2017 Annual Report

Geared for growth

Values that guide us

Our values are the essence of our company's identity. They represent how we act, speak and behave together, and how we engage with our clients and stakeholders.

Safety
We put safety at the heart of everything we do, to safeguard people, assets and the environment.

Integrity
We do the right thing, no matter what, and are accountable for our actions.

Collaboration
We work together and embrace each other's unique contribution to deliver amazing results for all.

Innovation
We redefine engineering by thinking boldly, proudly and differently.

The benefits we bring

For over 100 years, we've been developing and delivering the right projects to our clients and their customers. Our effective execution strategies allow us to expertly manage project risk and ensure our clients' return on investment. Today, we're recognized for our sustainable project execution and tangible contributions to improving people's lives around the world.

Helping build what matters in communities around the world.

The Pierre Lassonde pavilion of the Musée national des beaux-arts du Québec – Canada

Financial highlights

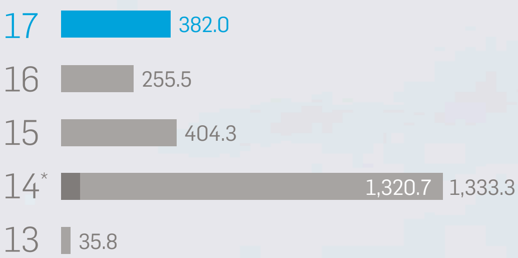
2017 revenues

36%	Oil & Gas	14%	Power
23%	Infrastructure	5%	Mining & Metallurgy
19%	Atkins	3%	Capital

52%	Americas	14%	Asia-Pacific
23%	Middle East & Africa	11%	Europe

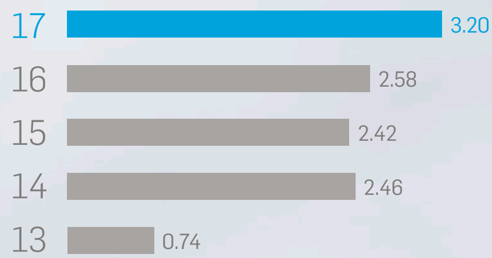
SNC-Lavalin is a partner of the Signature on the Saint Lawrence consortium responsible for the design, construction, and operations and maintenance of the New Champlain Bridge Corridor Project under a public-private partnership with the Government of Canada. Photo credit: Infrastructure Canada
New Champlain Bridge Corridor Project – Canada

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



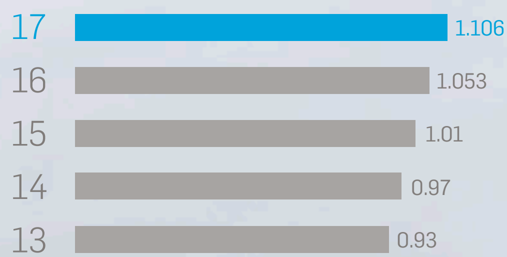
* Includes a net gain of $1,320.7 on disposal of AltaLink

Adjusted consolidated diluted EPS
(IN CA$)



Revenues
(IN BILLIONS CA$)

Dividends
(IN CA$)



Geared for growth

Last year was an extraordinary one at SNC-Lavalin. We continued to deliver against our strategic objectives, strengthened our business and resolved a number of legacy issues. We also concluded the biggest and most transformative acquisition in our 106-year history by bringing Atkins into the SNC-Lavalin family. I'm extremely proud of the teamwork, rigour and efficiency that enabled us to complete successfully one of our industry's largest transactions.

Acquiring and integrating Atkins, a respected powerhouse in design, engineering and project management, reshapes our organization, expands our capabilities and makes us a true global player. It reinforces our position in higher margin market segments while placing us among the world's leading fully integrated professional services and project management companies. The acquisition also represents a pivotal next step toward achieving the next phase of our growth agenda—Vision 2020.

From strength to strength

Our financial performance figures prominently among last year's accomplishments. The persistent efforts of our 50,000 employees enabled us to achieve results within our annual earnings guidance and better position the company for longer term success.

In 2017, our net income attributable to SNC-Lavalin shareholders reached $382 million, or $2.34 per diluted share, a 50% increase compared to 2016. Our year-over-year adjusted net income from engineering and construction (E&C) grew by 55% to $351 million or $2.15 per diluted share. We maintained our investment grade credit rating and secured a diversified revenue backlog of $10 billion at year-end that leaves us well-positioned for the year ahead.

We also returned approximately $178 million to shareholders through dividends. In February 2018, our long-term outlook, liquidity and revenue backlog enabled us to raise our quarterly dividend by 5%. This represents the 17th consecutive year of a dividend increase.

Delivering on our strategy

We made significant progress against our strategy of achieving Operational Excellence, building a client-centric organization, a performance-driven culture, and delivering both business growth and shareholder returns.

Ensuring people's safety in our offices and at our project sites is central to sustaining this progress. It also lies at the heart of any high-performing culture. Two years ago, we launched Perfect Days to remind us to reset our attention on safety, security and the environment on a daily basis. In 2017, this reminder helped us achieve 41 days free of any safety, security and environmental incident across our entire organization—11 days over target and 14 days more than in 2016. Despite growing our workforce by 50% last year, we intend to deliver more than 45 Perfect Days in 2018.

Culture is another powerful lever for energizing employees and achieving results. In 2017, we rolled out our first Company Culture Survey to sharpen our focus on excellence, attracting and retaining top talent, and long-term performance and growth. The survey's findings are helping us implement targeted initiatives to build a more collaborative and client-centric organization.

Today, I see many more employees going the extra mile to thoroughly understand clients' needs and improve delivery. Employees are continuing to embrace Operational Excellence to drive efficiencies across our businesses.

"I'm extremely proud of our teamwork, rigour and efficiency."

Our sectors in 2017

Last year, we completed several challenging contracts, won important projects in all our sectors and are currently shortlisted for a number of megaprojects around the world.

Our Infrastructure sector, which includes our industry-leading rail & transit division, generated consistent results and achieved a significant turnaround in performance. We're now equipped to bid and deliver much more efficiently and profitably than ever before. We're also well-positioned to support the Government of Canada's expected $180-billion investment in infrastructure over the next decade.

In Power, our hydroelectric and nuclear energy strength was broadened by Atkins' global expertise in nuclear engineering maintenance, decommissioning and waste management. In addition, new capabilities in renewable energy, including offshore wind, gave us a full project lifecycle service offering. To optimize these enhanced capabilities, we refocused Power into separate Nuclear and Clean Power sectors in January 2018.

In an industry facing well-documented challenges, our Oil & Gas sector increased its earnings before interest and taxes by 32% in 2017. We leveraged our top-tier customer relationships, expanded our addressable market and developed innovative technical and commercial solutions for clients.

We also worked to mitigate the mining industry's cyclical nature by diversifying our Mining & Metallurgy offering. We grew our sustaining capital business by helping mining clients maximize their operations' output. Despite a slower than anticipated market recovery, we're well-positioned to build on opportunities in 2018.

Through Capital, our investment and asset management division, we explored and continue to explore selective equity investments to drive growth and improve our financial returns. Our overriding objective is to optimize our deal flow across the asset lifecycle, from initial investment in capital projects to holding assets throughout their life until maturity.

Geared for growth

At SNC-Lavalin, we've taken systematic steps to build an efficient platform to support our ambitious growth agenda. We divested some non-core and low-growth businesses, further de-risked our business model and applied tighter governance mechanisms to proactively manage our project portfolio. A broader service mix reinforces our resilience and profitability across sectors, geographies and key customers.

By bringing Atkins into the fold, we've created a compelling life-of-asset offering with deep technological expertise that's geared for greater project and technical complexity across higher margin businesses. We're now one of the world's few professional services and project management companies able to take on large, multi-billion projects from concept to reality.

