,756
Repayment of recourse debt of Kentz		**(482,393)**	–
Repayment of non-recourse debt from ICI		**(427,519)**	(410,187)
Increase in advances under contract financing arrangements	19	**230,093**	159,463
Repayment of advances under contract financing arrangements	19	**–**	(117,137)
Proceeds from exercise of stock options		**26,917**	26,479
Dividends paid to SNC-Lavalin shareholders	24F	**(146,182)**	(139,415)
Other		**(42,160)**	5,589
Net cash generated from financing activities		**816,583**	1,269,548
Increase from exchange differences on translating cash and cash equivalents		**11,830**	1,975
Net increase (decrease) in cash and cash equivalents		**593,511**	(66,206)
Cash and cash equivalents at beginning of year		**1,108,694**	1,174,900
Cash and cash equivalents at end of year		**$ 1,702,205**	$ 1,108,694

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS

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

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

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 as well as materials and/or multi-disciplinary construction services, namely provision of structural mechanical, electrical, instrumentation and piping services.

  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 providing or fabricating equipment, and usually also includes construction activities.

  Packages revenues are derived primarily from fixed-price contracts.

- **Operations & 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, highways, mass transit systems, power and water treatment facilities.

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

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, 2014, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Company's financial statements were authorized for issue by the Board of Directors on March 5, 2015.

B) CHANGE IN PRESENTATION

In the year ended December 31, 2014, the Company has made a retrospective change to the presentation of its statement of cash flows and comparative figures were reclassified for the change in restricted cash position, to provide details on this element. Therefore, the amount of the change in restricted cash position of $22.2 million in the year ended December 31, 2013 was reclassified from "Other" to "Change in restricted cash position" included in the investing activities in the statement of cash flows.

C) CHANGE IN AN ACCOUNTING POLICY

In the year ended December 31, 2014, the Company revised its reportable segments to reflect the changes made to its internal reporting structure and changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by "segment earnings before interest and taxes" ("segment EBIT"), as detailed in Note 4. This change in an accounting policy did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

D) NEW ACCOUNTING POLICIES ADOPTED IN 2014

Following the acquisition of Kentz Corporation Limited ("Kentz") by the Company in 2014, as detailed in Note 6, the Company adopted two new accounting policies applicable to: i) the inventories of Kentz (see Note 2O); and ii) the intangible assets related to Kentz acquisition (see note 2Q).

E) INTERPRETATION AND AMENDMENTS ADOPTED IN 2014

The following interpretation and amendments to an existing standard have been adopted by the Company on January 1, 2014:

- IFRIC Interpretation 21, *Levies*, ("IFRIC 21") 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 retrospective initial application of IFRIC 21 and of the amendments to IAS 36, *Impairment of Assets*, ("IAS 36") did not have any impact on the Company's financial statements.

The following amendments to existing standards have been adopted by the Company on July 1, 2014:

- Amendments to IFRS 2, *Share-based Payments*, relate to the definitions of "vesting condition" and "market condition" and add definitions for "performance condition" and "service condition" and are applicable to share-based payment transactions for which the grant date is on or after July 1, 2014.
- Amendments to IFRS 3, *Business Combinations*, ("IFRS 3") clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date for business combinations for which the acquisition date is on or after July 1, 2014, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following amendments to the standards has been issued by the International Accounting Standards Board ("IASB") and are applicable to the Company for its annual periods beginning on January 1, 2015 and thereafter, with an earlier application permitted:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2017 and thereafter, with an earlier application permitted:

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

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

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

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

G) BASIS OF CONSOLIDATION

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
Joint venture	Joint control	Equity method
Joint 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 arrangements and associates to bring their accounting policies in line with those used by the Company.

<u>Business acquisitions</u>

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) 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, 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 hedge accounting is applied, 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.

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.

I) 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:** Revenues from **cost-plus reimbursable contracts** (usually providing for the reimbursement of costs related to time and material, plus an applicable margin) are recognized as costs are incurred, and include applicable margin earned as services are provided. Revenues from **fixed-price contracts** and **cost-plus contracts for which the capped value is expected to be reached** are recognized 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. Revenues from **mixed contracts** (providing for a mix of fixed-price and cost-plus reimbursable) are also recognized based on the stage of completion method. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unapproved change orders, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. Also, anticipated revenues on contracts may include future revenues from claims, if negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount that it is probable will be accepted by the customer can be measured reliably. 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

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.

J) 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
Fair value through profit or loss ("FVTPL")	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		

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGE ACCOUNTING

In the normal course of its business, 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 may also enter into other derivative financial instruments to hedge its exposure to foreign currency exchange rates or interest rates. When applying hedge accounting, SNC-Lavalin formally documents its accounting choice, the relationship 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. 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.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL 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.

K) 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).

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 2G).	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 2G).	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 2G).	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.

L) 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 FVTPL and accounted for at fair value.

M) 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 15). Restricted cash is designated as FVTPL and accounted for at fair value.

N) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined: i) by using specific identification of the individual costs; or ii) on a weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

P) 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.

EXCLUDING ICI

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%

FROM ICI

Up until December 1, 2014 (date of disposition of AltaLink, see Note 5A), property and equipment from ICI that were accounted for by the full consolidation method were primarily:

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

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

AltaLink borrowed funds to provide financing for its capital construction program. Borrowing costs eligible for capitalization were allocated to capital expenditures. The capitalization rate was 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 12.

Q) INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with definite useful life related to Kentz acquisition are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 years
Trademarks	Straight-line	5 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income when the asset is derecognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R) 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.

S) 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 joint ventures is included within investments accounted for by the equity method. 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.

T) 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.

U) 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.

V) 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.

W) INCOME TAXES

Income taxes recognized in net income comprise 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 arrangements 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 taxes 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 recognized in other comprehensive income or equity, respectively.

X) 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 corporate bonds with cash flows that match the timing and amount of expected benefit payments.

Remeasurement, comprising: i) actuarial gains and losses, ii) the effect of the changes to the asset ceiling (if applicable), and iii) the return on plans' assets (excluding interest), is credited or charged to equity in other comprehensive income in the period in which it arises. Remeasurement recognized in other comprehensive income is not reclassified to net income in subsequent periods. The cumulative amount of remeasurement is included in retained earnings.

Defined benefit costs comprise: i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), ii) net interest expense or income; and iii) remeasurement. Service cost and net interest income or expense are recognized in net income while the remeasurement is recognized in other comprehensive income in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net accrued defined pension benefit liability or asset.

Y) SELLING EXPENSES

All costs related to contract proposals are expensed as incurred.

Z) 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.

AA) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash-settled share-based payment arrangements

The objective of the 2014 Performance Share Unit plan ("2014 PSU plan"), 2009 Performance Share Unit plan ("2009 PSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), Restricted Share Unit plan ("RSU 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.

BB) 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.

Restructuring

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

CC) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 recognized 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.

Revenue and gross margin recognition

The determination of **anticipated costs** for completing a 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 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 contracts for which the duration might exceed 20 years, notably on certain public-private partnership arrangements. The long-term nature of certain 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 over an investee requires exercise of judgment. As such, the classification of the entity as a subsidiary, a joint arrangement, 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.

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

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 of 3.4% in 2014 (2013: between 3.2% and 8.3%). 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 11.6% to 12.5% have been used for goodwill impairment calculations performed in 2014 (2013: from 5.6% to 16.5%). 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.

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 assumptions such as 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 details in Note 34, the Company is subject to certain ongoing investigations and 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 and 2014 PSU plans to selected individuals within the organization. Subject to performance conditions, the number of units granted is adjusted depending on specific indicators 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 and 2014 performance share units that will vest, which impacts the amount of associated liability and expenses.

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

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 that are not based on observable market data.

Rate-regulated activities

AltaLink, which was a subsidiary of the Company until December 1, 2014, 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.

Assets and liabilities acquired in a business combination

Intangible assets related to Kentz acquisition and goodwill arose out of a business combination (see Note 6) and the Company applied the acquisition method of accounting to this transaction. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, the Company used significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital.

These estimates and assumptions determine the amount allocated to intangible assets related to Kentz acquisition and goodwill, as well as the amortization period for intangible assets with finite lives related to Kentz acquisition. If results differ from estimates, the Company may increase amortization or impairment charges.

4. SEGMENT DISCLOSURES

In the year ended December 31, 2014, the Company revised its reportable segments to reflect the changes made to its internal reporting structure. SNC-Lavalin's reportable segments are now i) **Resources, Environment and Water** ("**REW**"); ii) **Power**; iii) **Infrastructure**; and iv) **ICI**. The Company also provides additional information on certain sub-segments of its segments, notably on the Mining & Metallurgy, Oil & Gas and Environment & Water sub-segments of REW, as well as on the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure. These sub-segments qualify as operating segments and they have been aggregated. These sub-segments have similar economic characteristics, and are similar in each of the following respects: the nature of the services, the methods used to deliver them and the employees' technical know-how which can sometimes be transferred from a project to another, and allows them to work in projects in various sub-segments.

The description of each of the segment and related sub-segments is as follows:

REW includes the following:

- Mining & Metallurgy which 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 and sulphur product.

4. SEGMENT DISCLOSURES (CONTINUED)

- Oil & Gas which includes projects in the upstream, midstream, downstream (and supporting infrastructure) sectors for major oil and gas and resources companies, supporting these clients operating across the asset lifecycle from front end evaluation through decommissioning (capital expenditures and operational expenditures). Consistent with the way the Company's performance is evaluated, the Oil & Gas sub-segment includes all projects of Kentz.
- Environment & Water which includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.

Power includes projects and services in: hydro, nuclear and thermal power generation; renewable power generation; energy from waste; and electrical transmission and distribution systems.

Infrastructure includes the following:

- Infrastructure & Construction which includes projects in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering and materials testing, as well as water infrastructure and treatment facilities.
- Operations & Maintenance which consists of providing operations, maintenance and logistics solutions for buildings, workforce lodges, light rail transit systems, bridges, power plants, oil and gas facilities, ships, highways and airports, spread across approximately 15 million square meters of real estate and 250,000 infrastructure sites.

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

In addition, as disclosed in Note 2C, the Company changed its measure of profit or loss for its reportable segments by replacing the "operating income (loss)" by "segment earnings before interest and taxes" ("segment EBIT"). As such, the Company no longer calculates imputed interest, which was in the past allocated to segments other than ICI at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceeded current liabilities or vice versa. The Company also no longer includes net financial expenses and income taxes in its measure of profit or loss for the ICI segment.

In addition, following the change in reportable segments, the Company revised its cash-generating units ("CGU") and groups of CGU and reallocated its goodwill accordingly, as detailed in Note 13.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2). The Company evaluates segment performance, except for the ICI segment, using **segment EBIT**, which consists of gross margin less i) directly related selling, general and administrative expenses, ii) corporate selling, general and administrative expenses; and iii) non-controlling interests before taxes. Corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Restructuring costs, goodwill impairment, acquisition-related costs and integration costs are not allocated to the Company's 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; iii) net result from investments accounted for by the full consolidation method, less the portion attributable to non-controlling interests; and iv) gain (loss) recognized in the Company's consolidated income statement on disposal or remeasurement of an ICI. 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 investment. The ICI segment EBIT also reflects selling, general and administrative expenses, including corporate selling, general and administrative expenses. Accordingly, the **segment EBIT from ICI** is reported net of income taxes and selling, general and administrative expenses and represents SNC-Lavalin's net income from its ICI.

4. SEGMENT DISCLOSURES (CONTINUED)

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

YEAR ENDED DECEMBER 31	2014		2013 (1)	
	REVENUES	EBIT	REVENUES	EBIT
Resources, Environment and Water				
Mining & Metallurgy	$ 971,781	$ (4,681)	$ 1,619,764	$ 65,926
Oil & Gas (2), (5)	1,730,075	(17,756)	555,798	(55,629)
Environment & Water	135,692	(29,222)	144,713	(10,473)
	2,837,548	(51,659)	2,320,275	(176)
Power	1,350,312	54,773	1,570,268	97,691
Infrastructure				
Infrastructure & Construction (3)	1,833,399	(119,174)	1,920,449	(276,661)
Operations & Maintenance	1,313,418	40,381	1,338,318	45,869
	3,146,817	(78,793)	3,258,767	(230,792)
ICI (5)	904,085	2,160,489	763,848	484,743
	$ 8,238,762	2,084,810	$ 7,913,158	351,466
Reversal of non-controlling interests before income taxes included above		1,501		769
Restructuring costs and goodwill impairment (Note 27A) (4)		(109,859)		(123,464)
Amortization of intangible assets related to Kentz acquisition (Note 14)		(36,472)		–
Acquisition costs and integration costs (Note 6D)		(62,543)		–
EBIT		1,877,437		228,771
Net financial expenses (Note 28)		219,808		150,679
Income before income taxes		1,657,629		78,092
Income taxes (Note 30)		323,042		41,708
Net income		$1,334,587		$ 36,384
Net income attributable to:				
SNC-Lavalin shareholders		$1,333,344		$ 35,768
Non-controlling interests		1,243		616
Net income		$1,334,587		$ 36,384

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

(2) In 2013, the negative sub-segment EBIT of $55.6 million resulted mainly from an unfavourable cost reforecast and from a non-cash loss of $70.1 million relating to a confirmation of claim received alleging late penalties, both for a legacy fixed-price project in Algeria.

(3) In 2014, the negative sub-segment EBIT of $119.2 million was mainly due to legacy fixed-price contracts negatively impacting gross margin by a net amount of $112.4 million, mainly due to an additional loss and unfavourable cost reforecasts on certain major hospital projects. Further explaining the negative sub-segment EBIT in 2014 were additional costs on a mass transit project in Canada in the fourth quarter of 2014. In 2013, the negative sub-segment EBIT of $276.7 million was mainly due to: i) unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, ii) a risk provision for $47.0 million recorded by the Company 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 iii) approximately $32 million from additional costs on a major hospital project.

(4) In 2013, goodwill impairment for the "Services and Packages-Europe" and "Services and Packages-Brazil" cash-generating units related to the Infrastructure & Environment, Power, Oil & Gas and Other Industries reportable segments at that time. The EBIT by reportable segment presented above excludes the amount of restructuring costs and goodwill impairment.

(5) In 2014, impairment of investments related to two investments accounted for by the equity method, one in the ICI segment and one in Oil & Gas sub-segment. In 2014, the amount of impairment losses recognized is $19.1 million in the ICI segment and $9.4 million in the Oil & Gas sub-segment (see Note 27B).

4. SEGMENT DISCLOSURES (CONTINUED)

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

YEAR ENDED DECEMBER 31	2014	2013
Supplementary information:		
Net loss attributable to SNC-Lavalin shareholders from E&C	**$ (300,515)**	$ (245,783)
Net income attributable to SNC-Lavalin shareholders from ICI:		
From Highway 407	**122,452**	114,065
From AltaLink	**175,552**	91,779
From other ICI:		
From a net gain on partial disposal of Astoria II (Note 5A)	**–**	36,169
From a net loss on disposal of Ovation (Note 5A)	**(3,126)**	–
From a net gain on disposal of Astoria (Note 5A)	**16,664**	–
From a net gain on disposal of AltaLink (Note 5A)	**1,320,658**	–
Excluding the net gains (loss) listed above [(1)]	**1,659**	39,538
Net income attributable to SNC-Lavalin shareholders	**$ 1,333,344**	$ 35,768

(1) For the year ended December 31, 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. In 2014, the impairment loss of $19.1 million recognized in the ICI segment negatively impacted net income from other ICI (see Note 27B).