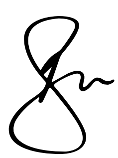
To leverage our expanded capabilities in markets with strong growth opportunities, we began 2018 with an enhanced global structure. I'm confident that our new Nuclear, Clean Power and Engineering, Design and Project Management sectors will enable us to better seize these opportunities and serve our clients worldwide.

Ready for the future

We're determined to make the most of what we consider to be a very bright future. Launched in February 2018, our new corporate vision—to strive to be the premier engineering solutions partner, committed to delivering complex projects from vision to reality for a sustainable lifespan—reflects this determination. So does our strong digital technology focus, which includes harnessing the innovative power of artificial intelligence, to better meet client needs. We'll continue to build our digital expertise organically and through strategic acquisitions.

Today, we're competing with a greater sense of purpose and strength. Our robust backlog, high-quality and diversified pipeline, better service mix and extensive digital expertise point to a wealth of opportunities ahead. They also bolster our ability to achieve our growth agenda and an adjusted consolidated earnings per share of $5 by 2020.

The coming year is about delivering on the tremendous potential of our platform across all business units, including nuclear, renewable energy and rail & transit. At SNC-Lavalin, we're more ready than ever.



Neil Bruce
President and Chief Executive Officer

Leadership team

From left to right:

Alexander (Sandy) Taylor
President, Nuclear

Hartland J. A. Paterson
Executive Vice-President and General Counsel

Neil Bruce
President & Chief Executive Officer

Christian Brown
President, Oil & Gas

Chantal Sorel
Executive Vice-President and Managing Director, Capital

Nick Roberts
President, Atkins, Engineering, Design and Project Management

From left to right:

James Cullens
Executive Vice-President, Human Resources

Sylvain Girard
Executive Vice-President and Chief Financial Officer

Marie-Claude Dumas
President, Clean Power

José J. Suárez
President, Mining & Metallurgy

Erik J. Ryan
Executive Vice-President, Strategy, Marketing and External Relations

Ian L. Edwards
President, Infrastructure

Chairman's message

For SNC-Lavalin, 2017 was a pivotal year.

The Atkins acquisition enabled us to deepen our service and technological capabilities, expand our global footprint and add 18,000 people to our workforce. We have overhauled our senior management team and our Board of Directors, and built one of the industry's most robust ethics and compliance programs. We have reshaped our organization's focus, along six lines of business in which we can be among the world's very best. This Canadian champion is now geared for global growth.

It is a great honour for me to take on the role of Chairman of the Board of SNC-Lavalin. Your Board is a renewed one, where the average tenure of directors is less than three years and this is matched by only five others among the top 100 Canadian companies. Your Board is also diverse, in both experience and gender, with 27% of our corporate directors now women. This gives us greater gender diversity than many Canadian boards, and puts us ahead of our 2018 gender diversity target of 20%, providing strength and expertise to the Board.

Strong governance and accountability matter. They will be our hallmarks as we build a top global engineering firm that is rooted in Canada. We are moving beyond the legacy issues of the past, settling with Quebec's public bodies through the Voluntary Reimbursement Program in 2017. We welcome the Government of Canada's public consultation process on a Deferred Prosecution framework as part of modernizing the Canadian environment for doing business.

To build a globally successful Canadian engineering champion, the playing field must be level. Deferred prosecution agreements, or similar accountability mechanisms, have enabled global companies, such as Hewlett Packard, Rolls Royce, Siemens and Alstom among others, both to assume their public responsibilities and to move their businesses forward. We look forward to Canadian legislation that mirrors what countries with which we trade, such as the U.K., Australia, the U.S. and France, already have in place.

With our reshaped sectors orientated toward higher growth and higher margin businesses, SNC-Lavalin is focused on the future. A new corporate vision, based on core values of Safety, Integrity, Collaboration and Innovation, capture our commitment to being a global leader that builds what matters—ethically, sustainably and innovatively. Being selected as the lead partner of the consortium to build the imaginative REM project in Montreal is very much in line with our new vision.

Canada needs corporate champions capable of competing successfully in competitive international markets. Companies that are talent focused, able to attract and keep the next generation of skilled graduates and workers here in Canada. Companies that are innovation focused, constantly striving to be at the leading edge of technological change. Companies that are focused on social responsibility, investing in sustainability, governance and civil society partners.

We live in times of considerable technological disruption and geopolitical turbulence, creating new opportunities and presenting new challenges. Canadian firms have to be globally competitive to be successful, at home as well as abroad. That is our vision for SNC-Lavalin. All of us on the Board are committed to helping this renewed and reinvigorated Canadian company achieve its potential, creating good jobs, strong revenue growth and healthy shareholder returns in the process.

In closing, on behalf of the Board of Directors, I want to express our deep appreciation to Mr. Larry Stevenson, who retired from the Board as the Chairman and a Director at the end of 2017. He served SNC-Lavalin very well for many years and is richly deserving of our thanks. As well, I want to express our appreciation to our CEO Neil Bruce, to the management team and to all employees of SNC-Lavalin for their commitment to the company and its future.

Kevin G. Lynch
Chairman of the Board

Board of directors

Front row,
from left to right:

Jean Raby
Member of the Audit Committee; Member of the Governance and Ethics Committee

Eric D. Siegel, ICD.D
Chair of the Safety, Workplace and Project Risk Committee; Member of the Audit Committee

Benita M. Warmbold, FCPA, FCA, ICD.D
Chair of the Audit Committee; Member of the Human Resources Committee

Zin Smati, Ph.D.
Member of the Governance and Ethics Committee; Member of the Safety, Workplace and Project Risk Committee

Back row,
from left to right:

Jacques Bougie, O.C.
Chair of the Governance and Ethics Committee; Member of the Human Resources Committee

Isabelle Courville
Member of the Governance and Ethics Committee

Neil Bruce
President and Chief Executive Officer

Kevin G. Lynch, P.C., O.C., Ph.D., LL.D.
Chairman of the Board

Alain Rhéaume
Chair of the Human Resources Committee; Member of the Audit Committee

Catherine J. Hughes, ICD.D
Member of the Human Resources Committee; Member of the Safety, Workplace and Project Risk Committee

Steven L. Newman
Member of the Human Resources Committee; Member of the Safety, Workplace and Project Risk Committee

Delivering on our growth strategy

What we did in 2017

Be recognized as a client-centric delivery-focused organization

INITIATIVES TO IMPROVE
project delivery and financial performance

WITH
42% INCREASE
IN ADJUSTED DILUTED EPS FROM E&C, FROM $1.51 IN 2016 TO $2.15 IN 2017

What we are working on

Strong, performance-driven culture

CONCENTRATE OUR EFFORTS
in nuclear energy, clean power and engineering design and project management

TO CREATE FURTHER OPPORTUNITIES
AND EXIT THE LOW PROFIT THERMAL EPC POWER SECTOR

Where we are heading

Continuous focus on Operational Excellence

DELIVER AN ADJUSTED CONSOLIDATED
EPS of $5 by 2020

EFFICIENCY IN GENERAL AND ADMINISTRATIVE EXPENSES | AND OPERATIONAL EXCELLENCE CONTINUOUS IMPROVEMENT

- Successful acquisition of Atkins in July 2017, the largest in SNC-Lavalin's history, adding world-class experts to our team and further diversifying our service offering;
- Creation of the SNC-Lavalin Infrastructure Partners LP to monetize our mature Canadian P3 Capital investment assets;
- Sale-leaseback of Montreal headquarters, improving capital allocation.

COMPLETED

- Integrate Atkins' operations;
- Refocus our business strategies on high-growth regions and in light of expanded capabilities;
- Generate organic growth as shown by being shortlisted on several major projects and by winning major contracts across all sectors in Canada, the Middle East, the United States, South America, Europe and Australia;
- Adjust our brand vision;
- Initiatives to decrease number of lost-time incidents in 2018 compared with 2017;
- Continue our progress in Operational Excellence;
- Repay debt and maximize cash flow efficiency;
- Evaluate potential growth through token M&A;
- Achieve revenue synergies with Atkins, as well as increase cross-selling opportunities across all sectors;
- Deliver an integrated and focused innovation and technology agenda, including a digital roadmap.

UNDERWAY

- Driving organic growth by increasing the Company's share in nuclear through an expanded offering, capitalizing on infrastructure investments in Canada, the United Kingdom and the United States, maximizing Atkins/SNC-Lavalin revenue synergies, and a Mining & Metallurgy recovery;
- Improving our project execution;
- Mergers and acquisitions, post Atkins integration;
- General and administrative expenses efficiency and Operational Excellence continuous improvement.

PLANNING

Geared for growth

In 2017, we continued to strengthen our business by remaining focused on our strategic objectives and by completing one of the most transformative acquisitions in our history.

We ended the year well-positioned for future growth. We maintained a healthy pipeline of prospects across our sectors and geographies. Our safety record continues to improve and our commitment to ethics and compliance remains steadfast. We completed and won major projects, made inroads in ethics and compliance, and set the stage for a better gender balance across our organization. It was a productive year.

Health & safety, security and environment (HSSE)

RECORDED

A TOTAL OF
41 PERFECT DAYS FREE
OF ANY INCIDENT

-11 days over target and 14 more than in 2016

LAUNCHED

SNC-Lavalin Infrastructure Partners LP, a new infrastructure investment vehicle, to efficiently redeploy capital back into development opportunities

ACQUIRED

Data Transfer Solutions—a leader in digital asset management that will allow us to increase overall efficiency and more effectively serve our clients worldwide

SIGNED

Master Service Agreement with Chevron for Systems Completion Support

AWARDED

Stockyard Hill Wind Farm contract to deliver the southern hemisphere's largest wind farm

CONSOLIDATED

our presence in Latin America by winning multiple mining and metallurgy contracts, from studies to full project execution

SIGNED

a five-year engineering framework agreement with Saudi Aramco

COMPLETED

Atkins acquisition

DEVELOPED

a new Diversity & Inclusion statement

IMPROVED

essential HR processes through a value-driven initiative

Ethics and compliance

ENGAGED

99.9%

OF OUR EMPLOYEES

in our Code of Ethics and Business Conduct certification process

REACHED

AN AGREEMENT

with Quebec's public bodies through the Voluntary Reimbursement Program (VRP)

IMPLEMENTED

a new export control and trade compliance program

2017 key milestones

RECEIVED
LEED Gold certification for CHU Sainte-Justine

RECOGNIZED
for two outstanding H&S milestones by the Infrastructure Industrial Atlantic Inspection Team

MAINTAINED
our public-private partnership (P3) leadership in Canadian Infrastructure projects

WON
a Gold award for Service Delivery from the Canadian Council for Public-Private Partnerships for the operations and maintenance of the Canada Line

EXPANDED
our nuclear cradle-to-grave capabilities for all reactor types and our ability to manage federal nuclear sites

CONTRACTED
to design and build a concrete gravity structure by Husky Energy as part of its West White Rose Project in Newfoundland and Labrador

RECOGNIZED
with three awards from the Association of Consulting Engineering Companies (BC)

Centrica Energy – United Kingdom and the Netherlands

True end-to-end services

Across SNC-Lavalin, we focus on helping to build smart cities with intelligent infrastructure, energy and mobility.

We're one of the world's few fully integrated professional services and project management companies able to deliver large, complex, multi-billion projects from concept to reality.

Our global digital strategy recognizes the pace of technological change in the engineering and construction industry and the need to support client needs with robust digital solutions. To this end, we acquired Data Transfer Solutions (DTS) in 2017 to reinforce our digital asset management services. This acquisition complements our deep engineering expertise and enhances our end-to-end service offering.

Here's what sets us apart from our competitors.

Capital

Through Capital, our investment, project financing and asset management arm, we offer end-to-end capital investment services. Capital focuses on identifying and developing high-performing business opportunities across our sectors. It provides equity and debt solutions to finance projects and manages our multi-billion-dollar portfolio of infrastructure investments. With Capital, we're broadening our business development and investment opportunities while reducing our exposure and risk through strategic collaboration with financial partners.

Consulting & Advisory

We help clients plan, design and enable major capital projects, as well as provide expert consultancy that covers their project's full lifecycle. We strive to build strong relationships by understanding the challenges our clients face, sharing their vision and helping them bring this vision to life.

Digital & AI

From digital products and tools to Internet of Things (IoT), Mobility as a Service (MaaS) and strategic digital asset management solutions, our extensive digital engineering and enterprise asset management capabilities enhance both our clients' and our own business performance. A lean start-up methodology allows us to rapidly incubate and test innovative ideas. We're also pushing the boundaries through the increased use of automation on projects as well as our artificial intelligence (AI) and machine learning consulting services.

Construction & Project Management

We deliver complete lifecycle solutions for all sizes and types of projects, including public-private partnerships (P3s). Our extensive construction expertise, combined with an unwavering focus on safety and in-depth financing, engineering, procurement and operations and maintenance know-how, make us a partner of choice across a broad range of industries and markets. So does our commitment to leveraging local capabilities and ensuring cost and schedule efficiencies.

Design & Engineering

Our engineers and designers provide innovative, digitally-driven services for all our sectors. From concept and feasibility through to detailed design, we develop tailored solutions to ensure sustainable projects for our clients and their customers as well as a positive end-user experience. Our sustainable engineering capabilities and full project lifecycle know-how improve energy performance and optimize operations to generate long-term savings for clients.

Operations & Maintenance

We're one of Canada's largest operations and maintenance service providers with a presence in many parts of the world. Our services include the operations and maintenance of airports, roads, bridges and rail systems, industrial facilities, defence and logistics support, and integrated real-estate solutions. Key differentiators include our extensive P3 expertise, around-the-clock support for mission-critical activities and focus on maximizing an asset's lifecycle.

Procurement

Our international network of more than 500 procurement professionals in 40 countries manages $7 billion worth of goods and services annually for clients across our sectors. We strive to deliver excellence through innovative procurement solutions while respecting quality, cost and schedule requirements in an evolving sourcing market.

Sustaining Capital

With today's commodity volatility and record lows, companies are postponing growth capital expenditures and focusing on getting more out of their existing assets. We help clients rigorously manage their capital portfolio, providing solutions to reduce costs and drive productivity. We develop a holistic view of our clients' assets and identify short and long-term value-driving initiatives to deliver incremental improvements that optimize their operations.

Discover our four sectors

We're focused on four key sectors: Infrastructure, Mining & Metallurgy, Oil & Gas and Power. Across these sectors, we're working to ensure that our people deliver as promised to clients, that our operations are efficient, and our company is ethical and profitable.

Infrastructure

Our Infrastructure sector seeks to shape the world we live in and improve people's lives through sustainable, quality infrastructure. We develop innovative solutions to deliver projects of any size, scale and complexity. Our true differentiator is our integrated end-to-end services, from equity investments and arranging financing, to consulting, engineering, building and operating and maintaining infrastructure. We share the knowledge from each of these services to ultimately benefit our clients. It means an expert designing a system on one side of the world can tap into the knowledge of a colleague operating a system on the other.

Oil & Gas

Our Oil & Gas sector delivers projects in the upstream, midstream, downstream and supporting infrastructure markets for oil and gas and resources companies. We support our clients across the asset lifecycle, from design, consultancy and front-end evaluations, to engineering, procurement, construction and commissioning, to asset maintenance and enhancement. Our innovative technical and commercial solutions include implementing digital value-enhancing tools and helping clients develop financial structures for assets.

Mining & Metallurgy

Our Mining & Metallurgy sector combines global-calibre expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity across the full spectrum of mining commodities, fertilizers, and sulphuric acid facilities. We offer a full range of activities and services in studies, sustaining capital, consulting services and major projects.