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 excluding ICI; and iii) other assets excluding ICI:

	DECEMBER 31 2014	DECEMBER 31 2013 [(2)]
Total assets from ICI:		
ICI accounted for by the full consolidation method	**$ 595,467**	$ 6,290,641
ICI accounted for by the equity method (Note 5)	**362,336**	448,677
ICI accounted for by the cost method (Note 5)	**440,809**	426,868
Total assets from ICI	**1,398,612**	7,166,186
Segment non-cash working capital (deficit) excluding ICI		
Resources, Environment and Water		
Mining & Metallurgy	**(214,175)**	(64,271)
Oil & Gas	**47,327**	242,268
Environment & Water	**22,530**	31,984
Power	**(418,123)**	(430,610)
Infrastructure		
Infrastructure & Construction	**94,521**	(188,857)
Operations & Maintenance	**(144,841)**	(157,124)
Total segment non-cash working deficit excluding ICI	**(612,761)**	(566,610)
Reversal of current liabilities included in the non-cash working capital (deficit) above	**3,817,505**	3,128,925
Current assets excluding ICI, excluding cash and cash equivalents, and restricted cash	**3,204,744**	2,562,315
Other assets excluding ICI:		
Cash and cash equivalents, and restricted cash excluding ICI	**1,677,110**	1,135,050
Property and equipment, intangible assets related to Kentz acquisition, goodwill, other non-current financial assets and other non-current assets excluding ICI	**3,730,875**	909,074
Total assets excluding ICI	**8,612,729**	4,606,439
Total assets	**$ 10,011,341**	$ 11,772,625

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

4. SEGMENT DISCLOSURES (CONTINUED)

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 2014	DECEMBER 31 2013
Property, equipment, goodwill and intangible assets		
Canada:		
From E&C	$ 293,684	$ 310,344
From ICI	–	5,562,499
	293,684	5,872,843
Outside Canada:		
From E&C	2,959,553	246,050
From ICI	31,396	29,339
	2,990,949	275,389
	$ 3,284,633	$ 6,148,232

The following tables present revenues by geographic area according to project location:

YEAR ENDED DECEMBER 31	2014			
Revenues by geographic area (1)	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Canada	$ 2,960,653	$ 1,096,483	$ 856,923	$ 4,914,059
Latin America	577,614	31,564	–	609,178
Europe	504,581	78,933	12,287	595,801
United States	534,322	1,566	14,151	550,039
Middle East	550,698	17,019	–	567,717
Africa	361,740	87,854	20,725	470,319
Asia Pacific and other regions	531,649	–	–	531,649
	$ 6,021,257	$ 1,313,419	$ 904,086	$ 8,238,762

YEAR ENDED DECEMBER 31	2013			
Revenues by geographic area (1)	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Canada	$ 3,365,354	$ 1,128,719	$ 708,131	$ 5,202,204
Latin America	768,826	48,722	–	817,548
Europe	581,783	49,890	2,458	634,131
United States	367,328	1,440	11,136	379,904
Middle East	323,100	16,020	–	339,120
Africa	260,335	93,527	42,123	395,985
Asia Pacific and other regions	144,266	–	–	144,266
	$ 5,810,992	$ 1,338,318	$ 763,848	$ 7,913,158

(1) Other than Canada, there is no a country where the Company derived more than 10% of its revenues in either 2014 or 2013.

5. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

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

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

Accounting method

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

Accounting model

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

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

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

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

I) IN 2014

INPOWER BC GENERAL PARTNERSHIP

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

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

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

OVATION REAL ESTATE GROUP (QUEBEC) INC. ("OVATION")

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

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

Net loss on disposal of Ovation

YEAR ENDED DECEMBER 31	2014
Consideration received	$ 77,600
Net assets disposed of [(1)]	(76,257)
Cumulative loss on cash flow hedges reclassified from equity on loss of control of Ovation	(5,475)
Loss on disposal of Ovation	**(4,132)**
Income taxes	1,006
Net loss on disposal of Ovation	**$ (3,126)**

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

Net cash inflow on disposal of Ovation

YEAR ENDED DECEMBER 31	2014
Consideration received in cash	$ 77,600
Less: cash and cash equivalents balances disposed of	(2,834)
Net cash flow inflow on disposal of Ovation	**$ 74,766**

ASTORIA PROJECT PARTNERS LLC ("ASTORIA")

On October 15, 2014, SNC-Lavalin announced that it sold its 21% ownership interest in Astoria, the owner of the legal entity that owns and operates a gas-fired combined-cycle power plant in New York City. The total cash consideration received amounted to US$93.5 million (CA$104.9 million).

Net gain on disposal of Astoria

YEAR ENDED DECEMBER 31	2014
Consideration received	$ 104,898
Carrying amount of the investment on loss of significant influence	(45,659)
Cumulative exchange gain on translating foreign operations reclassified from equity on loss of significant influence	4,557
Disposition-related costs and other	(2,745)
Gain on disposal of Astoria	**61,051**
Income taxes	(44,387)
Net gain on disposal of Astoria	**$ 16,664**

ALTALINK HOLDINGS, L.P. ("AHLP" OR "ALTALINK")

On December 1, 2014, SNC-Lavalin sold its 100% ownership interest in AHLP, the parent company of AltaLink, L.P., the owner and operator of transmission lines and substations subject to rate regulation in Alberta, to Berkshire Hathaway Energy. The total cash consideration received amounted to $3.1 billion.

Net gain on disposal of AHLP

YEAR ENDED DECEMBER 31	2014
Consideration received	$ 3,090,939
Net assets disposed of	(1,418,132)
Cumulative loss on cash flow hedges reclassified from equity on loss of control of AHLP	(3,731)
Disposition-related costs and other	(110,637)
Gain on disposal of AHLP	**1,558,439**
Income taxes	(237,781)
Net gain on disposal of AHLP	**$ 1,320,658**

Net cash inflow on disposal of AHLP

YEAR ENDED DECEMBER 31	2014
Consideration received in cash	$ 3,090,939
Less: cash and cash equivalents balances disposed of	(17,290)
Net cash flow inflow on disposal of AHLP	**$ 3,073,649**

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

On December 1, 2014, major classes of assets and liabilities of AHLP disposed of were as follows:

	DECEMBER 1 2014
Cash and cash equivalents	$ 17,290
Restricted cash	2,419
Trade receivables, other current financial assets and other current assets	177,375
Property and equipment	6,835,472
Goodwill	203,786
Non-current financial assets	171,834
Other non-current assets	252,195
Assets disposed of	7,660,371
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	688,362
Non-recourse short-term debt and current portion of non-recourse long-term debt	289,127
Non-recourse long-term debt	4,221,770
Other non-current financial liabilities	66,619
Provisions and other non-current liabilities	976,361
Liabilities disposed of	6,242,239
Net assets disposed of	**$ 1,418,132**

Gain on disposals of ICI before taxes

Following the dispositions of Ovation, Astoria and AHLP in the year ended December 31, 2014, the gain on disposals of ICI before taxes presented in the Company's consolidated income statement is as follows:

YEAR ENDED DECEMBER 31	2014
Loss on disposal of Ovation	$ (4,132)
Gain on disposal of Astoria	61,051
Gain on disposal of AHLP	1,558,439
Gain on disposals of ICI before taxes	**$ 1,615,358**

Net cash inflows on disposals of ICI

Following the dispositions of Ovation, Astoria and AHLP in the year ended December 31, 2014, the net cash inflows on disposals of ICI presented in the Company's consolidated statement of cash flows are as follows:

YEAR ENDED DECEMBER 31	2014
Net cash inflow on disposal of Ovation	$ 74,766
Net cash inflow on disposal of AHLP	3,073,649
Net cash inflow on disposals of ICI accounted for by the full consolidation method	**$ 3,148,415**
Net cash inflow on disposal of Astoria	$ 104,898
Net cash inflow on disposal of an ICI accounted for by the equity method	**$ 104,898**

II) IN 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.

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

ASTORIA PROJECT PARTNER II LLC ("ASTORIA II")

In December 2013, SNC-Lavalin announced that it has reached financial close on the sale of 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, for an agreed price of US$82.4 million (CA$87.6 million), resulting in net cash proceeds of $86.3 million after certain adjustments. Prior to financial close, SNC-Lavalin had an 18.5% ownership interest in Astoria II. The Company accounts for the remaining ownership interest of 6.2% as an available-for-sale financial asset. This transaction resulted in the recognition of a gain before taxes of $73.0 million (gain net of taxes of $36.2 million) in the consolidated income statement from the partial disposal of this ICI, including the gain on remeasurement at fair value of the Company's remaining ownership interest upon the loss of significant influence on this ICI.

B) NET BOOK VALUE AND DESCRIPTIONS OF ICI

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

	DECEMBER 31 2014	DECEMBER 31 2013
Net assets from ICI accounted for by the full consolidation method [(1)]	**$ 9,658**	$ 1,132,350
Net book value of ICI accounted for by the equity method [(2)]	**362,336**	448,677
Net book value of ICI accounted for by the cost method	**440,809**	426,868
Total net book value of ICI	**$ 812,803**	$ 2,007,895

(1) As at December 31, 2014, the net assets related to AltaLink totalled $nil (2013: $1,019.5 million).

(2) Includes the Company's investment in Highway 407, for which the net book value was $nil as at December 31, 2014 and 2013.

I) ICI ACCOUNTED FOR BY THE FULL CONSOLIDATION METHOD

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

					OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	**DECEMBER 31 2014**	DECEMBER 31 2013
AltaLink	Rate-regulated transmission lines and substations	No	N/A	Canada	**–**	100.0%
InPower BC General Partnership	John Hart Generating Replacement Facility (under construction)	Yes	2033	Canada	**100.0%**	–
Ovation Real Estate Group (Quebec) Inc.	2,100-seat acoustic concert hall under a 29-year concession agreement	Yes	2038	Canada	**–**	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 [(1)]	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	Yes	2026	France	**100.0%**	100.0%

(1) Substantial completion was achieved in 2014.

N/A: not applicable

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:

NAME OF ICI	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST DECEMBER 31 2014	OWNERSHIP INTEREST DECEMBER 31 2013
Joint ventures:						
407 East Development Group General Partnership ("407 EDGGP")	32-km toll Highway 407 East (under construction)	Yes	2045	Canada	**50.0%**	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	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 [3]	Yes	2044	Canada	**60.0%**	60.0%
Rideau Transit Group Partnership ("Rideau")	The Confederation Line, City of Ottawa's light rail transit system (under construction)	Yes	2043	Canada	**40.0%**	40.0%
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%
InTransit BC Limited Partnership ("InTransit BC")	19-km rapid transit line	Yes	2040	Canada	**33.3%**	33.3%
Malta International Airport p.l.c.[4]	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%
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 and TC Dôme is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

(3) Substantial completion was achieved in 2014.

(4) Although the Company's ownership interest in Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over this entity based on its contractual agreements.

N/A: not applicable

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

ICI accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its ICI activity through joint ventures 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 joint ventures are summarized below:

YEAR ENDED DECEMBER 31	2014	2013
Income statements		
Revenues (at 100%)	**$ 1,997,002**	$ 2,118,328
Interest income (at 100%)	**$ 5,488**	$ 11,298
Interest expense (at 100%)	**$ 478,661**	$ 383,476
Depreciation and amortization (at 100%)	**$ 83,100**	$ 67,207
Income tax expense (at 100%)	**$ 80,305**	$ 88,823

YEAR ENDED DECEMBER 31	2014	2013
Statements of comprehensive income		
Net income (at 100%)	**$ 251,569**	$ 264,269
Other comprehensive income (loss) (at 100%)	**(5,190)**	5,617
Total comprehensive income (at 100%)	**$ 246,379**	$ 269,886

YEAR ENDED DECEMBER 31	2014	2013
Company's share of net income of ICI based on its ownership interest [(1)]	**$ 52,417**	$ 50,369
Company's net income from ICI included in its income statement [(1)]	**$ 138,822**	$ 121,476

	DECEMBER 31 2014	DECEMBER 31 2013
Statements of financial position		
Cash and cash equivalents (at 100%)	**$ 705,377**	$ 427,420
Other current assets (at 100%)	**630,293**	1,076,865
Non-current assets (at 100%)	**6,128,520**	6,130,230
Total assets (at 100%)	**7,464,190**	7,634,515
Trade payables (at 100%)	**108,613**	98,770
Other current financial liabilities (at 100%)	**1,549,811**	830,317
Other current liabilities (at 100%)	**3,846**	3,941
Other non-current financial liabilities (at 100%)	**7,465,177**	7,918,463
Other non-current liabilities (at 100%)	**455,407**	419,427
Total liabilities (at 100%)	**9,582,854**	9,270,918
Net liabilities (at 100%)	**$ (2,118,664)**	$ (1,636,403)
Company's carrying value of ICI included in its statement of financial position [(1)]	**$ 205,350**	$ 186,030

(1) Under the equity method of accounting, distributions from a joint venture 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 joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends payable by the joint venture 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 joint venture. 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 joint venture in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 of $122.5 million in 2014 (2013: $114.1 million) and did not recognize its share of Highway 407's net income of $37.4 million (2013: $41.7 million) in the same period, as the carrying amount of its investment in Highway 407 was $nil at December 31, 2014 and 2013. 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 $369.2 million as at December 31, 2014 (2013: $284.2 million).

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

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	2014	2013
Revenues (at 100%)	$ 702,915	$ 856,349
Expenses (at 100%)	545,678	690,107
Net income (at 100%)	157,237	166,242
Other comprehensive income (loss) (at 100%)	(39,851)	144,155
Total comprehensive income (at 100%)	$ 117,386	$ 310,397
Company's share of net income of ICI based on its ownership interest	$ 32,624	$ 41,740
Company's share of net income from ICI included in its income statement	$ 32,624	$ 62,454

	DECEMBER 31 2014	DECEMBER 31 2013
Current assets (at 100%)	$ 532,581	$ 599,984
Non-current assets (at 100%)	1,513,462	2,431,485
Total assets (at 100%)	2,046,043	3,031,469
Current liabilities (at 100%)	138,763	186,283
Non-current liabilities (at 100%)	1,334,497	1,998,397
Total liabilities (at 100%)	1,473,260	2,184,680
Net assets (at 100%)	$ 572,783	$ 846,789
Company's carrying value of ICI included in its statement of financial position	$ 156,986	$ 262,647

III) ICI ACCOUNTED FOR BY THE COST METHOD

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

				OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2014	DECEMBER 31 2013
Astoria Project Partners II LLC	550 MW natural-gas power plant	N/A	U.S.A.	6.2%	6.2%
Ambatovy Nickel Project ("Ambatovy")	Open-pit mine and hydrometallurgical processing plant	N/A	Madagascar	5.0%	5.0%
Highway Concessions One Private Limited (previously 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%	10.0%

N/A: not applicable

For the years ended December 31, 2014 and 2013, the Company's consolidated income includes revenues of $nil from these investments.