Power

Our Power sector covers projects and services in hydro, nuclear, renewables and thermal power generation, energy from waste, and electrical power delivery systems. We also have a wealth of expertise in clean and sustainable power technologies. In late 2017, we split the Power sector in two, creating Clean Power and Nuclear sectors to better leverage our strengths in these high-growth areas.

Investment, project financing and asset management

Through Capital, we develop projects, arrange financing, invest equity, undertake complex financial modelling and manage investments.

$5B* INVESTMENT PORTFOLIO

$12B IN PROJECT FINANCING raised in past 10 years

EQUITY INVESTMENT
AND DEVELOPMENT FUNDING
for Build-Own-Operate (BOO) projects

INTEGRATED
PROACTIVE ASSET
developer and manager

TURNKEY SOLUTIONS

LEADER
IN DEVELOPING AND DELIVERING
large-scale, complex public-private partnership (P3) infrastructure projects

*Average Fair Market Value as per analysts' calculations as at March 12, 2018

William R. Bennett Bridge project – Canada

A booming global market

Our experts share knowledge and collaborate across an asset's lifecycle, driving client benefits at every phase.

30%
REIMBURSABLE

70%
FIXED PRICE

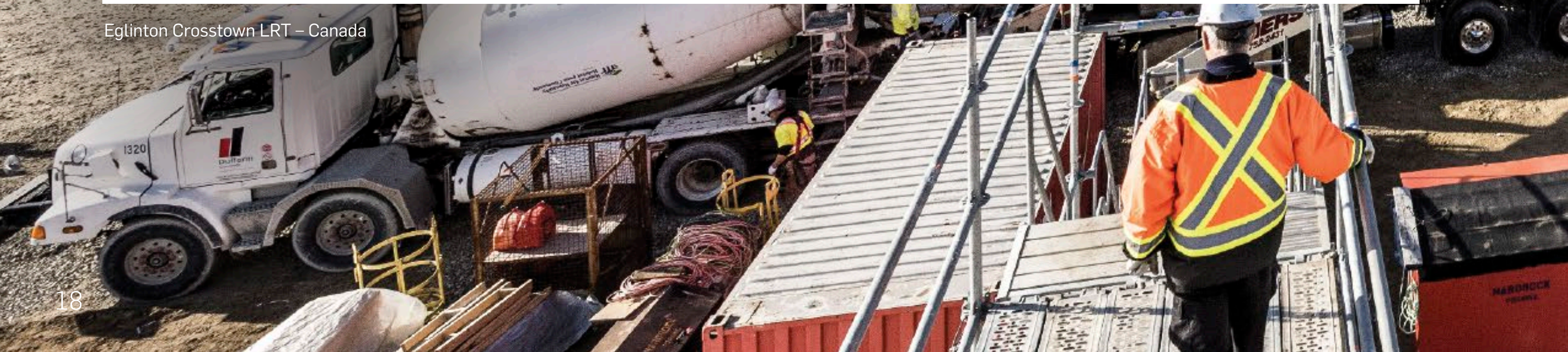
$2.1B
IN REVENUES

6,000
EMPLOYEES

3 major EPC P3 projects
CONNECTING PEOPLE VIA LIGHT RAIL TRAINS AND BRIDGES

13,000
CONSULTANCY AND ENGINEERING PROJECTS

1 national award
FOR SERVICE DELIVERY ON VANCOUVER'S CANADA LINE FROM THE CCPPP



Eglinton Crosstown LRT – Canada

We're creating new, intelligent and sustainable infrastructure as well as preserving and rehabilitating aging works around the world.

Greening the world's power supply

We continue to build our capabilities in renewable and nuclear energy to better serve clients in these fast-growing sectors.

2017 REVENUES

50% REIMBURSABLE

50% FIXED PRICE

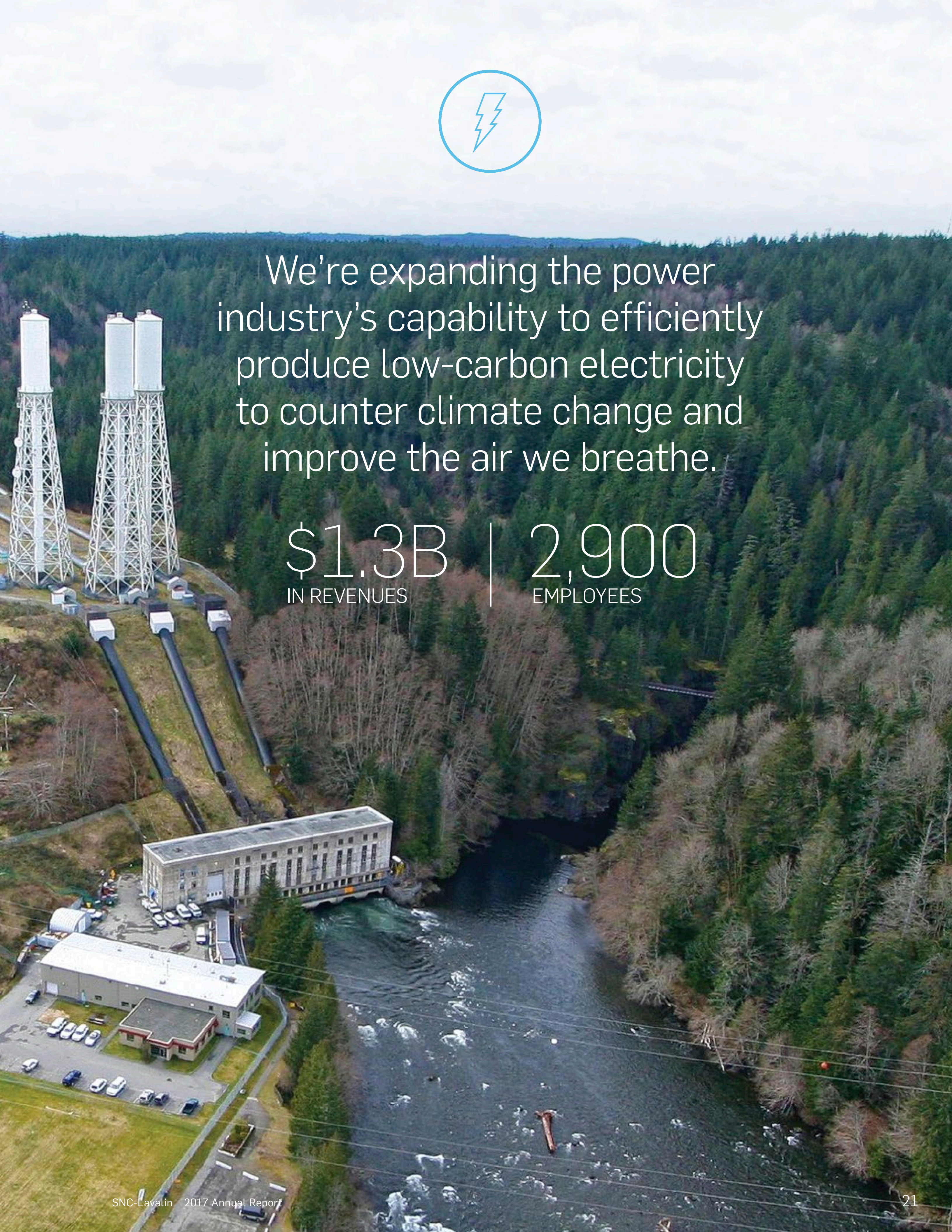
Clean Power

In 2017, our Clean Power business successfully completed excavation of a 1,575-kilometre power tunnel on the John Hart Hydroelectric Generating Station. Through Atkins, Clean Power is at the forefront of floating offshore wind and contributing to the world's first floating offshore wind farm. It's also participating in Stockyard Hill, the southern hemisphere's largest wind farm.

Nuclear

Nuclear power is key to securing a sustainable energy mix. We helped pioneer Canada's commercial nuclear industry in the 1960s and, today, as steward of CANDU® technology, we provide in-depth refurbishment to the global industry. Our biggest Canadian nuclear projects are also the country's largest clean energy projects.

John Hart Hydroelectric Generating Station – Canada



We're expanding the power industry's capability to efficiently produce low-carbon electricity to counter climate change and improve the air we breathe.

$1.3B IN REVENUES | **2,900** EMPLOYEES

Driving efficiency and innovation

Our Oil & Gas experts focus on efficient delivery and creating innovative technical and commercial solutions that add significant value.

45%
REIMBURSABLE

55%
FIXED PRICE

$3.4B
IN REVENUES

20,000
EMPLOYEES

+57 MILLION
PERSON-HOURS EXECUTED

WORLD-CLASS
SAFETY LEADERSHIP MAINTAINED

Ichthys Onshore Liquefied Natural Gas Facilities – Australia

As our current main contracts on the Ichthys project onshore LNG facilities near completion, we've achieved an award-winning safety record and helped strengthen local skills and capabilities within the community.

A different perspective on mining

Regardless of project size, scope and complexity, we partner with our clients at every stage to ensure that we achieve every objective.

$433M
IN REVENUES

1,200
EMPLOYEES

INDUSTRY-LEADING
PERFORMANCE
IN HEALTH AND SAFETY

INNOVATIVE
AND AGILE SOLUTIONS
WITH A LONG-TERM VISION

EXTENSIVE
NETWORK OF TECHNICAL
EXPERTISE WORLDWIDE

Codelco Chuquicamata Copper Smelter Complex – Chile

With a strong and dedicated focus on technology, innovation and project assurance, we're changing the way engineering and construction services are delivered to the industry.

Deepening and broadening our capabilities

Atkins is a leading technology-driven engineering, design and project management consultancy in the infrastructure, transportation and energy sectors.

2017
REVENUES

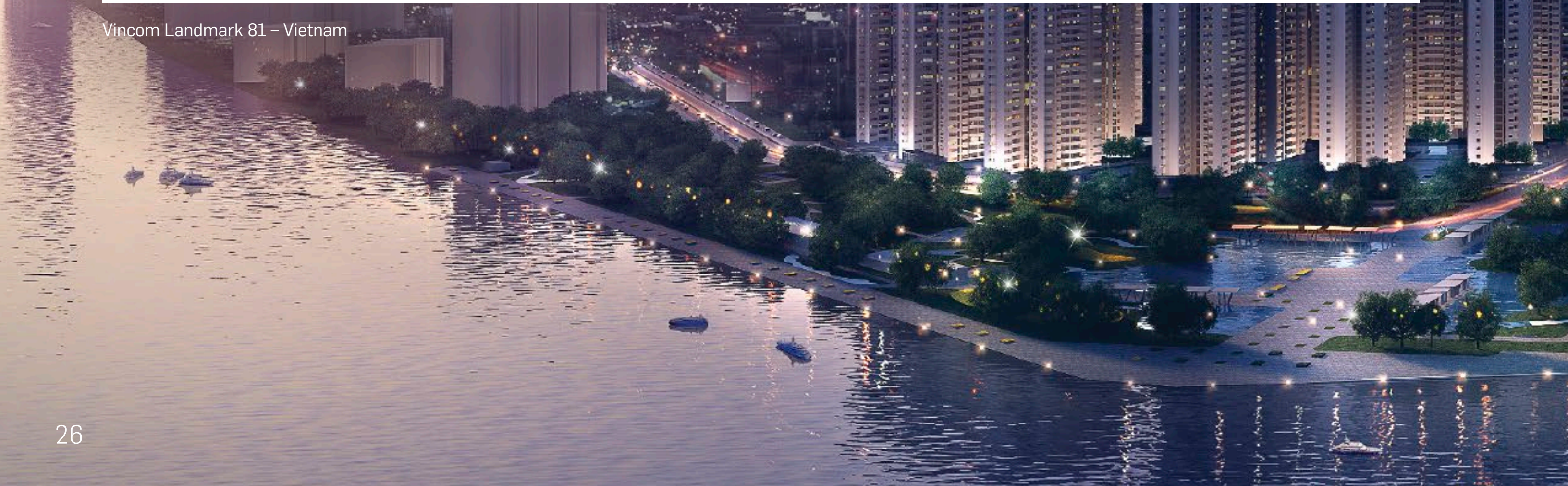
100%
ATKINS SERVICES

$1.8B
IN REVENUES

20,000
EMPLOYEES

+14,000
INFRASTRUCTURE, TRANSPORTATION AND ENERGY PROJECTS UNDERWAY

+50 YEARS
OF CREATING LANDMARK PROJECTS IN THE MIDDLE EAST



Vincom Landmark 81 – Vietnam

We help clients turn potential into reality, using disruptive technologies to meet the technical challenges of the most complex projects.

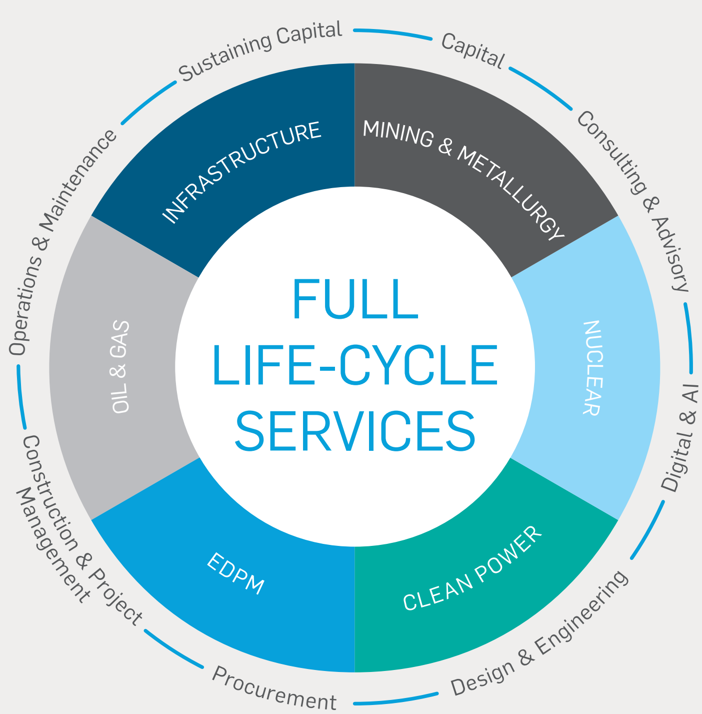
New configuration

Strategically realigned and geared for growth

The transformative Atkins acquisition in 2017 deepened our expertise and broadened our capabilities in nuclear and renewable energy, oil & gas, rail & transit, digital technology and artificial intelligence know-how, as well as technology-enriched design, engineering and project management.

The acquisition provided us with the opportunity to better align our organizational structure with client needs worldwide and to capitalize on our expanded strengths and long-term growth potential.

Structurally speaking, some aspects of our organization remained the same—notably our Oil & Gas, Mining & Metallurgy and Infrastructure sectors—while others changed. We split our Power sector into a Clean Power and a Nuclear sector, and consolidated Atkins' industry-leading front-end competencies into a new Engineering, Design and Project Management sector.



Clean Power

Our Clean Power sector combines our established leadership in hydro, transmission and distribution and extensive renewable energy capabilities, including in energy storage and offshore wind, to give us fully integrated life-of-asset service capabilities.

Nuclear

Our Nuclear sector is now able to serve our clients across the full spectrum of services: consultancy, EPC(M), field services, technology services, reactor support and decontamination & decommissioning. As stewards of CANDU® technology, we also provide in-depth refurbishment to the global industry.

Engineering, Design and Project Management

Engineering, Design and Project Management (EDPM) incorporates all of our engineering, design and project management services around the world, except for the Canadian market which remains fully integrated within our Infrastructure sector. Clients will benefit from our technical excellence, deep digital technology expertise and network of global design centres. EDPM also harnesses our enhanced capabilities in intelligent mobility and digital asset management.