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

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, 2014 and 2013:

	2014	2013
Commitments to invest in ICI – January 1	$ 187,230	$ 154,744
Increase in commitments to invest in ICI	1,888	76,118
Payments for ICI during the year	(133,135)	(43,632)
Commitments to invest in ICI – December 31	**$ 55,983**	$ 187,230

At December 31, 2014, the commitments to invest in ICI were related to contributions for Ambatovy, Rideau and 407 EDGGP (2013: Ambatovy, MIHG, Rideau and 407 EDGGP) and were presented as "Other current financial liabilities" (see Note 17) 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 as at December 31, 2014 (2013: US$105 million) and a US$70 million cross-guarantee as at December 31, 2014 (2013: 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 to the project's lenders 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 (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.

In addition, SNC-Lavalin financed a portion of the contribution of one of Ambatovy's shareholders, which is also the project operator ("Project Operator"), for US$57.3 million as at December 31, 2014 and 2013 (December 31, 2014: CA$66.5 million; and December 31, 2013: CA$60.9 million), such amount, along with accrued interest, being presented in "ICI accounted for by the cost method".

6. ACQUISITION OF A BUSINESS

A) BUSINESS ACQUIRED

In 2014, SNC-Lavalin completed the following business acquisition:

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

In 2013, SNC-Lavalin had no business acquisitions.

6. ACQUISITION OF A BUSINESS (CONTINUED)

B) PRELIMINARY ALLOCATION OF PURCHASE PRICE

The acquisition of Kentz has been accounted for using the acquisition method and Kentz has been consolidated from the effective date of acquisition. The business acquisition of Kentz completed by SNC-Lavalin was for 100% of the voting shares of Kentz.

The purchase price for this business acquisition was $2.1 billion. The preliminary allocation of purchase price and the total cash consideration paid are shown below. During the three-month period ended December 31, 2014, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

AT AUGUST 22, 2014	PRELIMINARY ALLOCATION OF PURCHASE PRICE	NOTE	ADJUSTMENTS [1]	REVISED ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$ 310,605		$ –	$ 310,605
Trade receivables	479,590	A	(93,837)	385,753
Contracts in progress	189,405	A	38,655	228,060
Other current assets	210,130	A	7,054	217,184
Other non-current assets	110,840	A	10,656	121,496
Intangible assets related to Kentz acquisition [2]	–	B	319,951	319,951
Trade payables and other current liabilities	(885,960)	C	(222,586)	(1,108,546)
Short-term debt	(495,175)		–	(495,175)
Non-current liabilities and non-controlling interests	(104,272)	D	(8,316)	(112,588)
Net identifiable liabilities of business acquired	(184,837)		51,577	(133,260)
Goodwill and other intangible assets [2], [3]	2,258,433		(51,577)	2,206,856
Total purchase price	$ 2,073,596		$ –	$ 2,073,596

(1) Adjustments include presentation reclassifications.

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

(3) Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks. The total amount of goodwill that is expected to be deductible for tax purposes is $397.1 million.

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

YEAR ENDED DECEMBER 31	2014
Total purchase price as per above	$ 2,073,596
Less: Cash and cash equivalents at acquisition as per above	310,605
Total purchase price, net of cash and cash equivalents at acquisition, included in the consolidated statement of cash flows	$ 1,762,991

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Kentz, it is not practical to definitely allocate the purchase price as at December 31, 2014. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period, which cannot exceed one year from the acquisition date. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect new information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

The main adjustments made to the preliminary allocation of purchase price are as follows:

A. Project-related assets

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

6. ACQUISITION OF A BUSINESS (CONTINUED)

B. Intangible assets

The Company has determined the fair value of identifiable intangible assets acquired, which are further described in Note 14.

C. Trade payables and other current liabilities

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

D. Non-current liabilities and non-controlling interests

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

C) GOODWILL ARISING ON THE BUSINESS ACQUISITION

Goodwill arose in the business combination 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) ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

In June 2014, in relation with the agreement to acquire Kentz, SNC-Lavalin entered into a foreign exchange hedge to hedge the foreign exchange exposure of the transaction. This hedge was classified as a derivative used for cash flow hedges and was measured at its fair value with gains and losses arising from periodic remeasurements and not qualifying for hedge accounting being recognized in net income and included in “Acquisition-related costs and integration costs” in the Company’s consolidated income statement. For the year ended December 31, 2014, the acquisition-related costs and integration costs were as follows:

YEAR ENDED DECEMBER 31		**2014**		2013
Remeasurement of a foreign exchange hedge	**$**	**34,697**	$	–
Professional fees and other related costs		**27,846**		–
Acquisition-related costs and integration costs	**$**	**62,543**	$	–

For the year ended December 31, 2014, acquisition-related costs amounted to $52.8 million and integration costs amounted to $9.7 million.

E) IMPACT OF THE BUSINESS ACQUISITION ON THE RESULTS OF SNC-LAVALIN

SNC-Lavalin’s consolidated revenues, segment EBIT and net income attributable to SNC-Lavalin shareholders for the year ended December 31, 2014 included approximately $1,278.6 million, $110.8 million and $75.5 million, respectively, from the business acquisition of Kentz completed by SNC-Lavalin in the year ended December 31, 2014. Had the acquisition of Kentz and related financing occurred on January 1, 2014, SNC-Lavalin pro forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately $9,978.0 million and $1,255.9 million, respectively. These pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin’s acquisition date and should not be viewed as indicative of SNC-Lavalin’s consolidated future performance.

7. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS

	DECEMBER 31 2014	DECEMBER 31 2013
Bank balances, bank term deposits and bankers' acceptances	$ 1,702,205	$ 1,108,694
Cash and cash equivalents	$ 1,702,205	$ 1,108,694

B) RESTRICTED CASH

	DECEMBER 31 2014	DECEMBER 31 2013
Bank balances, bank term deposits and bankers' acceptances	$ 38,884	$ 65,426
Restricted cash – current and non-current	$ 38,884	$ 65,426
Presented on the statement of financial position as follows:		
Current assets – "Restricted cash"	$ 27,503	$ 54,616
Non-current assets – included in "Non-current financial assets" (Note 15)	$ 11,381	$ 10,810

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 2014	DECEMBER 31 2013
Trade receivables:		
Within normal terms of payment	$ 999,746	$ 833,671
Past due	476,948	424,050
Total trade receivables	1,476,694	1,257,721
Allowance for doubtful accounts	(222,334)	(151,361)
Trade receivables, net of allowance for doubtful accounts	$ 1,254,360	$ 1,106,360

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	2014	2013
Balance at beginning of year	$ 151,361	$ 119,460
Change in allowance, other than write-offs and recoveries	121,352	54,856
Write-offs of trade receivables	(34,296)	(9,165)
Recoveries	(16,083)	(13,790)
Balance at end of year	$ 222,334	$ 151,361

9. INVENTORIES

	DECEMBER 31 2014	DECEMBER 31 2013
Raw materials	**$ 62,094**	$ –
Work in progress	**28,580**	–
Finished goods	**20,700**	–
Inventories	**$ 111,374**	$ –

The cost of inventories of Kentz recognized by the Company as an expense during the period from August 22, 2014 to December 31, 2014 was $123.7 million.

10. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2014	DECEMBER 31 2013
Retentions on client contracts	**$ 582,096**	$ 487,491
Advances to suppliers, subcontractors and employees and deposits on contracts	**53,960**	112,956
Derivative financial instruments used for cash flow hedges – favourable fair value	**3,774**	2,538
Cash-settled share-based payment arrangement asset (Note 24C)	**53,624**	65,083
Current portion of receivables under service concession arrangements	**18,994**	22,543
Short-term investments and current portion of deposit notes	**81,932**	28,863
Other	**50,347**	41,339
Other current financial assets	**$ 844,727**	$ 760,813

11. OTHER CURRENT ASSETS

	DECEMBER 31 2014	DECEMBER 31 2013
Income taxes and other taxes receivable	**$ 192,886**	$ 193,304
Prepaid expenses and other	**81,244**	45,959
Other current assets	**$ 274,130**	$ 239,263

12. PROPERTY AND EQUIPMENT

A) PROPERTY AND EQUIPMENT FROM E&C

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	OTHER	TOTAL
Gross carrying amount					
Balance as at January 1, 2014	**$ 88,263**	**$ 316,808**	**$ 138,569**	**$ 110,255**	**$ 653,895**
Additions	**8,530**	**27,238**	**10,371**	**24,027**	**70,166**
Additions through a business acquisition	**13,214**	**5,084**	**3,256**	**64,050**	**85,604**
Effect of foreign currency exchange differences	**(305)**	**(897)**	**(315)**	**(5,521)**	**(7,038)**
Disposals / retirements / salvage	**(8,058)**	**(17,432)**	**(11,715)**	**(5,942)**	**(43,147)**
Balance as at December 31, 2014	**$ 101,644**	**$ 330,801**	**$ 140,166**	**$ 186,869**	**$ 759,480**
Accumulated depreciation					
Balance as at January 1, 2014	**37,046**	**278,625**	**98,364**	**59,492**	**473,527**
Depreciation expense	**5,134**	**32,719**	**12,641**	**23,989**	**74,483**
Effect of foreign currency exchange differences	**(164)**	**(1,009)**	**(323)**	**(3,316)**	**(4,812)**
Disposals / retirements / salvage	**(346)**	**(16,822)**	**(8,622)**	**(4,026)**	**(29,816)**
Balance as at December 31, 2014	**$ 41,670**	**$ 293,513**	**$ 102,060**	**$ 76,139**	**$ 513,382**

12. PROPERTY AND EQUIPMENT (CONTINUED)

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	OTHER	TOTAL
Gross carrying amount					
Balance as at January 1, 2013	$ 84,563	$ 306,222	$ 138,148	$ 102,064	$ 630,997
Additions	2,937	31,969	9,228	10,612	54,746
Effect of foreign currency exchange differences	763	831	672	1,060	3,326
Disposals / retirements / salvage	–	(22,214)	(9,479)	(3,481)	(35,174)
Balance as at December 31, 2013	$ 88,263	$ 316,808	$ 138,569	$ 110,255	$ 653,895
Accumulated depreciation					
Balance as at January 1, 2013	32,830	261,794	92,718	50,558	437,900
Depreciation expense	4,228	37,584	12,766	10,733	65,311
Effect of foreign currency exchange differences	(12)	635	530	305	1,458
Disposals / retirements / salvage	–	(21,388)	(7,650)	(2,104)	(31,142)
Balance as at December 31, 2013	$ 37,046	$ 278,625	$ 98,364	$ 59,492	$ 473,527
Net book value:					
As at December 31, 2013	$ 51,217	$ 38,183	$ 40,205	$ 50,763	$ 180,368
As at December 31, 2014	**$ 59,974**	**$ 37,288**	**$ 38,106**	**$ 110,730**	**$ 246,098**

B) PROPERTY AND EQUIPMENT FROM ICI

	PROPERTY AND EQUIPMENT OF ALTALINK
Gross carrying amount	
Balance as at January 1, 2014	**$ 5,490,370**
Additions	**1,733,039**
Disposal of AltaLink (Note 5A)	**(7,223,409)**
Balance as at December 31, 2014	**$ –**
Accumulated depreciation	
Balance as at January 1, 2014	**358,343**
Depreciation expense	**29,594**
Disposal of AltaLink (Note 5A)	**(387,937)**
Balance as at December 31, 2014	**$ –**

	PROPERTY AND EQUIPMENT OF ALTALINK
Gross carrying amount	
Balance as at January 1, 2013	$ 3,719,237
Additions	1,771,133
Balance as at December 31, 2013	$ 5,490,370
Accumulated depreciation	
Balance as at January 1, 2013	249,247
Depreciation expense	109,096
Balance as at December 31, 2013	$ 358,343
Net book value:	
As at December 31, 2013	$ 5,132,027
As at December 31, 2014	**$ –**

An amount of $1,605.5 million as at December 31, 2013 of property and equipment from ICI was not being depreciated as the corresponding assets were mainly transmission assets of AltaLink under construction.

AltaLink had contractual commitments to acquire property and equipment from third parties totalling $253.3 million as at December 31, 2013.

AltaLink calculated depreciation on a straight-line basis and has used depreciation rates ranging from 2.25% to 20.47% in 2014 (2013: 1.65% to 21.94%).

13. GOODWILL

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

Balance at January 1, 2013	$ 635,775
Goodwill impairment loss recognized in the year (Note 27A)	(56,500)
Net foreign currency exchange differences	(2,346)
Balance at December 31, 2013	576,929
Goodwill arising from the acquisition of Kentz completed in the year (Note 6)	**2,206,856**
Goodwill derecognized on disposal of AltaLink (Note 5A)	**(203,786)**
Net foreign currency exchange differences	**126,069**
Balance at December 31, 2014	**$ 2,706,068**

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

As at December 31, 2014 and 2013, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	**DECEMBER 31 2014**	DECEMBER 31 2013
AltaLink	**$ –**	$ 203,786
REW	**130,585**	–
Power	**67,424**	–
Infrastructure	**172,537**	–
Kentz [(1)]	**2,335,522**	–
Services and Packages - Europe	–	94,732
Services and Packages - Brazil	–	55,740
Services and Packages - Other	–	197,586
O&M	–	25,085
	$ 2,706,068	$ 576,929

(1) The goodwill acquired by SNC-Lavalin related to its acquisition of Kentz (see Note 6) of $2,335.5 million has not been allocated to a CGU due to the fact that the purchase price allocation was still preliminary as at December 31, 2014.

In the third quarter of 2013, the Company performed an impairment test on its goodwill allocated to the "Services and Packages – Europe" since there were indications that it may be impaired (see Note 27A). As at October 31, 2013, date of the previous impairment test, goodwill allocated to "Services and Packages – Brazil" was impaired (see Note 27A). As at October 31, 2014, goodwill was not considered to be impaired.

14. INTANGIBLE ASSETS RELATED TO KENTZ ACQUISITION

On August 22, 2014, SNC-Lavalin completed its acquisition of Kentz (see Note 6), which resulted in recognition of intangible assets by the Company.

The following table details a reconciliation of the carrying amount of intangible assets related to Kentz acquisition:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2014	$ –	$ –	$ –	$ –
Acquisitions through a business combination	102,680	192,837	24,434	319,951
Effect of foreign currency exchange differences	5,913	11,104	1,407	18,424
Balance as at December 31, 2014	$ 108,593	$ 203,941	$ 25,841	$ 338,375
Accumulated depreciation				
Balance as at January 1, 2014	–	–	–	–
Depreciation expense	24,427	10,230	1,815	36,472
Effect of foreign currency exchange differences	557	234	41	832
Balance as at December 31, 2014	$ 24,984	$ 10,464	$ 1,856	$ 37,304
Net book value:				
As at December 31, 2014	$ 83,609	$ 193,477	$ 23,985	$ 301,071

15. NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2014	DECEMBER 31 2013
From ICI		
Third party deposits of AltaLink	$ –	$ 107,565
Restricted cash	11,381	10,810
Assets related to rate regulated activities of AltaLink	–	58,569
Non-current portion of deposit notes	119,265	–
	130,646	176,944
Excluding ICI	26,817	24,332
Non-current financial assets	$ 157,463	$ 201,276

For certain projects, third parties of AltaLink contributed their share of capital project costs in advance of construction and provided advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. These third party deposits of AltaLink were recognized as non-current financial assets with corresponding other non-current financial liabilities (see Note 21).

16. OTHER NON-CURRENT ASSETS

	DECEMBER 31 2014	DECEMBER 31 2013
From ICI		
Intangible assets of AltaLink	$ –	$ 226,686
Other	31,396	31,459
	31,396	258,145
Excluding ICI	68,452	77,391
Other non-current assets	$ 99,848	$ 335,536

Intangible assets of AltaLink included mainly land rights. The amortization rate applied to land rights was 2.06% for the year ended December 31, 2014 (2013: 2.10%), while the amortization rates applied by AltaLink to its other intangible assets ranged from 10.60% to 50.57% (2013: from 27.92% to 30.41%). Intangible assets included in construction work in progress were not amortized until they were available for use. An amount of $86.7 million as at December 31, 2013 of the intangible assets was not being amortized.

17. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2014	DECEMBER 31 2013
Commitments to invest in ICI accounted for by the equity and cost methods (Note 5C)	$ 55,983	$ 187,230
Retentions on supplier contracts	264,765	206,750
Balance of purchase price payable relating to acquisition of businesses	2,507	2,346
Derivative financial instruments used for cash flow hedges – unfavourable fair value	24,070	14,902
Other	7,167	–
Other current financial liabilities	$ 354,492	$ 411,228

18. OTHER CURRENT LIABILITIES

	DECEMBER 31 2014	DECEMBER 31 2013
Income taxes and other taxes payable	$ 426,021	$ 97,686
Cash-settled share-based payment arrangement liabilities (Note 24C)	54,411	56,208
Other	4,997	–
Other current liabilities	$ 485,429	$ 153,894

19. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

The Company has the following non-recourse advances under contract financing arrangements, which are secured by the projects' specific assets, at December 31, 2014 and 2013:

	DECEMBER 31 2014	DECEMBER 31 2013
Sainte-Justine University Hospital Centre	$ 115,772	$ 746
Evergreen Line rapid transit project	203,549	86,442
Advances under contract financing arrangements	$ 319,321	$ 87,188

19. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS (CONTINUED)

SAINTE-JUSTINE UNIVERSITY HOSPITAL CENTRE

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 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.

EVERGREEN LINE RAPID TRANSIT PROJECT

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 bear interest at a fixed rate of 2.7% per year for the fixed rate tranche and at a variable rate, which is CDOR plus 1.45%, for the floating rate tranche. The credit facility matures no later than 2018.

20. SHORT-TERM DEBT AND LONG-TERM DEBT

A) RECOURSE REVOLVING CREDIT FACILITY

I) IN 2014

To finance the acquisition of Kentz Corporation Limited (see Note 6), SNC-Lavalin entered in June 2014 into a recourse non-revolving acquisition credit agreement (the "Acquisition Facility") for an aggregate amount of $2,750 million comprised of the following: i) an asset sale bridge facility of $2,550 million, maturing at the latest in December 2015; and ii) a term facility of $200 million, maturing at the latest in June 2016. Amounts drawn under the asset sale bridge facility and term facility bore interest at variable rates plus an applicable margin. Under the terms of the Acquisition Facility, SNC-Lavalin had to make a mandatory prepayment on the outstanding balance of borrowings under the Acquisition Facility upon the receipt by SNC-Lavalin of net proceeds from disposition of certain of its ICI, including AltaLink. The Acquisition Facility was to be used solely to fund the acquisition of Kentz and its related indebtedness, fees and expenses.

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

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

In August 2014, in connection with the acquisition of Kentz, the unsecured recourse revolving credit facility (the "Facility") entered into by the Company in December 2013 was amended to: i) increase the committed amount from $3,500 million to $4,250 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of $1,800 million applicable to financial letters of credit and cash draws but not to performance letters of credit; and ii) extend the maturity of the Facility from December 2016 to August 2017, with an annual extension option for a one-year period upon lenders' approval.

In September 2014, the Company amended the Acquisition Facility entered in June 2014 by cancelling the term facility of $200 million, while all other terms of the Acquisition Facility remained unchanged. In addition, the Company used a portion of its Facility to finance the acquisition of Kentz.

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

The following table details a reconciliation of the funds used for the acquisition of Kentz as follows:

	ACQUISITION FACILITY	FACILITY	TOTAL
Balance as at January 1, 2014	$ –	$ –	$ –
Amounts drawn	2,550,000	80,000	2,630,000
Amounts repaid	(2,550,000)	(80,000)	(2,630,000)
Balance as at December 31, 2014	**$ –**	**$ –**	**$ –**

20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

As at December 31, 2014, the cash draws and letter of credit outstanding under the Company's Facility were as follows:

AT DECEMBER 31, 2014	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Credit facility	$ 4,250,000	$ –	$1,748,293 (1)	$ 2,501,707

(1) Includes $245.4 million of financial letters of credit.

In addition, the Facility contemplates the issuance of bilateral letters of credit on a non-committed basis for a maximum of $2,000 million, which are subject to the covenants of the Facility. As at December 31, 2014, $141.2 million was used for the issuance of bilateral letters of credit. Also, as at December 31, 2014, Kentz had $214.7 million of issued bilateral letters of credit, that were outside of the Company's Facility.

II) IN 2013

In December 2013, the Company entered into an unsecured revolving credit agreement with a syndicate of financial institutions, totalling $3,500 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of $1,650 million applicable to financial letters of credit and cash draws but not to performance letters of credit. Amounts drawn under the Facility bear interest at variable rates plus an applicable margin. The Facility was initially set to mature in December 2016, with an annual extension option for a one-year period upon lenders' approval. As explained above, the Facility was amended in August 2014.

The Facility is committed and subject to affirmative, negative and financial covenants, including the requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio, as defined in the Facility, not exceeding a certain limit.

If the covenants of the Facility are not met, the lenders may, among others, terminate the right of the Company to use the Facility and demand immediate payment of the whole or part of all indebtedness outstanding under the Facility.

AT DECEMBER 31, 2013	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Credit facility	$ 3,500,000	$ –	$1,692,822 (1)	$ 1,807,178

(1) Includes $321.7 million of financial letters of credit.

In addition, the Facility contemplates the issuance of bilateral letters of credit on a non-committed basis for a maximum of $2,000 million, which are subject to the covenants of the Facility. As at December 31, 2013, $212.1 million was used for the issuance of bilateral letters of credit.

B) RECOURSE LONG-TERM DEBT

	DECEMBER 31 2014	DECEMBER 31 2013
Recourse (to the general credit of the Company)		
Debentures, 6.19%, due in July 2019 with a face value of $350.0 million repayable in full at maturity	**$ 348,932**	$ 348,733
The 2019 debenture is unsecured and subject to negative pledge clauses.		
Recourse long-term debt	**$ 348,932**	$ 348,733

20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

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

	DECEMBER 31 2014	DECEMBER 31 2013
AltaLink (1)		
Senior Secured Bonds and Medium Term Notes, 2.98% to 5.38%, due from 2018 to 2053	**$ –**	$ 2,685,226
Unsecured Debt, 10.50%, due in 2015, 5.21%, due in 2016, 3.67%, due in 2019, and 3.27%, due in 2020	**–**	638,639
Unsecured bank credit facility of $300 million as at December 31, 2013 under which AltaLink borrowed in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2018	**–**	17,981
Unsecured Commercial Paper and secured bank credit facility The unsecured commercial paper was supported by a $1,225 million as at December 31, 2013 secured bank credit facility under which AltaLink borrowed in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2015. At December 31, 2013, drawdowns under the bank credit facility were $nil, while the unsecured commercial paper outstanding amounted to $42.5 million.	**–**	42,461
Secured credit facility of $350 million as at December 31, 2013 under which borrowings were made in the form of Canadian prime rate loans plus 4.5%, maturing at the earliest of: i) December 2014; or ii) the first business day following the disposition or monetization by SNC-Lavalin of its ownership interest in AltaLink, L.P. or any disposition by AltaLink, L.P. of all or substantially all of its assets.	**–**	142,833
The Senior Secured Bonds and Medium Term Notes and secured bank credit facilities were all ranked equally and were secured by a first floating charge security interest on AltaLink, L.P.'s present and future assets.		
The secured credit facility was secured by a security interest on present and future assets of one of the Company's subsidiary holding indirectly an interest in AltaLink Holdings, L.P., including a specific pledge of a portion of one of the Company's subsidiaries having an ownership interest in AltaLink Holdings, L.P.		
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.	**130,071**	134,028
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%.	**36,627**	32,004
Rainbow Hospital Partnership		
Short-term bonds, due in 2014 and bearing interest at a fixed rate of 2.636%	**–**	51,239
Long-term bonds, due in 2044 and bearing interest at a fixed rate of 4.994%	**69,817**	69,893
The short-term bonds and long-term bonds are secured by all assets of Rainbow Hospital Partnership.		
InPower BC General Limited Partnership		
Senior bonds, due in 2033 and bearing interest at a fixed rate of 4.471%	**290,450**	–
Other	**11,469**	–
Total non-recourse short-term debt and long-term debt from ICI	**538,434**	3,814,304
Less: short-term debt and current portion of long-term debt	**7,750**	277,392
Non-recourse long-term debt from ICI	**$ 530,684**	$ 3,536,912

(1) In the period from January 1, 2014 to December 1, 2014, AltaLink issued Medium Term Notes with the following terms: i) 3.462%, due in 2024, for a principal amount of $350 million; ii) 4.304%, due in 2064, for a principal amount of $130 million; iii) 4.093%, due in 2042, for a principal amount of $225 million; and iv) 4.054%, due in 2044, for a principal amount of $295 million. These Medium Term Notes are not shown in the table above as they were not on the Company's statement of financial position as at December 31, 2014.

20. 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, 2014	Recourse	Non-recourse from ICI	Total
2015	$ –	$ 8,560	$ 8,560
2016	–	8,275	8,275
2017	–	8,907	8,907
2018	–	9,276	9,276
2019	350,000	11,293	361,293
Thereafter	–	508,687	508,687
Total	$ 350,000	$ 554,998	$ 904,998
Net unamortized deferred financing costs and unamortized discounts	(1,068)	(16,564)	(17,632)
Net carrying amount of short-term debt and long-term debt	$ 348,932	$ 538,434	$ 887,366

21. OTHER NON-CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2014	DECEMBER 31 2013
Third party deposits of AltaLink	**$ –**	$ 107,565
Other	**9,457**	17,479
Other non-current financial liabilities	**$ 9,457**	$ 125,044

For certain projects, third parties of AltaLink contributed their share of capital project costs in advance of construction and provided advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. Third party deposits of AltaLink were recognized as non-current financial assets (see Note 15) with corresponding other non-current financial liabilities.

22. PROVISIONS

	Pension and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other [1]	Total
Balance at January 1, 2014	$ 86,273	$ 131,967	$ 16,838	$ 181,854	$ 416,932
Additional provisions recognized in the year [2]	30,825	201,754	80,158	148,257	460,994
Amounts used during the year	(17,376)	(191,240)	(29,044)	(10,933)	(248,593)
Unused amounts reversed during the year	(5,419)	(10,030)	(2,182)	(24,771)	(42,402)
Actuarial losses recognized in equity	8,801	–	–	–	8,801
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	2,668	1,647	(183)	(2,204)	1,928
Balance at December 31, 2014	**$ 105,772**	**$ 134,098**	**$ 65,587**	**$ 292,203**	**$ 597,660**
Presented on the statement of financial position as follows:					
Current portion of provisions					**$ 256,392**
Non-current portion of provisions					**$ 341,268**

(1) Other provisions include mainly litigations, warranty provisions and asset retirement obligations.

(2) Includes additional provisions from the acquisition of Kentz.

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) most of the accrued restructuring costs are expected to be disbursed within the next 12 months; iv) warranty expenditure is expected to take place within the next five years; and v) 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 33.

23. OTHER NON-CURRENT LIABILITIES

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

	DECEMBER 31 2014	DECEMBER 31 2013
Third party contributions of AltaLink	**$ –**	$ 574,900
Funds for salvage costs of AltaLink	**–**	155,585
Other	**3,702**	7,282
Other non-current liabilities	**$ 3,702**	$ 737,767

24. 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 shall be 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, 2014 are summarized below:

	2013, 2011 AND 2009 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	Six years after the grant date for the 2013 stock option plan and five years after the grant date for the 2011 and 2009 stock option plans
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

During the year ended December 31, 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.

24. SHARE CAPITAL (CONTINUED)

The table below presents the changes in the number of options outstanding in 2014 and 2013:

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	**4,438,529**	**$ 44.37**	5,363,600	$ 44.19
Granted [1]	**–**	**$ –**	1,246,800	$ 40.98
Exercised [2]	**(657,869)**	**$ 40.92**	(737,876)	$ 35.89
Expired	**(170,911)**	**$ 34.40**	(846,346)	$ 46.24
Forfeited	**(430,380)**	**$ 45.80**	(587,649)	$ 43.57
Options outstanding at end of year	**3,179,369**	**$ 45.42**	4,438,529	$ 44.37

(1) The weighted average fair value of stock options granted was $9.28 in 2013.

(2) The weighted average market price of the Company's common shares upon the exercise of stock options was $51.58 in 2014 ($40.32 in 2013).

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2014.

			OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	STOCK OPTION PLAN	YEAR OF GRANT	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING OPTIONS' TERM (MONTHS)	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
$52.40 to $57.07	2009	2010	614,250	3	$ 52.49	614,250	$ 52.49
$51.55 to $54.07	2011	2011	755,262	16	$ 54.05	485,957	$ 54.05
$37.04	2011	2012	717,357	28	$ 37.04	168,796	$ 37.04
$40.98	2013	2013	1,092,500	52	$ 40.98	–	$ –
			3,179,369	29	$ 45.42	1,269,003	$ 51.03

As at December 31, 2014, 2,865,402 stock options remained available for future grants under the 2013 stock option plan (2013: 2,329,416 stock options), while no stock options remain available for future grants under the 2011 and 2009 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:

	2014	2013
Risk-free interest rate	**–**	1.15%
Expected stock price volatility	**–**	30.26%
Expected option life	**–**	4.5 years
Expected dividend yield	**–**	2.00%

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

C) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

As at December 31, 2013, the Company had three cash-settled share-based payment compensation plans for executives, namely 2009 PSU plan, 2009 DSU plan, and RSU plan. In addition, in the first quarter of 2014, the Company introduced the 2014 Performance Share Unit plan ("2014 PSU plan") in favour of certain of its key employees. The 2014 PSU plan is similar to the 2009 PSU plan with the exception that, among other things, i) the units vest in full at the end of the second calendar year following the calendar year during which the grant was made; and ii) in the event of death or retirement of a participant before the end of the vesting period, the units vest on a *pro rata* basis.

As at December 31, 2014 and 2013, 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.

24. SHARE CAPITAL (CONTINUED)

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

	2009 PSU PLAN	2009 DSU PLAN	RSU PLAN	2014 PSU 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	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	Determined at grant date, without any further changes	Determined at grant date, without any further changes	Subject to performance conditions, the number of units granted shall be adjusted depending on the total shareholder return compared to peers, as defined in the plan
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 at the end of each calendar year following the grant date	Units vest in full three years following their grant date	Units vest in full at the end of the third calendar year following the grant date
Payment	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting January 1st of the calendar year during which the grant of such award was made and ending on the vesting date.	Units are redeemable for cash by the Company within thirty days following the first anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company no later than March 15th of the year following the end of the vesting period	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting on January 1st of the calendar year during which the grant of such award was made and ending on the vesting date.
Redemption price	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the first 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	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	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 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 no later than March 15th of the year following the event	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 no later than two and a half months following the event

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 are 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.