Financial report

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2017 Management’s Discussion and Analysis

February 21, 2018

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 Company's 2017 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 both the Company’s website at **www.snclavalin.com** and through SEDAR at **www.sedar.com**. SEDAR is the electronic system for the official filing of documents by public companies 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 the first quarter of 2017, the Company combined the financial results of its Infrastructure & Construction and Operations & Maintenance sub-segments, which were previously presented separately as additional information of the Infrastructure segment. The combination mainly comes from the disposal of a significant portion of the Operations & Maintenance sub-segment in the fourth quarter of 2016, which decreased the level of activities of the Operations & Maintenance sub-segment. As a result of the combination, comparative figures have been adjusted, with no impact on the Infrastructure segmented results.

Non-IFRS Financial Measures and Additional IFRS Measures

Certain indicators used by the Company to analyze and evaluate its results, which are listed in the table below, are non-IFRS financial measures or additional IFRS measures. Consequently, they do not have a standardized meaning as prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS financial measures provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE

Performance

- Adjusted diluted earnings per share from Engineering & Construction ("**E&C**") ("**Adjusted diluted EPS from E&C**")
- Adjusted earnings before interest, income taxes, depreciation and amortization ("**Adjusted EBITDA**")
- Adjusted net income from E&C
- Booking-to-revenue ratio
- Diluted earnings per share from E&C and Diluted earnings per share from Capital
- Earnings before interest and income taxes ("**EBIT**")
- Earnings before interest, income taxes, depreciation and amortization ("**EBITDA**")
- Gross margin from E&C and from Capital
- Return on average shareholders' equity ("**ROASE**")
- Revenue backlog
- Segment earnings before interest and income taxes ("**Segment EBIT**")

Liquidity

- Net recourse debt (or Cash net of recourse debt)
- Net recourse debt to adjusted EBITDA ratio
- Net recourse debt to adjusted EBITDA ratio, incorporating a full trailing 12-month adjusted EBITDA of WS Atkins plc and DTS, for these acquisitions
- Recourse debt to capital ratio
- Working capital and Current ratio

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in Section 13 to give the reader a better understanding of the indicators used by management. In addition, 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, refer to Section 13 for references to the sections of this MD&A where these reconciliations are provided.

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", "target", "vision", "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. 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 February 21, 2018. 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 Corruption of Foreign Public Officials Act (Canada) (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) a negative impact on the Company's public image could influence its ability to obtain future projects; (e) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements or to execute projects efficiently may increase the volatility and unpredictability of its revenue and profitability; (f) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (g) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (h) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (i) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (j) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (k) the Company is dependent on third parties to complete many of its contracts; (l) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (m) the competitive nature of the markets in which the Company does business could adversely affect it; (n) the Company's project execution activities may result in professional liability or liability for faulty services; (o) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (p) the Company may not have in place sufficient insurance coverage to satisfy its needs; (q) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (r) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (s) work stoppages, union negotiations and other labour matters could adversely affect the Company; (t) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (u) any acquisition or other investment may present risks or uncertainties; (v) divestitures and the sale of significant assets may present risks or uncertainties; (w) possible failure to realize anticipated benefits of the acquisition and difficulties in the integration of Atkins; (x) increased indebtedness as a result of the Atkins Acquisition; (y) dependence on subsidiaries to help repay indebtedness as a result of the Atkins Acquisition; (z) security under the SNC-Lavalin Highway Holdings Loan being called at an inopportune time; (aa) ability to pay dividends; (bb) additional significant integration costs may be incurred following Atkins Acquisition; (cc) Atkins' pension-related obligations; (dd) a deterioration or weakening of the Company's financial position could have a material adverse effect on its business and results of operations; (ee) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (ff) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (gg) 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; (hh) 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; (ii) 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; (jj) inherent limitations to the Company's control framework could result in a material misstatement of financial information; and (kk) 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 could 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 February 21, 2018, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake 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 – Table of Contents

1 Overview of Our Business and Strategy

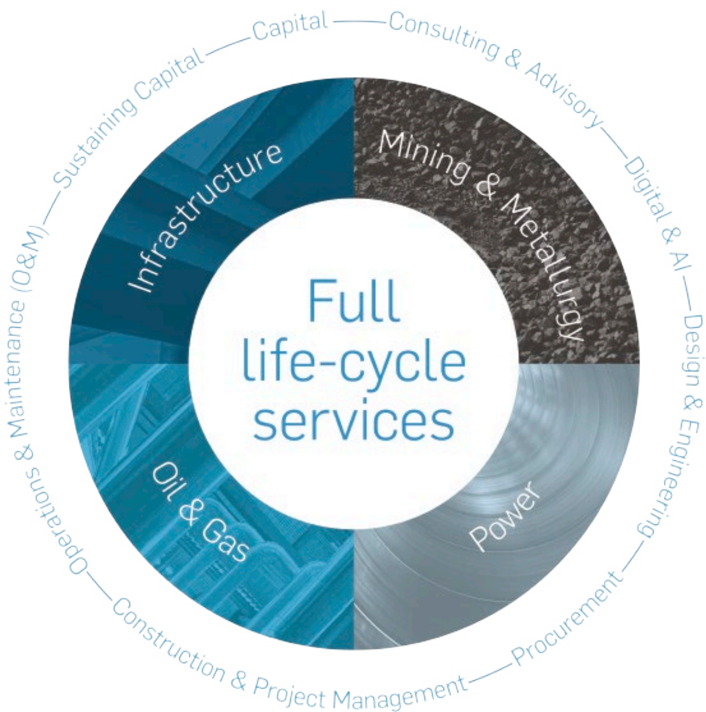
1.1 OUR BUSINESS

Founded in 1911, **SNC-Lavalin** is a global fully integrated professional services and project management company and a major player in the ownership of infrastructure.

From offices around the world, **SNC-Lavalin's** employees are **proud to build what matters**.

Our teams provide comprehensive end-to-end project solutions – including capital investment, consulting, design, engineering, construction, sustaining capital and operations and maintenance – to clients in oil and gas, mining and metallurgy, infrastructure and power.

SNC-Lavalin maintains exceptionally high standards for health and safety, ethics and compliance and environmental protection, and is committed to delivering quality projects on budget and on schedule to the complete satisfaction of its clients.



ATKINS

On July 3, 2017, the Company completed its acquisition of **WS Atkins plc ("Atkins"),** one of the world's most respected design, engineering and project management consultancies, employing some 18,000 people across the United Kingdom, North America, Middle East, Asia Pacific and Europe. Atkins builds long-term trusted partnerships to create a world where lives are enriched through the implementation of its ideas.

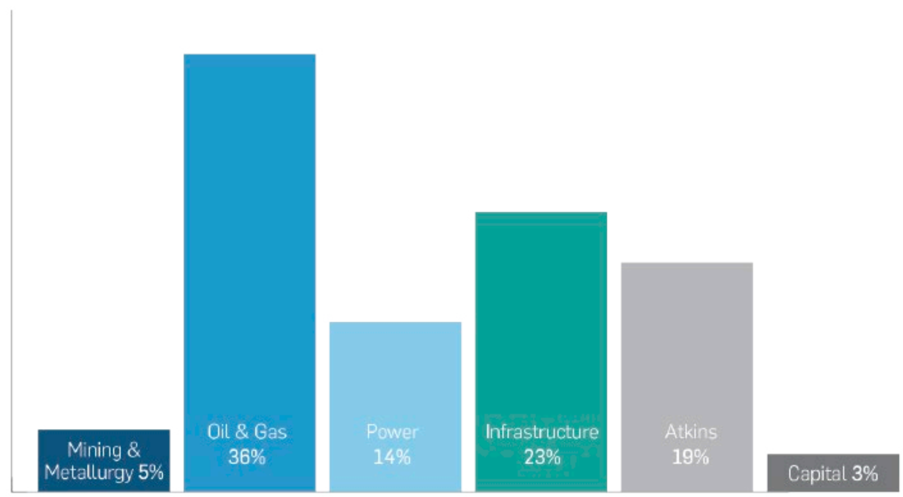
In certain parts of this MD&A, activities from Engineering and Construction, including Operations and Maintenance services, are collectively referred to as "E&C" to distinguish them from "Capital" activities.