24. SHARE CAPITAL (CONTINUED)

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, 2014 and 2013:

	2014		2013	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2014 PSU plan	**237,965**	**$ 47.04**	–	$ –
2009 PSU plan [(1)]	**–**	**$ –**	71,564	$ 42.68
2009 DSU plan	**63,651**	**$ 46.91**	58,650	$ 43.01
RSU plan	**377,538**	**$ 46.70**	325,621	$ 41.64
DSU plan	**28,270**	**$ 49.96**	40,419	$ 41.71

(1) No units are available for future grants under the 2009 PSU plan since January 1, 2014.

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 FVTPL. 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 $4.2 million from the remeasurement of the cash-settled share-based payment arrangement asset which offsets the gain of $4.2 million from the remeasurement of the cash-settled share-based payment arrangement liabilities in 2014 (2013: gain of $9.6 million which offsets more than the loss of $7.2 million), was $13.6 million for the year ended December 31, 2014 (2013: $7.1 million).

The total intrinsic value of the cash-settled share-based payment arrangement liabilities for which the participant's right to cash vested was $19.4 million as at December 31, 2014 (2013: $47.0 million), while the cash-settled share-based payment arrangement liabilities amounted to $54.4 million as at December 31, 2014 (2013: $56.2 million).

D) REDEMPTION OF SHARES

In 2014, 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 (2013: 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. There were no redemptions of shares in 2014 and 2013.

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

The weighted average number of outstanding shares in 2014 and 2013 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	2014	2013
Weighted average number of outstanding shares – basic	**152,218**	151,497
Dilutive effect of stock options	**387**	317
Weighted average number of outstanding shares – diluted	**152,605**	151,814

In 2014, 1,369,512 outstanding stock options (2013: 2,985,434 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

F) DIVIDENDS

During the year ended December 31, 2014, the Company recognized as distributions to its equity shareholders dividends of $146.2 million or $0.96 per share (2013: $139.4 million or $0.92 per share).

25. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2014 and 2013:

	DECEMBER 31 2014	DECEMBER 31 2013
Exchange differences on translating foreign operations	**$ 19,848**	$ (47,063)
Available-for-sale financial assets	**645**	2,605
Cash flow hedges	**4,244**	(2,375)
Share of other comprehensive loss of investments accounted for by the equity method	**(35,634)**	(24,142)
Other components of equity	**$ (10,897)**	$ (70,975)

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

25. 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, 2014 and 2013:

YEAR ENDED DECEMBER 31	**2014**	2013
Exchange differences on translating foreign operations:		
Balance at beginning of year	**$ (47,063)**	$ (47,975)
Current year gains	**65,863**	1,828
Reclassification to net income	**1,048**	(916)
Balance at end of year	**19,848**	(47,063)
Available-for-sale financial assets:		
Balance at beginning of year	**2,605**	2,558
Current year gains (losses)	**(1,858)**	574
Income taxes relating to current year gains	**1,511**	76
Reclassification to net income	**(1,864)**	(725)
Income taxes relating to amounts reclassified to net income	**251**	122
Balance at end of year	**645**	2,605
Cash flow hedges:		
Balance at beginning of year	**(2,375)**	395
Current year losses	**(21,331)**	(13,315)
Income taxes relating to current year losses	**5,354**	2,858
Reclassification to net income	**29,296**	8,283
Income taxes relating to amounts reclassified to net income	**(6,700)**	(596)
Balance at end of year	**4,244**	(2,375)
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of year	**(24,142)**	(57,664)
Current year share	**(27,292)**	12,736
Income taxes relating to current year share	**7,299**	(3,353)
Reclassification to net income	**11,649**	40,603
Income taxes relating to amounts reclassified to net income	**(3,148)**	(16,464)
Balance at end of year	**(35,634)**	(24,142)
Other components of equity	**$ (10,897)**	$ (70,975)

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, 2014 and 2013:

YEAR ENDED DECEMBER 31		**2014**			2013	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ (24,377)**	**$ 6,354**	**$ (18,023)**	$ (22,136)	$ 5,691	$ (16,445)
Gains (losses) recognized during the year:						
Defined benefit pension plans	**(6,996)**	**(120)**	**(7,116)**	304	(324)	(20)
Other post-employment benefits	**(1,805)**	**169**	**(1,636)**	(2,545)	987	(1,558)
	(8,801)	**49**	**(8,752)**	(2,241)	663	(1,578)
Cumulative amount at December 31	**$ (33,178)**	**$ 6,403**	**$ (26,775)**	$ (24,377)	$ 6,354	$ (18,023)

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31		2014		2013
Selling expenses	$	**188,430**	$	216,188
General and administrative expenses		**652,985**		620,400
Selling, general and administrative expenses	$	**841,415**	$	836,588

27. RESTRUCTURING COSTS, GOODWILL IMPAIRMENT AND IMPAIRMENT OF INVESTMENTS

YEAR ENDED DECEMBER 31		2014		2013
Restructuring costs	$	**109,859**	$	66,964
Goodwill impairment		**–**		56,500
Restructuring costs and goodwill impairment	$	**109,859**	$	123,464
Impairment of investments	$	**28,461**	$	–

A) RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

RESTRUCTURING COSTS

In 2014, the Company continued to restructure certain of its activities and, in November 2014, announced that it will take a number of steps to restructure and right-size certain areas of its business as it continues to execute its five-year strategic plan and to build a global Tier-1 engineering and construction firm. A total of $109.9 million of restructuring costs were incurred in 2014.

In 2013, the Company incurred $67.0 million of restructuring costs as part of the reorganization of certain of its activities.

The restructuring costs recognized in 2014 and 2013 were mainly for severances, the disposal of certain activities and closure of certain offices.

GOODWILL IMPAIRMENT

The reorganization, the lack of profitability on certain activities and a decrease in the overall level of activities in the "Services and Packages – Europe" and in the "Services and Packages – Brazil" cash-generating units resulted in a goodwill impairment of $48.5 million and $8.0 million, respectively, in 2013. The recoverable amounts of the "Services and Packages – Europe" and of the "Services and Packages – Brazil" cash-generating units correspond to their value in use and amounted to $154.7 million and $94.2 million, respectively, at the date of the impairment test. In 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 ranging between 14.0% and 14.9%.

B) IMPAIRMENT OF INVESTMENTS

During the year ended December 31, 2014, SNC-Lavalin recognized impairment losses on two of its investments accounted for by the equity method, one included in the ICI segment and one included in the Oil & Gas sub-segment, for a combined amount of $28.5 million. The events and circumstances that led to the recognition of impairment losses are mainly the deterioration of the expected return on these investments, in part due to a deteriorating economic environment of their respective country. The combined recoverable amount of the Company's investments was $3.3 million as at December 31, 2014, while the combined remaining cumulative exchange losses on translating foreign operations amounted to $17.5 million at the same date. The recoverable amounts were determined based on their value in use. The discount rates used in current estimates of value in use were 19.0% for the investment in the ICI segment and 16.4% for the investment in the Oil & Gas sub-segment.

28. NET FINANCIAL EXPENSES

YEAR ENDED DECEMBER 31	2014			2013 [1]		
	FROM ICI	EXCLUDING ICI	TOTAL	FROM ICI	EXCLUDING ICI	TOTAL
Financial income	**$ (16,168)**	**$ (6,620)**	**$ (22,788)**	$ (6,276)	$ (6,593)	$ (12,869)
Interest on debt:						
Recourse [2]	**–**	**59,222**	**59,222**	–	21,852	21,852
Non-recourse:						
AltaLink	**178,173**	**–**	**178,173**	124,918	–	124,918
Other	**25,128**	**–**	**25,128**	7,562	–	7,562
Net foreign exchange losses (gains)	**(9,174)**	**(28,710)**	**(37,884)**	(4,857)	6,654	1,797
Other	**2,913**	**15,044**	**17,957**	9,839	(2,420)	7,419
Financial expenses	**197,040**	**45,556**	**242,596**	137,462	26,086	163,548
Net financial expenses	**$ 180,872**	**$ 38,936**	**$ 219,808**	$ 131,186	$ 19,493	$ 150,679

(1) In the year ended December 31, 2014, the Company has made a retrospective change to the presentation of its net financial expenses note to the consolidated financial statements and comparative figures were reclassified for the net foreign exchange losses (gains), to provide details on this element.

(2) In the year ended December 31, 2014, financial expenses included $37.4 million of financing costs related to the acquisition of Kentz by the Company (2013: $nil).

29. 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:

	2014	2013
Decrease in trade receivables	**$ 288,398**	$ 40,011
Decrease in contracts in progress	**73,704**	119,477
Increase (decrease) in other current financial assets	**151,482**	(256,865)
Increase in other current assets	**(5,234)**	(29,944)
Increase (decrease) in trade payables	**(480,769)**	327,833
Increase (decrease) in downpayments on contracts	**20,811**	(119,357)
Increase (decrease) in deferred revenues	**21,427**	(18,142)
Increase in other current financial liabilities	**57,706**	66,467
Increase (decrease) in other current liabilities	**(29,564)**	240
Net change in non-cash working capital items	**$ 97,961**	$ 129,720

30. 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 2014	Recognized in other comprehensive income	Recognized upon acquisition of Kentz	Derecognized upon disposals of investments	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2014
Current:							
Retentions on client contracts	$ (77,798)	$ –	$ (658)	$ –	$ (67,496)	$ (17)	$ (145,969)
Contracts in progress	(12,967)	–	(1,560)	–	2,202	(84)	(12,409)
Retentions on supplier contracts	61,872	–	–	–	28,481	–	90,353
Accrued employee compensation	11,106	–	–	–	3,472	–	14,578
Current liabilities	103,171	–	14,410	(3)	(30,791)	(461)	86,326
Other	271	–	(1,426)	–	2,528	(403)	970
Non-current:							
Property and equipment, and goodwill	(134,173)	–	(60,880)	177,705	(43,677)	(3,533)	(64,558)
Non-current financial assets	(10,869)	–	–	–	(1,691)	–	(12,560)
Provisions	(43,023)	–	2,721	(1,749)	10,790	181	(31,080)
ICI accounted for by the equity or cost methods	(101,450)	4,151	–	–	(21,034)	(759)	(119,092)
Pension plans and other post-employment benefits	18,101	49	–	–	(4,776)	80	13,454
Other	(157)	416	–	901	(4,162)	491	(2,511)
Unused tax losses	156,412	–	4,858	(5,004)	157,102	(424)	312,944
Deferred income tax asset (liability), net	$ (29,504)	$ 4,616	(42,535)	171,850	$ 30,948	$ (4,929)	$ 130,446
Presented on the statement of financial position as follows:							
Deferred income tax asset	$ 254,421	–	–	–	–	–	$ 395,987
Deferred income tax liability	$ 283,925	–	–	–	–	–	$ 265,541

30. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period 2013 can be summarized as follows:

	JANUARY 1 2013	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2013
Current:					
Retentions on client contracts	$ (16,518)	$ –	$ (61,280)	$ –	$ (77,798)
Contracts in progress	(18,244)	–	5,277	–	(12,967)
Retentions on supplier contracts	28,075	–	33,797	–	61,872
Accrued employee compensation	7,382	–	3,724	–	11,106
Current liabilities	80,863	–	22,400	(92)	103,171
Other	(2,580)	–	2,851	–	271
Non-current:					
Property and equipment, and goodwill	(82,843)	–	(52,210)	880	(134,173)
Non-current financial assets	(9,945)	–	(924)	–	(10,869)
Provisions	(64,820)	–	22,273	(476)	(43,023)
ICI accounted for by the equity or cost methods	(39,224)	(19,817)	(43,129)	720	(101,450)
Pension plans and other post-employment benefits	17,073	663	19	346	18,101
Other	(5,162)	2,460	2,699	(154)	(157)
Unused tax losses	60,942	–	96,741	(1,271)	156,412
Deferred income tax liability, net	$ (45,001)	$ (16,694)	$ 32,238	$ (47)	$ (29,504)
Presented on the statement of financial position as follows:					
Deferred income tax asset	$ 177,581	–	–	–	$ 254,421
Deferred income tax liability	$ 222,582	–	–	–	$ 283,925

As at December 31, 2014, the Company had $1,671.0 million (2013: $814.3 million) of non-capital tax losses carried-forward of which $1,301.0 million will expire in varying amounts from 2015 to 2035 (2013: $634.1 million expiring from 2014 to 2033). As at December 31, 2014, a deferred income tax asset of $313.0 million (2013: $156.4 million) has been recognized on $1,214.0 million (2013: $628.0 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. As at December 31, 2014, the Company had $116.5 million of the unrecognized non-capital tax losses that will expire in varying amounts from 2015 to 2035 (2013: $116.9 million expiring in varying amounts from 2014 to 2034).

As at December 31, 2014, the Company had $50.1 million (2013: $26.2 million) of capital tax losses carried-forward on which no deferred income tax asset has been recognized of which $26.6 million will expire in 2031 and 2032 (2013: $26.2 million expiring in 2031), while the remaining capital tax losses have no expiry date.

As at December 31, 2014, a deferred income tax liability has not been recognized on taxable temporary differences of $974.5 million (2013: $671.1 million) associated with investments in subsidiaries, associates and interests in joint arrangements, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

30. INCOME TAXES (CONTINUED)

B) INCOME TAXES

The relationship between the expected income taxes based on Canadian effective tax rate of SNC-Lavalin at 26.5% (2013: 26.5%) and the reported income taxes in net income can be reconciled as follows:

YEAR ENDED DECEMBER 31	2014		2013	
	AMOUNT	%	AMOUNT	%
Income before income taxes	**$ 1,657,629**		$ 78,092	
Canadian tax rate for SNC-Lavalin		**26.5**		26.5
Expected income taxes	**$ 439,935**		$ 20,683	
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	**(17,834)**	**(1.1)**	24,838	31.8
Effect of Canadian provincial tax rate differences	**(27,359)**	**(1.7)**	(3,289)	(4.2)
Net income (loss) not affected by tax	**53,807**	**3.2**	40,984	52.5
Effect of differences between accounting gain and taxable capital gain realized on disposal of AltaLink	**(152,676)**	**(9.2)**	–	–
Effect of valuation allowances on previously recognized deferred income tax asset (liability)	**32,103**	**1.9**	(2,478)	(3.2)
Non-taxable income from certain ICI accounted for by the equity method	**(39,219)**	**(2.4)**	(42,226)	(54.1)
Other permanent differences for tax purposes	**24,541**	**1.5**	9,395	12.0
Other	**9,744**	**0.6**	(6,199)	(7.9)
Income taxes at effective tax rate	**$ 323,042**	**19.3**	$ 41,708	53.4

SNC-Lavalin's income taxes were comprised of the following:

YEAR ENDED DECEMBER 31	2014	2013
Current income taxes	**$ 353,990**	$ 73,946
Deferred income taxes	**(30,948)**	(32,238)
Income taxes	**$ 323,042**	$ 41,708

31. 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, 2014 and December 31, 2013 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2014					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 1,702,205**	**$ –**	**$ –**	**$ –**	**$ 1,702,205**	**$ 1,702,205**
Restricted cash	**27,503**	**–**	**–**	**–**	**27,503**	**27,503**
Trade receivables	**–**	**–**	**1,254,360**	**–**	**1,254,360**	**1,254,360**
Other current financial assets:						
Cash-settled share-based payment arrangement asset	**53,624**	**–**	**–**	**–**	**53,624**	**53,624**
Derivative financial instruments	**–**	**–**	**–**	**3,774**	**3,774**	**3,774**
Other current financial assets	**–**	**–**	**787,329**	**–**	**787,329**	**787,329**
ICI accounted for by the cost method:						
At cost or at fair value (1)	**–**	**347,494**	**–**	**–**	**347,494**	**See (1)**
At amortized cost	**–**	**–**	**93,315**	**–**	**93,315**	**93,315**
Non-current portion of receivables under service concession arrangements (2)	**–**	**–**	**250,769**	**–**	**250,769**	**275,720**
Non-current financial assets:						
Restricted cash	**11,381**	**–**	**–**	**–**	**11,381**	**11,381**
Other:						
At fair value	**–**	**8,585**	**–**	**–**	**8,585**	**8,585**
At cost/amortized cost (2)	**–**	**–**	**137,497**	**–**	**137,497**	**137,497**
Total	**$ 1,794,713**	**$ 356,079**	**$ 2,523,270**	**$ 3,774**	**$ 4,677,836**	

AT DECEMBER 31	2013					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,108,694	$ –	$ –	$ –	$ 1,108,694	$ 1,108,694
Restricted cash	54,616	–	–	–	54,616	54,616
Trade receivables	–	–	1,106,360	–	1,106,360	1,106,360
Other current financial assets:						
Cash-settled share-based payment arrangement asset	65,083	–	–	–	65,083	65,083
Derivative financial instruments	–	–	–	2,538	2,538	2,538
Other current financial assets	–	–	693,192	–	693,192	693,192
ICI accounted for by the cost method:						
At cost or at fair value (1)	–	346,700	–	–	346,700	See (1)
At amortized cost	–	–	80,168	–	80,168	80,168
Non-current portion of receivables under service concession arrangements (2)	–	–	300,758	–	300,758	299,002
Non-current financial assets:						
Restricted cash	10,810	–	–	–	10,810	10,810
Other:						
At fair value	107,565	10,011	–	127	117,703	117,703
At cost/amortized cost (2)	–	–	72,763	–	72,763	72,763
Total	$ 1,346,768	$ 356,711	$ 2,253,241	$ 2,665	$ 3,959,385	

(1) These available-for-sale financial assets represent mainly 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.

31. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities at December 31, 2014 and December 31, 2013 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2014			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,372,489	$ 2,372,489	$ 2,372,489
Downpayments on contracts	–	249,521	249,521	249,521
Other current financial liabilities:				
Derivative financial instruments	24,070	–	24,070	24,070
Other current financial liabilities	–	330,422	330,422	330,422
Advances under contract financing arrangements (1)	–	319,321	319,321	325,988
Provisions	–	65,587	65,587	65,587
Short-term debt and long-term debt (2):				
Recourse	–	348,932	348,932	401,275
Non-recourse from ICI	–	538,434	538,434	598,650
Other non-current financial liabilities	3,187	6,270	9,457	9,457
Total	$ 27,257	$ 4,230,976	$ 4,258,233	

AT DECEMBER 31	2013			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,145,755	$ 2,145,755	$ 2,145,755
Downpayments on contracts	–	226,028	226,028	226,028
Other current financial liabilities:				
Derivative financial instruments	14,902	–	14,902	14,902
Other current financial liabilities	–	396,326	396,326	396,326
Advances under contract financing arrangements (1)	–	87,188	87,188	93,534
Provisions	–	22,723	22,723	22,723
Short-term debt and long-term debt (2):				
Recourse	–	348,733	348,733	393,750
Non-recourse from ICI	–	3,814,304	3,814,304	3,880,894
Other non-current financial liabilities	2,016	123,028	125,044	125,044
Total	$ 16,918	$ 7,164,085	$ 7,181,003	

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

(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.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE AND FOR WHICH THE FAIR VALUE IS DISCLOSED

The methodology used to determine the fair value of the following Company's assets and liabilities not measured at fair value is based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	ASSETS AND LIABILITIES
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Trade receivables, financial asset classified as "loans and receivables" (included in ICI accounted for by the cost method), non-current portion of receivables under service concession arrangements, trade payables, downpayments on contracts, advances under contract financing arrangements, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, non-current financial assets, other current financial liabilities, provisions and other non-current financial liabilities
Level 3	Inputs for the asset or liability that are not based on observable market data	None

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 amounts of trade receivables presented in the consolidated statements of financial position are net of an allowance for doubtful accounts, estimated by the Company and based, in part, on the age of specific receivable balance and the current and expected collection trends.

iv) Other current financial assets, as detailed in Note 10, and non-current financial assets, as detailed in Note 15. The current and non-current portions of receivables under service concession arrangements are within normal terms of payment and there are no significant amounts that are past due as at December 31, 2014 and 2013.

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.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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.

SNC-Lavalin's consolidated statement of financial position included $573.0 million at December 31, 2014 (2013: $5,158.3 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 $550.5 million of financial assets at December 31, 2014 (2013: $696.1 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.

SNC-Lavalin's future principal payments on its short-term debt and long-term debt are presented in Note 20.

A draw on letters of credit or bank guarantees (Note 31C) 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.

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, usually 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, 2014			AT DECEMBER 31, 2013		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA$ 306,700	**US$ 278,435**	**2015-2019**	CA$ 307,352	US$ 293,197	2014-2018
CA$ 74,029	**€ 51,735**	**2015-2019**	CA$ 139,713	€ 98,246	2014-2018
US$ 103,408	**CA$ 119,281**	**2015-2017**	US$ 40,571	CA$ 42,464	2014
US$ 1,640	**€ 1,316**	**2015**	US$ 880	€ 644	2014
€ 14,908	**US$ 19,176**	**2015**	€ 5,885	US$ 7,909	2014
€ 20,139	**CA$ 29,152**	**2015-2018**	€ 9,333	CA$ 13,489	2014-2018

As at December 31, 2014, the forward foreign exchange contracts used for hedging purposes by the Company had a net unfavourable fair value of $20.3 million (2013: $12.4 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, 2014 has been calculated from the Company's net 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$/€ (2)
Increase (decrease)	10% appreciation in the Canadian dollar (1)	**$ (283,170)**	**$ 1,537**
Increase (decrease)	10% depreciation in the Canadian dollar (1)	**$ 283,170**	**$ (1,537)**

(1) Assuming all other variables remain the same.

(2) The Company's exposure to other currencies is not significant.

As at December 31, 2014, the impact of 10% change in exchange rates between Canadian dollars and Euros would have no significant impact on the Company's net income, while the 10% appreciation in the Canadian dollar comparing to the US dollar would decrease the Company's net income by $48.9 million (10% depreciation in the Canadian dollar comparing to the US dollar would increase the Company's net income by $48.9 million).

31. 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 SHORT-TERM DEBT EXCLUDING ICI

SNC-Lavalin's recourse short-term debt bears interest at a variable rate which exposes the Company to interest rate risk.

RECOURSE LONG-TERM DEBT EXCLUDING ICI

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.

ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

SNC-Lavalin's advances under contract financing arrangements usually involve limited interest rate risk due to their short-term nature.

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 24C.

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, 2014, SNC-Lavalin had outstanding letters of credit of $2,104.2 million (2013: $1,904.9 million).

32. 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 in part 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 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 or the projects they finance. The Company's investment and underlying assets in its ICI or projects may, however, be at risk if such investments or projects were unable to repay their non-recourse 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 2014	DECEMBER 31 2013
Recourse debt	**$ 348,932**	$ 348,733
Equity attributable to SNC-Lavalin shareholders	**$ 3,305,630**	$ 2,036,658
Less: Other components of equity	**(10,897)**	(70,975)
Plus: Recourse debt	**348,932**	348,733
Capital	**$ 3,665,459**	$ 2,456,366
Recourse debt-to-capital ratio	**10:90**	14:86

The Company has paid quarterly dividends for 25 consecutive years and strives to increase its yearly dividend paid per share, which it has done over the past 14 years.

In 2014, the Company complied with all of the covenants related to its debentures and credit facility.

33. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

A) PENSION PLANS

SNC-Lavalin has defined contribution and defined benefit pension plans. 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 $69.9 million in 2014 (2013: $82.1 million).

DEFINED CONTRIBUTION PENSION PLANS

SNC-Lavalin's contributions to its defined contribution plans are recorded as expenses in the year in which they are incurred and totalled $56.8 million in 2014 (2013: $75.0 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are all closed to new entrants and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for two plans and every year for the remaining two plans. The latest actuarial valuations were performed on December 31, 2013 for three plans and on May 1, 2013 for the fourth plan. The measurement date used for the benefit obligation and plan assets is December 31 of each year. SNC-Lavalin's defined benefit pension plans are partly funded and one defined benefit pension plan is secured by a letter of credit.

The defined benefit plans are administrated by pension plan managers that are legally separated from SNC-Lavalin. The boards of these pension plan managers are composed of a number of representatives from employer's representatives, active employees, inactive employees and independent members. The boards of the pension plan managers are required by law and by their articles of association to act in the interest of the pension plans and all their relevant stakeholders, i.e. active employees, inactive employees, retirees and employers. The boards of the pension plan managers are responsible for the investment policy with regard to the assets of the pension plans.

SNC-Lavalin's defined benefit pension plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and compensation risk.

NATURE OF RISK	DESCRIPTION
Investment risk	The present value of the defined benefit pension plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plans liabilities; however, this will be partially offset by an increase in the return on the plans' debt securities.
Compensation risk	The present value of the defined benefit pension plan obligation is calculated by reference to the final pensionable earnings of plans participants.

33. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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	2014	2013
Change in pension benefit obligation:		
Pension benefit obligation at beginning of year	**$ 226,128**	$ 214,848
Current service cost	**2,272**	2,006
Interest cost	**9,142**	7,580
Benefits paid	**(20,610)**	(10,717)
Contributions by plan participants	**989**	1,010
Remeasurement:		
Actuarial losses arising from changes in demographic assumptions	**7,002**	6,016
Actuarial losses arising from changes in financial assumptions	**8,599**	3,158
Actuarial losses arising from experience adjustments	**94**	3,674
Effect of foreign currency exchange differences	**400**	8,138
Business acquisition	**72,142**	–
Settlement	**–**	(9,585)
Pension benefit obligation at end of year	**$ 306,158**	$ 226,128
Change in pension plan assets:		
Fair value of pension plan assets at beginning of year	**$ 162,972**	$ 156,795
Interest income	**6,720**	5,600
Remeasurement:		
Return on plans assets (excluding interest income)	**15,604**	8,110
Administration costs	**(658)**	(487)
Effect of foreign currency exchange differences	**616**	6,099
Benefits paid	**(20,610)**	(10,717)
Contributions by the employer	**13,104**	7,073
Contributions by plan participants	**989**	1,010
Business acquisition	**45,970**	–
Settlement	**–**	(10,511)
Fair value of pension plans assets at end of year	**$ 224,707**	$ 162,972

AT DECEMBER 31	2014	2013
Funded status reflected in the statement of financial position:		
Present value of the pension benefit obligation	**$ 306,158**	$ 226,128
Fair value of pension plan assets	**224,707**	162,972
Pension plans in deficit	**81,451**	63,156
Effect of the asset ceiling from remeasurement [1]	**6,210**	–
Additional liability due to minimum funding requirements	**695**	–
Net accrued pension benefit liability	**$ 88,356**	$ 63,156

[1] The economic benefit available has been determined as a reduction in future contributions. It represents the present value of the future service cost for each period, excluding amounts borne by plan participants, over the expected remaining life of the plan. The assumptions used to determine the future service costs are consistent with those used to determine the defined benefit obligation.

SNC-Lavalin's net defined benefit pension costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31	2014	2013
Current service cost	**$ 2,272**	$ 2,006
Net interest expense	**2,422**	1,980
Settlement loss	**–**	926
Administration costs	**658**	487
Other	**–**	147
Components of benefit pension costs recognized in net income	**$ 5,352**	$ 5,546

33. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SNC-Lavalin's net defined benefit pension costs recognized in other comprehensive income were comprised of:

YEAR ENDED DECEMBER 31	2014	2013
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding interest income)	**$ (15,604)**	$ (8,110)
Actuarial losses arising from changes in demographic assumptions	**7,002**	6,016
Actuarial losses arising from changes in financial assumptions	**8,599**	3,158
Actuarial losses arising from experience adjustments	**94**	3,674
Effect of the asset ceiling from remeasurement	**6,210**	–
Variation in liability due to minimum funding requirements	**695**	(5,042)
Components of benefit pension costs recognized in other comprehensive income	**$ 6,996**	$ (304)

SNC-Lavalin expects to make contributions of $8.8 million in 2015 to its defined benefit pension plans.

The following table presents the fair value of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

	DECEMBER 31 2014	DECEMBER 31 2013
Asset category		
Equity securities	**$ 80,314**	$ 72,835
Debt securities	**144,393**	90,137
Total	**$ 224,707**	$ 162,972

The fair values of the above equity and debt instruments are determined based on quoted prices in active markets.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation:

	DECEMBER 31 2014	DECEMBER 31 2013
Accrued pension benefit obligation		
Discount rate	**3.30%**	3.77%
Rate of compensation increase (1)	**2.29%**	3.18%

(1) The weighted average rate of compensation increase excluding a pension plan for which benefits are not linked to future salary levels represented 3.05% as at December 31, 2014 (none excluded as at December 31, 2013).

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2014, while holding all other assumptions constant.

If the discount rate is 1% higher (lower), the defined benefit pension obligation would decrease by approximately $45.7 million (increase by approximately $59.6 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by approximately $28.4 million (decrease by $21.9 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit pension obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit pension obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same method applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The weighted average duration of the pension benefit obligation as at December 31, 2014 was 17.7 years (2013: 14.7 years).

B) OTHER POST-EMPLOYMENT BENEFITS

As at December 31, 2014, the obligation for other post-employment benefits amounted to $17.4 million (2013: $23.1 million).

34. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

<u>Charges and RCMP Investigations</u>

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

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

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

34. CONTINGENT LIABILITIES (CONTINUED)

AMF Investigation; AMF Certification under the Quebec Public Contracts Act

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

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

World Bank Settlement

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

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aissa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec. On October 1, 2014, Mr. Ben Aissa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aissa by Swiss authorities since April 2012. The Company was recognized as an injured party in the context of the Swiss proceedings and is entitled to recover certain amounts of money in connection therewith.

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

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

34. CONTINGENT LIABILITIES (CONTINUED)

Finally, the findings and outcomes of the Charges or these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described below).

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

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

B) CLASS ACTION LAWSUITS

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

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

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

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

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

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

34. CONTINGENT LIABILITIES (CONTINUED)

C) OTHER

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

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

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

35. OPERATING LEASE ARRANGEMENTS

The following table presents the total of future minimum lease payments under SNC-Lavalin's non-cancellable operating leases at December 31, 2014 and December 31, 2013:

	DECEMBER 31 2014	DECEMBER 31 2013
Not later than 1 year	**$ 114,563**	$ 92,833
Later than 1 year and not later than 5 years	**211,257**	211,903
Later than 5 years	**76,983**	83,591
	$ 402,803	$ 388,327

SNC-Lavalin's payments under operating lease arrangements recognized as an expense in net income amounted to $118.9 million for the year ended December 31, 2014 (2013: $89.9 million). As at December 31, 2014 and 2013, the total of future minimum sublease payments expected to be received under non-cancellable subleases was not significant.