The **diversity of the Company's revenue base** and its capacity to operate in different industry segments and geographic areas are illustrated in the following 2017 revenue charts.

1.2 DIVERSITY OF THE COMPANY'S REVENUE BASE

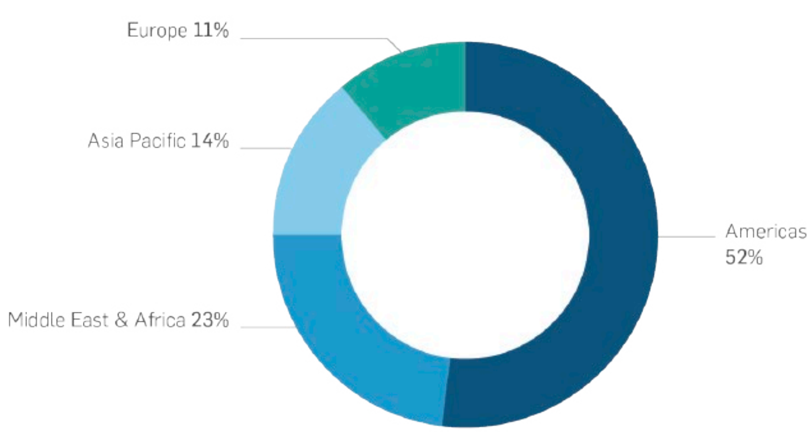
SEGMENTS

Serving multiple industry **segments**...



GEOGRAPHIC COVERAGE

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



1.3 BUSINESS STRATEGY

In 2017, we made significant strides in realizing our four strategic objectives to become a premier global, fully integrated, professional services and project management company in both profitability and profit growth. Looking ahead to 2020, we plan on continuing to consistently deliver on our objectives and to achieve profitable growth by attaining a $5 adjusted consolidated EPS. We intend to work towards this by capitalizing on our enhanced performance and adjusting our business strategies in light of the recent Atkins acquisition and changing market forces, and in line with our four strategic objectives: 1) continuing our progress in operational excellence, 2) building a client-centric organization, 3) with a performance-driven culture, and 4) growing our business and delivering superior shareholder returns. As such, our overall strategy is anchored on the following;

LEVERAGING STRONG PROFITABLE GROWTH

At SNC-Lavalin we are building on our success by leveraging our strengthened position in key sectors and geographic markets resulting from our recent Atkins acquisition. The largest and most transformative in SNC-Lavalin's history, Atkins added world-class experts to our team, further diversified our service offerings and moved us closer toward our goal of being in the top three in our industry globally. This expanded breadth of capabilities makes us one of the few fully integrated professional services and project management companies able to take on large, complex, multi-billion dollar projects from start to finish or to be able to offer tailored services.

In the Infrastructure sector, the legacy SNC-Lavalin Infrastructure and Atkins capabilities enables a more robust global presence and set of services. Moving forward, the decision was made to realign the organization by creating two distinct sectors Engineering, Design and Project Management (EDPM) and Infrastructure. They will work closely together on key markets and growth objectives. Building on our strong position in the U.K. and US, we will grow our leading global footprint in transportation and other infrastructure engineering markets (including buildings, roads and airports), consolidate growth in the Middle East and Asia-Pacific and expand the US business. The US market will be developed by leveraging our mature end-to-end delivery model, enhanced with leading design services. We will also focus on maintaining our market leadership presence in Canada and continue to grow Middle-East markets for major, complex projects, particularly those involving O&M, EPC and public-private partnership ("P3") work.

In Oil & Gas, we will continue expanding our global market reach and applying our full lifecycle capabilities to support blue-chip international and national oil and gas companies by bringing their projects to market more efficiently. With a renewed emphasis on commercial and technical advisory, turnkey modular solutions and field and technical support services, our Oil & Gas sector will continue supporting its clients from its strong position in North America and the Middle-East and growing reach in Asia-Pacific.

In Mining & Metallurgy, we will continue expanding our services in sustaining capital, complementing traditional studies and expansionary capital projects, thus enhancing our ability to support clients across their project needs as this market recovers.

In Power, we have refocused our business to build on growth in two dedicated sectors: 1) Nuclear, where an expanded range of offerings and greater global footprint enhance our already strong and mature position and 2) Clean Power, which regroups renewables, hydro and transmission & distribution. We will continue growing our Nuclear business by capitalizing on broadened capabilities in new build services, refurbishment, decommissioning and waste management as well as a significantly enhanced US, U.K. and European presence and coordinated Asia-Pacific activities. In parallel, we are exiting the EPC part of the thermal business, minimizing execution risk. The Clean Power sector will enable us to build on our leadership position in Hydro and Transmission & Distribution (T&D) while capitalizing on growth opportunities in Renewables. Canada, the US, the Middle-East and Australia will remain key growth regions as we look to expand services to evolving power generation and T&D markets, grow wind and solar through partnerships and SNC-Lavalin Capital financing and expand our energy storage solutions.

Our Capital investment business is a key element of our success, contributing significantly to earnings and opening doors to E&C project opportunities for the sectors. The Capital business will continue to play a key role in developing opportunities across Oil & Gas, Mining & Metallurgy, Power and Infrastructure as well as growing our P3 footprint, particularly for large and complex projects in Canada. As it selectively invests in projects and carefully manages its portfolio of assets in line with targeted returns, Capital continues to focus on establishing partnership opportunities. One such partnership, the SNC-Lavalin Infrastructure Partners LP, marks our entrance into the infrastructure fund management business. Further partnering opportunities are being explored in the power and global gas processing spaces.

In addition to building on growth in Oil & Gas, Mining & Metallurgy, Nuclear, Clean Power, EDPM, Infrastructure and Capital financing solutions, token acquisitions may be considered to expand key regional presence and reinforce competitive advantages based on targeted technologies and capabilities.

SUPPORTING THE BUILDING BLOCKS OF OUR SUSTAINABLE AND PROFITABLE GROWTH

We continue to invest in reinforcing the building blocks of sustainable and profitable growth by promoting a performance-driven culture while maintaining world-class practices related to ethics, governance, health and safety, resource sharing, business de-risking and capital allocation.

In support of our performance-driven culture, we refocused our business and revised our vision. The refocusing of our business along high-growth regional and market lines further promotes collaboration across business units and puts clients at the centre of our organization to bolster an enhanced customer experience across our project services/solutions and our offices worldwide. Underscoring our overall growth strategy and in line with our enhanced ability to deliver complex project lifecycles worldwide, we also revised our vision. By seeing through complexity, together with our clients and across our business units, we intend to build on our performance driven culture to continuously better serve our clients and attract, develop and retain top talent.

A cornerstone of our sustainable growth strategy involves maintaining a steadfast commitment to world-class ethics, governance, health and safety and overall operational excellence. A focus on ethics and compliance, governance and health and safety remain at the heart of every decision. They are an integral part of SNC-Lavalin's culture, processes and project delivery methods, and they will continue to be the foundation of our operations and strategy. From an operational excellence standpoint, we continue to focus on efficient and effective resource sharing, rigorous risk mitigation and disciplined capital allocation.

MEETING THE DIGITAL FUTURE HEAD-ON

As we look to the future we believe we can best differentiate ourselves from the competition by enhancing our technology capability and implementation expertise. As such, we are driving an aggressive digital agenda to deliver an integrated and focused digital program that enhances project delivery methods and expands our services offerings.