36. 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	**2014**	2013
Short-term benefits	**$ 2,981,745**	$ 2,589,041
Share-based payments	**17,117**	15,341
Defined contribution pension plans	**56,791**	75,007
Defined benefit pension plans and other post-employment benefits	**8,359**	11,560
	$ 3,064,012	$ 2,690,949

36. REMUNERATION (CONTINUED)

B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

Expenses recognized for key management remuneration and directors' fees, representing 149 people (2013: 161 people) and comprising all members of the Company's Management Committee and all directors of SNC-Lavalin Group Inc.'s Board of Directors, even if they provided services only for a portion of the year, are detailed as follows:

YEAR ENDED DECEMBER 31	2014	2013
Short-term benefits	**$ 56,096**	$ 56,582
Share-based payments	**6,515**	5,710
Defined benefit and defined contribution pension plans and other post-employment benefits	**2,597**	5,289
	$ 65,208	$ 67,581

37. RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

(1) Up until December 1, 2014, effective disposal date of AltaLink (see Note 5A), AltaLink was a subsidiary of the Company.

For the year ended December 31, 2014, SNC-Lavalin recognized revenues of $607.8 million (2013: $734.8 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 $171.4 million for the year ended December 31, 2014 (2013: $183.9 million). Intragroup revenues generated from transactions with AltaLink, which amounted to $1,290.7 million in the period from January 1, 2014 to December 1, 2014 (year ended December 31, 2013: $1,529.9 million), were eliminated upon consolidation, while profits from those transactions were not eliminated. Following the disposal of AltaLink, revenues generated from transactions with AltaLink that were realized after December 1, 2014 were recognized by the Company in its consolidated income statement.

SNC-Lavalin's trade receivables from ICI accounted for by the equity method amounted to $60.7 million as at December 31, 2014 (2013: $35.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $96.4 million as at December 31, 2014 (2013: $300.0 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $45.9 million as at December 31, 2014 (2013: $155.2 million).

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

38. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2014 and 2013, except where otherwise indicated, 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 arrangement interest are set out below:

SUBSIDIARIES	2014 %	2013 %	COUNTRY
AltaLink, L.P.	–	100.0	Canada
Candu Energy Inc.	100.0	100.0	Canada
DBA Engineering Ltd.	100.0	100.0	Canada
Evergreen Rapid Transit Holdings Inc.	100.0	100.0	Canada
Groupe Qualitas Inc.	100.0	100.0	Canada
Groupe Stavibel Inc.	100.0	100.0	Canada
Infrastructure Famille Santé Inc.	100.0	100.0	Canada
Interfleet Technology Limited	100.0	100.0	United Kingdom
Itansuca Proyectos de Ingenieria S.A.	100.0	100.0	Colombia
Kentz Corporation Limited	100.0	–	Channel Islands
MDH Engineered Solutions Corp.	100.0	100.0	Canada
Marte Engenharia Ltda	–	100.0	Brazil
Okanagan Lake Concession Limited Partnership	100.0	100.0	Canada
Ovation Real Estate Group (Québec) Inc.	–	100.0	Canada
P.T. SNC-Lavalin TPS	95.0	95.0	Indonesia
Rainbow Hospital Partnership	100.0	100.0	Canada
S.A. SNC-Lavalin N.V.	100.0	100.0	Belgium
SNC-Lavalin (Malaysia) Sdn. Bhd.	100.0	100.0	Malaysia
SNC-Lavalin (Shanghai) International Trading Co. Ltd.	100.0	100.0	China
SNC-Lavalin Aéroports S.A.S.U.	100.0	100.0	France
SNC-Lavalin Algérie EURL	100.0	100.0	Algeria
SNC-Lavalin Angola Lda	100.0	100.0	Angola
SNC-Lavalin Arabia LLC	100.0	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	100.0	100.0	Australia
SNC-Lavalin Capital Inc.	100.0	100.0	Canada
SNC-Lavalin Chile S.A.	100.0	100.0	Chile
SNC-Lavalin Construction (Atlantic) Inc.	100.0	100.0	Canada
SNC-Lavalin Construction Inc.	100.0	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors Inc.	100.0	100.0	United States
SNC-Lavalin Constructors International Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors (Pacific) Inc.	100.0	100.0	Canada
SNC-Lavalin Defence Programs Inc.	100.0	100.0	Canada
SNC-Lavalin Engineering India Private Limited	100.0	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	100.0	100.0	United States
SNC-Lavalin Europe B.V.	100.0	100.0	Netherlands
SNC-Lavalin Europe S.A.S.	100.0	100.0	France
SNC-Lavalin (GB) Limited	100.0	–	England
SNC-Lavalin Inc.	100.0	100.0	Canada
SNC-Lavalin International Inc.	100.0	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	100.0	France
SNC-Lavalin Major Projects Inc. (previously SNC-Lavalin Services Ltd.)	100.0	100.0	Canada
SNC-Lavalin Nuclear Inc.	100.0	100.0	Canada
SNC-Lavalin O&M Solutions Inc. (previously Nexacor Realty Management Inc.)	100.0	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	100.0	Canada
SNC-Lavalin Peru S.A.	100.0	100.0	Peru

38. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

SUBSIDIARIES	2014 %	2013 %	COUNTRY
SNC-Lavalin Pharma Inc.	**100.0**	100.0	Canada
SNC-Lavalin Polska Sp. Z o.o.	**100.0**	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	**100.0**	100.0	Brazil
SNC-Lavalin Romania S.A.	**100.0**	100.0	Romania
SNC-Lavalin S.A.S.	**100.0**	100.0	France
SNC-Lavalin (Proprietary) Limited	**100.0**	100.0	South Africa
SNC-Lavalin UK Limited	**100.0**	100.0	United Kingdom
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	**100.0**	100.0	France
The SNC-Lavalin Corporation	**100.0**	100.0	United States
Valerus Field Solutions Holdings LLC	**100.0**	–	United States

JOINT VENTURES	2014 %	2013 %	COUNTRY
Infrastructure Concession Investments			
407 East Development Group General Partnership	**50.0**	50.0	Canada
407 International Inc. [(1)]	**16.77**	16.77	Canada
Chinook Roads Partnership	**50.0**	50.0	Canada
Groupe immobilier santé McGill, S.E.N.C. [(2)]	**60.0**	60.0	Canada
Rideau Transit Group Partnership	**40.0**	40.0	Canada
TC Dôme S.A.S. [(2)]	**51.0**	51.0	France
Other			
SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company	**50.0**	50.0	Saudi Arabia

JOINT OPERATIONS	2014 %	2013 %	COUNTRY
407 East Construction General Partnership	**50.0**	50.0	Canada
JV Vault	**50.0**	50.0	Canada
SLN-Aecon JV	**50.0**	50.0	Canada
SNC-Lavalin Graham Joint Venture	**50.0**	50.0	Canada
SNC-Lavalin Gulf Contractors LLC	**49.0**	49.0	United Arab Emirates

ASSOCIATES	2014 %	2013 %	COUNTRY
Infrastructure Concession Investments			
Astoria Project Partners LLC	**–**	21.0	United States
InTransit BC Limited Partnership	**33.3**	33.3	Canada
Malta International Airport p.l.c. [(3)]	**15.5**	15.5	Malta
Myah Tipaza S.p.A.	**25.5**	25.5	Algeria
Rayalseema Expressway Private Limited	**36.9**	36.9	India
Shariket Kahraba Hadjret En Nouss S.p.A.	**26.0**	26.0	Algeria
Other			
OAO VNIPIneft	**48.0**	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. and TC Dôme S.A.S. 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 Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over this entity based on its contractual agreements.

Leadership Team

Robert G. Card
President and Chief Executive Officer, SNC-Lavalin Group Inc.

Ziad Awad
Head of Middle-East & Africa Region

Christian Brown
President, Oil & Gas

Neil Bruce
President, Resources, Environment & Water

Darleen Caron
Executive Vice-President, Global Human Resources

Dale Clarke
Executive Vice-President, Mining & Metallurgy

Marie-Claude Dumas
Executive Vice-President, Hydro

Ian Edwards
Executive Vice-President, Infrastructure Construction

Réjean Goulet
Executive Vice-President and General Counsel

Gerry Grigoropoulos
Managing Director, Infrastructure Concession Investments

Thorsten Hoppe
Senior Vice-President, Industrial Services and Acting Regional Head – Latin America

Terrance N. Ivers
Executive Vice-President, Oil & Gas

Christian Jacqui
Executive Vice-President, Global Operations

Gordon Johnson
Managing Director, Environment & Water

Hisham Mahmoud
President, Infrastructure

Charles Rate
Executive Vice-President, Operations & Maintenance

Alain-Pierre Raynaud
Executive Vice-President and Chief Financial Officer

Marc Rivard
Executive Vice-President, Infrastructure Engineering

Erik J. Ryan
Executive Vice-President, Marketing, Strategy and External Relations

Pierre St-Arnaud
Executive Vice-President, Transmission & Distribution

José J. Suárez
Executive Vice-President, Integrated Management Systems

Preston D. Swafford
Chief Nuclear Officer and Executive Vice-President, Nuclear and President and Chief Executive Officer of Candu Energy

Alexander (Sandy) Taylor
President, Power

David G. Wilkins
Chief Compliance Officer

Board of Directors

Lawrence N. Stevenson
Chairman of the Board (since March 16, 2015)

Robert G. Card
President and Chief Executive Officer, SNC-Lavalin Group Inc.

Jacques Bougie
Chair of the Governance and Ethics Committee (since March 16, 2015); Member of the Human Resources Committee; Member of the Safety, Workplace and Project Risk Committee

Patricia A. Hammick, Ph.D.
Chair of the Audit Committee; Member of the Governance and Ethics Committee; Member of the Human Resources Committee

Lise Lachapelle
Member of the Governance and Ethics Committee; Member of the Safety, Workplace and Project Risk Committee

Claude Mongeau
Member of the Audit Committee; Member of the Human Resources Committee

Michael D. Parker, CBE
Member of the Governance and Ethics Committee; Member of the Safety, Workplace and Project Risk Committee

Alain Rhéaume
Chair of the Human Resources Commitee; Member of the Audit Committee

Chakib Sbiti
Member of the Audit Committee; Member of the Safety, Workplace and Project Risk Committee

Eric D. Siegel, ICD.D
Chair of the Safety, Workplace and Project Risk Committee; Member of the Audit Committee; Member of the Governance and Ethics Committee

Glossary

Booking-to-revenue ratio Ratio obtained by dividing the contract bookings by the revenues, for a given period.

Cash Net of Recourse Debt Cash and cash equivalents less cash and cash equivalents from ICI and recourse debt.

Cost-Plus Reimbursable Contract Contract in virtue of which the Company charges the client its actual costs as they are incurred plus a profit margin.

Cost Reimbursable with a Fixed-Fee Contract Contract in virtue of which the Company charges the client its actual costs as they are incurred, plus a fixed fee amount over the term of the agreement.

EBIT Earnings before net financial expenses and income taxes.

EBITDA Earnings before net financial expenses, income taxes, depreciation and amortization.

Engineering & Construction Refers to the activities reported within the Services, Packages and O&M categories of activity.

Environment & Water Services projects which include engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.

EPC Type of agreement classified as part of Packages activity whereby the Company provides Engineering, Procurement and Construction.

EPCM Type of agreement classified as part of Services activity whereby the Company provides services related to Engineering, Procurement, and Construction Management activities. When entering into EPCM contracts, the Company does not account for construction and/or procurement amounts in its revenues, as it is acting as an agent to manage the procurement and/or construction on behalf of its clients.

Fixed-Price Contract Contract in virtue of which the amount to be charged by the Company is fixed, regardless of the actual costs to be incurred by the Company. Also referred to as a lump sum contract.

IFRS International financial reporting standards.

Infrastructure & Construction Part of Services and Packages activities, it includes projects in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering and materials testing, as well as water infrastructure and treatment facilities.

Infrastructure Concession Investments ("ICI") The Company's equity investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities.

Lump sum Contract Contract in virtue of which the amount to be charged by the Company is fixed, regardless of the actual costs to be incurred by the Company. Also referred to as fixed-price contract.

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

Oil & Gas Part of Services and Packages activities, it includes projects in the upstream, midstream, downstream (and supporting infrastructure) sectors for major oil and gas and resources companies, and supporting these clients operating across the asset lifecycle from front-end evaluation through to decommissioning (capital expenditures and operational expenditures).

Operations & Maintenance ("O&M") Category of activity that includes contracts under which the Company provides operations and maintenance in the following lines of business: i) Integrated Real Estate Solutions, ii) Industrial, iii) Transportation, and iv) Defence & Logistics. O&M revenues are derived primarily from cost-reimbursable with fixed-fee contracts and from fixed-price contracts.

Packages Category of activity that includes contracts wherein SNC-Lavalin is responsible not only for providing one or more Services activities, but also undertakes the responsibility for providing materials and providing or fabricating equipment, and usually also includes construction activities. As such, Packages revenues include the cost of materials, equipment and, in most cases, construction activities.

Power Part of Services and Packages activities, it includes projects and services in: hydro, nuclear and thermal power generation; renewable power generation; energy from waste; and electrical transmission and distribution systems.

Revenue Backlog Forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that are considered firm. O&M activities are provided under contracts that can cover a period of up to 40 years. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the revenue backlog to the earlier of: i) the contract term; and ii) the next five years.

ROASE Return on Average Shareholders' Equity, corresponding to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

Segment or Sub-segment EBIT Gross margin less i) directly related selling, general and administrative expenses; ii) corporate selling, general and administrative expenses; and iii) non-controlling interests before taxes. Corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Restructuring costs, goodwill impairment, acquisition-related costs and integration costs, as well as amortization of intangible assets are not allocated to the Company's segments.

Services Category of activity that includes contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning, as well as materials and/or multidisciplinary construction services, namely provision of structural mechanical, electrical, instrumentation and piping services.

Ten-Year Statistical Summary

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS					CANADIAN GAAP				
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues by activity										
Services	2,815.8	2,697.6	3,175.0	2,437.8	2,053.8	2,221.4	2,305.4	1,726.1	1,180.2	958.5
Packages	3,205.5	3,113.4	3,020.4	2,871.5	2,137.4	2,202.2	3,229.5	3,635.7	2,835.9	1,704.1
Operations and Maintenance	1,313.4	1,338.3	1,330.5	1,399.2	1,330.4	1,297.9	1,225.0	1,058.4	920.9	695.9
Infrastructure Concession Investments (ICI)	904.1	763.8	565.1	501.4	442.7	380.2	347.0	309.4	218.0	88.7
	8,238.8	7,913.2	8,091.0	7,209.9	5,964.3	6,101.7	7,106.9	6,729.6	5,155.0	3,447.2
Gross margin	1,340.8	1,115.8	1,355.0	1,252.1	1,271.4	1,151.1	1,012.9	565.3	542.6	457.1
Selling, general and administrative expenses	841.4	836.6	855.5	656.6	583.2	545.6	515.2	392.8	285.2	257.0
Restructuring costs and goodwill impairment	109.9	123.5	–	–	–	–	–	–	–	–
Impairment of investments	28.5	–	–	–	–	–	–	–	–	–
Acquisition-related costs and integration costs	62.5	–	–	–	–	–	–	–	–	–
Amortization of intangible assets related to Kentz acquisition	36.5	–	–	–	–	–	–	–	–	–
(Gain) loss from disposals of ICI	(1,615.4)	(73.0)	–	–	(29.6)	–	–	–	5.8	–
EBIT[(1)]	1,877.4	228.8	499.5	595.6	717.8	605.5	497.7	172.5	251.6	200.1
Net financial expenses										
From Engineering & Construction and Operations & Maintenance (E&C)	38.9	19.5	13.7	15.5	26.0	16.0	(13.7)	(32.1)	(21.0)	(3.5)
From ICI	180.9	131.2	112.5	99.7	85.1	112.2	108.2	104.6	74.3	47.6
Earnings before income taxes	1,657.6	78.1	373.4	480.3	606.7	477.3	403.2	100.0	198.3	156.0
Income taxes	323.0	41.7	67.0	94.4	120.4	108.2	85.1	23.5	55.0	50.6
Non-controlling interests	–	–	–	–	–	9.7	5.6	9.2	7.3	2.2
Net income from continuing operations	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5	67.3	136.0	103.2
Net income from discontinued operations	–	–	–	–	–	–	–	84.1	21.8	24.3
Net income	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5	151.4	157.8	127.5
Net income attributable to										
SNC-Lavalin Shareholders	1,333.3	35.8	305.9	377.4	475.5	359.4	312.5	151.4	157.8	127.5
Non-controlling interests	1.2	0.6	0.4	8.5	10.7	–	–	–	–	–
Net income	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5	151.4	157.8	127.5
Return on average shareholders' equity[(2)]	58.7%	1.6%	14.6%	19.1%	28.2%	27.3%	29.1%	16.4%	19.0%	17.0%
Acquisition of property and equipment										
From E&C	70.2	55.5	96.2	67.2	46.0	32.4	46.3	41.2	37.7	25.5
From ICI	1,522.4	1,545.9	849.2	545.8	402.0	274.1	193.5	308.6	182.5	22.3
	1,592.5	1,601.5	945.4	613.0	448.0	306.5	239.8	349.8	220.2	47.8
Depreciation of property and equipment and amortization of other non-current assets										
From E&C	113.7	67.9	61.6	45.4	39.6	43.5	41.9	35.2	28.2	24.6
From ICI	53.5	133.1	99.2	93.1	86.9	86.6	88.1	76.9	52.4	13.7
	167.2	201.0	160.8	138.5	126.5	130.1	130.0	112.1	80.6	38.3
EBITDA[(1)]										
From E&C	(160.0)	(131.6)	273.1	389.9	513.7	482.7	388.9	70.1	185.8	172.9
From ICI	2,233.1	617.8	387.2	344.1	330.6	252.9	238.8	214.5	146.4	65.5
	2,073.1	486.2	660.3	734.0	844.3	735.6	627.7	284.6	332.2	238.4

(1) EBIT, a non-IFRS financial measure, is defined as earnings before net financial expenses and income taxes. EBITDA, a non-IFRS financial measure, is defined as earnings before net financial expenses, income taxes, depreciation and amortization. Under Canadian GAAP, net income was adjusted to add back non-controlling interests.

(2) Excluding other components of equity.

Note: The figures for 2009 and prior periods have been prepared in accordance with Canadian GAAP, and have not been restated as they relate to periods prior to the Date of Transition to International Financial Reporting Standards ("IFRS"). The net income for periods prior to the Date of Transition does not include non-controlling interests, as they were presented outside shareholders' equity under Canadian GAAP. Certain totals, subtotals and percentages may not reconcile due to rounding.

Ten-Year Statistical Summary (continued)

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS					CANADIAN GAAP				
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Supplementary Information:										
Net income attributable to SNC-Lavalin shareholders from E&C	(300.5)	(245.8)	149.0	246.2	340.6	322.5	275.3	128.1	142.9	126.1
Net income (loss) attributable to SNC-Lavalin shareholders from ICI										
From Highway 407	122.5	114.1	100.6	77.2	50.3	9.8	20.0	10.1	8.1	(4.7)
From AltaLink	175.6	91.8	54.4	33.8	22.9	20.7	11.4	11.2	7.8	6.8
From other ICI	1,335.9	75.7	1.8	20.2	61.7	6.4	5.8	2.1	(1.0)	(0.7)
Net income attributable to SNC-Lavalin shareholders	1,333.3	35.8	305.9	377.4	475.5	359.4	312.5	151.4	157.8	127.5
Earnings per share ($)										
Basic	8.76	0.24	2.03	2.50	3.15	2.38	2.07	1.00	1.05	0.84
Diluted	8.74	0.24	2.02	2.48	3.12	2.36	2.05	0.99	1.03	0.83
Weighted average number of outstanding shares (in thousands)										
Basic	152,218	151,497	151,058	150,897	151,020	151,042	150,925	151,172	151,034	151,499
Diluted	152,605	151,814	151,304	151,940	152,277	151,992	152,265	152,697	152,685	153,143
Annual dividends declared per share ($)	0.97	0.93	0.89	0.85	0.72	0.62	0.51	0.39	0.30	0.23

AT DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS					CANADIAN GAAP				
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of employees	42,003	29,714	33,909	28,100	23,923	21,948	21,260	18,691	13,297	11,187
Revenue backlog by activity										
Services	4,684.0	1,629.6	2,151.3	2,226.1	1,410.7	1,464.9	1,545.3	1,556.5	819.8	604.2
Packages	5,693.5	4,429.7	5,747.7	5,482.8	5,572.4	4,197.5	3,508.0	4,457.0	6,082.6	4,308.1
Operations and Maintenance	1,647.9	2,228.5	2,234.4	2,379.1	2,732.8	2,596.1	2,196.2	2,513.9	1,570.2	2,112.4
	12,325.5	8,287.8	10,133.4	10,088.0	9,715.9	8,258.5	7,249.5	8,527.4	8,472.6	7,024.7
Cash and cash equivalents	1,702.2	1,108.7	1,174.9	1,231.0	1,235.1	1,218.2	988.2	1,088.6	1,106.3	1,153.5
Working capital	(144.2)	(527.0)	(267.9)	32.0	679.9	544.1	276.4	270.2	300.3	411.4
Property and equipment										
From E&C	246.1	180.4	193.1	159.9	115.2	114.0	123.4	112.0	94.3	81.0
From ICI	–	5,132.0	3,470.0	2,637.7	2,072.8	2,217.0	1,750.7	1,640.7	1,439.3	452.5
	246.1	5,312.4	3,663.1	2,797.6	2,188.0	2,331.0	1,874.1	1,752.7	1,533.6	533.5
Recourse long-term debt	348.9	348.7	348.5	348.4	348.2	452.9	104.7	104.6	104.5	104.4
Non-recourse long-term debt										
From E&C	–	–	–	–	–	–	–	–	26.2	28.2
From ICI	530.7	3,536.9	2,000.7	1,561.4	1,529.0	2,005.5	2,003.3	1,971.0	1,650.5	785.9
	530.7	3,536.9	2,000.7	1,561.4	1,529.0	2,005.5	2,003.3	1,971.0	1,676.7	814.1
Equity attributable to SNC-Lavalin shareholders	3,305.6	2,036.7	2,075.4	1,883.1	1,816.8	1,434.7	1,089.2	922.4	901.9	786.2
Book value per share ($)	21.68	13.42	13.74	12.47	12.03	9.50	7.21	6.11	5.97	5.20
Number of outstanding common shares (in thousands)	152,465	151,807	151,069	151,034	151,034	151,033	151,033	151,038	151,032	151,282
Closing market price per share ($)	44.31	47.79	40.32	51.08	59.77	53.99	39.69	48.14	31.47	25.43
Market capitalization	6,755.7	7,254.8	6,091.1	7,714.8	9,027.3	8,154.3	5,994.5	7,271.0	4,753.0	3,847.6

Information for Shareholders

COMMON SHARE INFORMATION

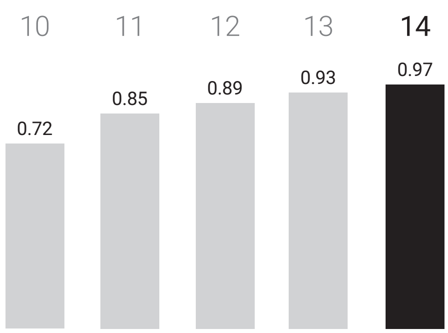
LISTED: **Toronto Stock Exchange**
SYMBOL: **SNC**
SHARES OUTSTANDING: **152.5 million (December 31, 2014)**
MARKET CAPITALIZATION: **$6,756 million (December 31, 2014)**

TRADING ACTIVITY AND MARKET CAPITALIZATION

	VOLUME (M)	HIGH ($)	LOW ($)	CLOSE ($)	MARKET CAPITALIZATION AT DEC. 31 (M$)
2014	166.3	59.63	38.70	44.31	6,756
2013	168.0	49.85	39.47	47.79	7,255
2012	222.7	55.95	34.36	40.32	6,091
2011	122.8	63.23	38.51	51.08	7,715
2010	98.7	60.00	41.59	59.77	9,027

DIVIDENDS

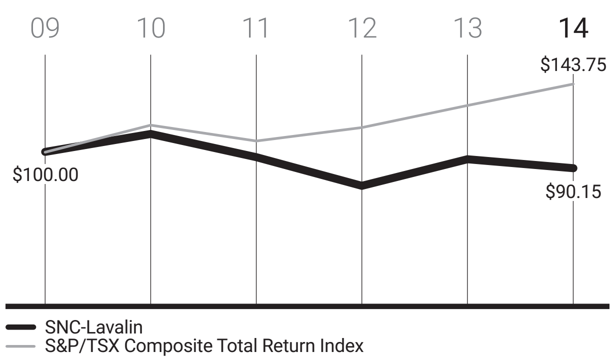
Dividends Declared for the Last Five Years
(IN CA$)



PERFORMANCE GRAPH

The following performance graph illustrates the five-year cumulative total return assuming $100 was invested on December 31, 2009 in common shares of SNC-Lavalin and in the S&P/TSX Composite Total Return Index.

Five-Year Cumulative Total Return on $100 Invested
(ASSUMES DIVIDENDS ARE REINVESTED)



DEBT INSTRUMENT

$350 million principal amount of debentures, 6.19%, due July 2019

CREDIT RATINGS

RATING AGENCY	RATING AND OUTLOOK
Standard & Poor's Ratings Services	BBB / negative
DBRS	BBB / stable

ANNUAL MEETING

The Annual Shareholders' Meeting will be held at 11:00 a.m. Eastern Daylight Time on Thursday, May 7, 2015, at Théâtre St-James, 265 St-Jacques West, Montreal, Quebec.

KEY DATES FOR 2015

	EARNINGS ANNOUNCEMENT	DIVIDEND RECORD	DIVIDEND PAYMENT
Q1	May 7	May 21	June 4
Q2	August 6	August 20	September 3
Q3	November 5	November 19	December 3

Note: Dividends are subject to approval by the Board of Directors. These dates may change without prior notice.

REGISTRAR AND TRANSFER AGENT

If you would like to modify your address, eliminate multiple mailings, transfer SNC-Lavalin shares, or for other information on your shareholder account such as dividends and registration, please contact:

Computershare Investor Services Inc.
100 University Ave., 8th Floor, North Tower, Toronto ON, M5J 2Y1
Telephone: 1-800-564-6253
Web: www.investorcentre.com

INDEPENDENT AUDITOR

Deloitte LLP
Montreal QC

INVESTOR RELATIONS

Denis Jasmin, Vice-President, Investor Relations
denis.jasmin@snclavalin.com
514-393-1000

CORPORATE GOVERNANCE

Our website provides information on our corporate governance practices, including our Code of Ethics and Business Conduct, and the mandates for the Board of Directors and the Board committees, as well as various position descriptions.
http://www.snclavalin.com/en/code-of-ethics

CODE OF ETHICS AND BUSINESS CONDUCT

Our Code of Ethics and Business Conduct seeks to promote integrity and transparency in the conduct of our business and in our relations with our colleagues, directors, shareholders and business partners, including customers, associates and suppliers. To learn more, go to www.snclavalin.com/en/ethics-compliance.

PROXY CIRCULAR

The proxy circular contains information about our directors, Board committee reports and further details of our corporate governance practices. This document is available online at www.snclavalin.com.

HAVE YOUR SAY

If you would like to ask a question at our annual meeting of shareholders, you can submit it in person. You can also send your question in by writing to the Vice-President and Corporate Secretary at:

Vice-President and Corporate Secretary
455 René-Lévesque Blvd. West, Montreal QC, H2Z 1Z3, Canada

HEAD OFFICE

SNC-Lavalin Group Inc.
455 René-Lévesque Blvd West, Montreal QC, H2Z 1Z3, Canada

WWW.SNCLAVALIN.COM

We invite you to visit our website at www.snclavalin.com to learn more about SNC-Lavalin, our governance practices, our continuous disclosure materials and to obtain electronic copies of this and other reports.

ADDITIONAL COPIES

To order additional copies of this report, or to order the 2014 Annual Report in English or French, please visit the Investors section at www.snclavalin.com.

EXEMPLAIRES EN FRANÇAIS

Pour télécharger la version française de ce rapport ou en demander un exemplaire, veuillez consulter la section Investisseurs au www.snclavalin.com.

REFERENCES TO “COMPANY” OR “SNC-LAVALIN”

Reference in this Financial Report 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.

30

TREES SAVED

(enough to cover the area of 2 tennis courts)

1,341 kg

REDUCTION IN SOLID WASTE

(or 27 waste containers)

109,427 L

OF WATER

(or 313 days of water consumption)

6 kg NOx

REDUCTION IN ATMOSPHERIC EMISSIONS

(or emissions of one truck for 18 days)

4,400 kg CO_2

REDUCTION IN ATMOSPHERIC EMISSIONS

(or emissions of 1 car per year)

26 GJ

NET ENERGY SAVED

(or 121,606 60W light bulbs for one hour)

SNCLAVALIN.COM

ABOUT THE PRODUCTION OF OUR FINANCIAL REPORT

SNC-Lavalin recognizes the importance of contributing to the protection of our environment by using paper that comes from well-managed forests or other controlled sources, certified in accordance with the international standards of the Forest Stewardship Council.

This financial report is printed on paper certified by Environmental Choice (EcoLogo) with 100% post-consumption recycled fibres, de-inked without chlorine and made using biogas energy.

Using recycled paper for our financial report rather than virgin fibre paper helps protect the environment in a number of ways.

We invite you to visit our website at www.snclavalin.com for a list of our offices and to learn more about SNC-Lavalin.

Impacts are calculated by comparing Cascades' Rolland Enviro100 paper, which is made from FSC-certified 100% post-consumer fiber, with a baseline "uncoated freesheet" paper containing no recycled material. Environmental gain estimates were made using the Rolland Entreprises Environmental Calculator.

www.papercalculator.org

100% EcoLogo PROCESSED CHLORINE FREE BIO GAS ENERGY

SNC·LAVALIN

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