Digital technologies that enable more efficient ways of delivering our services, as well as innovating new and competitive products, are key to unlocking new sources of value and growth. By combining new technological skills with our traditional engineering expertise, we are able to help clients develop digital solutions that improve their business performance. Moreover, because of the Atkins acquisition, we are now able to offer our clients access to a Digital Incubator – a concept of rapidly working with clients and their end-users to innovate and transform their businesses and ideas, enabling our customers to future-proof their own businesses.

Between SNC-Lavalin and Atkins, we already have a wealth of digital innovations – many of which have contributed to significant margin growth on projects, as well as bringing revenues from outside our traditional markets. While continuing to evolve new ideas in collaboration with our clients, we are looking to significantly increase our digital footprint across our client delivery, positioning SNC-Lavalin at the forefront of digital engineering and innovation.

PROGRESS ON DELIVERING ON OUR GROWTH STRATEGY

Our focus in 2017 and for 2018-2019 is on delivering the key elements of our strategy outlined above. The scorecard presented in the following section summarizes our objectives, ongoing actions and some of our 2017 achievements.

1.4 DELIVERING ON OUR GROWTH STRATEGY – SCORECARD

BE RECOGNIZED AS A CLIENT-CENTRIC DELIVERY-FOCUSED ORGANIZATION

STRONG, PERFORMANCE-DRIVEN CULTURE

CONTINUOUS FOCUS ON OPERATIONAL EXCELLENCE

	GOALS	EXECUTION
Achieved in 2017	What we did in 2017: > Successful acquisition of Atkins in July 2017, the largest in SNC-Lavalin's history, adding world-class experts to our team and further diversifying our service offerings; > Initiatives to improve project delivery and financial performance reflected in our 42.4% increase in adjusted diluted EPS from E&C, from $1.51 in 2016 to $2.15 in 2017; > Creation of SNC-Lavalin Infrastructure Partners LP to monetize our mature Capital investments; and > Sale-leaseback of Montreal Headquarters.	Completed
What We Are Working On	Our ongoing projects: > Integrate Atkins' operations; > Refocus our business strategies on high-growth regions and in light of expanded capabilities; > Adjust our brand vision; > Continue our progress in operational excellence; > Generate organic growth as shown by being shortlisted on several major projects and by winning major contracts across all sectors in Canada, the Middle East, the United States, South America, Europe and Australia; > Concentrate our efforts in nuclear energy, clean power and engineering design and project management to create further opportunities and exit the low profit thermal EPC Power sector; > Repay debt and maximize cash flow efficiency; > Initiatives to decrease number of lost-time incidents in 2018, compared with 2017; > Evaluation of potential growth through token M&A; > Achieve revenues synergies with Atkins, as well as increase cross-selling opportunities across all sectors; and > Deliver an integrated and focused innovation and technology agenda, including a digital roadmap.	Underway
Where we are heading	Deliver an adjusted consolidated **EPS of $5 by 2020**: > General and administrative expenses efficiency and operational excellence continuous improvement; > Project execution improvement; > Driving organic growth by increasing the Company's share in nuclear through an expanded offering, capitalizing on infrastructure investments in Canada, the United Kingdom and the United States, maximizing Atkins/SNC-Lavalin revenue synergies, and a Mining & Metallurgy recovery; and > Mergers and acquisitions, post Atkins integration.	Planning

2 How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

The Company reports its results separately for **Engineering and Construction ("E&C")** and **Capital**, as described below.

E&C

SNC-Lavalin provides consulting and advisory services, engineering, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, sustaining capital and commissioning. Certain contracts also include materials and/or multi-disciplinary construction services, namely provision of structural mechanical, electrical, instrumentation and piping services. The Company might also be responsible for not only rendering professional and technical services, but also to undertake the responsibility for supplying materials and providing or fabricating equipment, and could also include construction activities. In addition, SNC-Lavalin offers O&M services for many infrastructures, such as highways, buildings, light rail transit systems and power plants, and logistics solutions for construction camps and the military.

Contracts that provide for engineering, procurement and construction management services are often referred to as "EPCM" contracts. Contracts that include engineering services, providing materials and providing or fabricating equipment, and construction activities are often referred to as "EPC" contracts.

While our contracts are negotiated using a variety of contracting options, **E&C revenues** are derived primarily from three major types of contracts: **Reimbursable contracts, Atkins services contracts** and **Fixed-price contracts.**

- **Reimbursable contracts:** Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap.
- **Atkins services contracts:** Atkins enters into a number of different forms of contracts with clients, the most common being time and materials contracts based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks.
- **Fixed-price contracts:** Under fixed-price contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at or below the initial estimated costs.

The Company presents the information in the way management performance is evaluated by regrouping its **E&C** projects within the following segments, which are as follows: i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; and v) **Atkins**. The Company reports the results of Atkins as a distinct segment in 2017, following its acquisition by SNC-Lavalin on July 3, 2017. The Atkins segment also includes Data Transfer Solutions LLC, acquired in October 2017.

CAPITAL

Capital is SNC-Lavalin’s investment, financing and asset management arm, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure: such as **bridges, highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.**

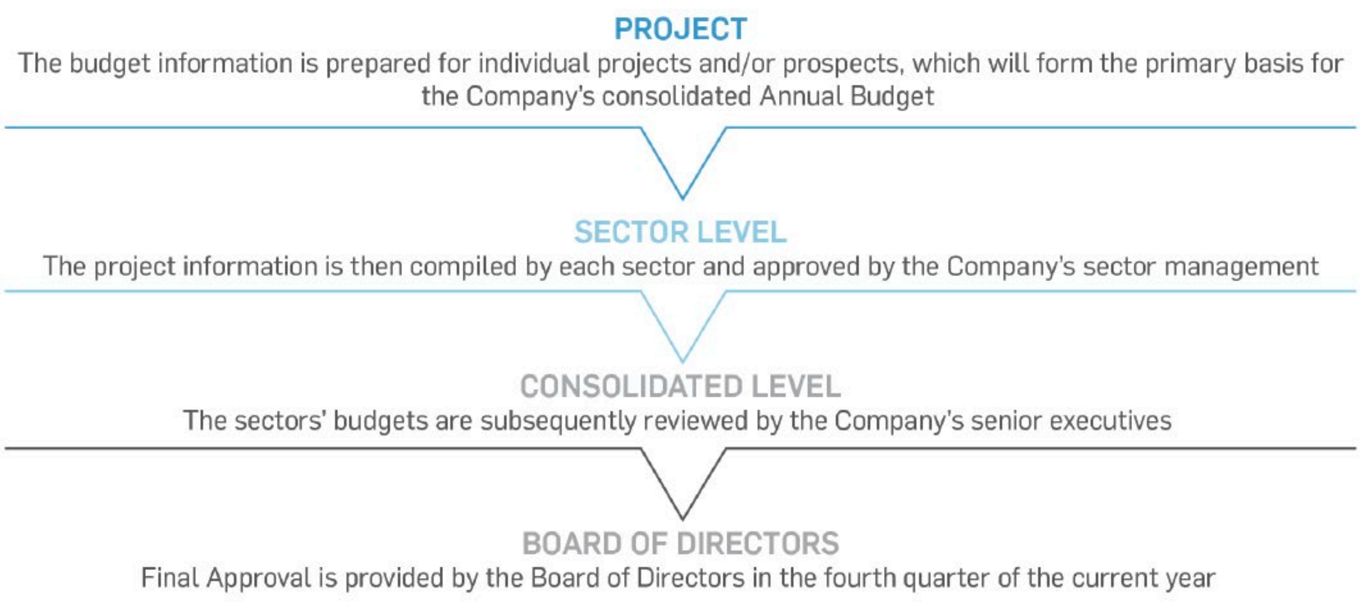
Capital’s business model incorporates new project creation in the Oil & Gas, Mining & Metallurgy, and Power sectors, as well as the Company’s geographical regions. Furthermore, many countries are turning to the private sector to take ownership, finance, operate and maintain their assets, usually for a defined period of time.

These 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 client 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.

All investments are structured to earn a return on capital adequate for the risk profile of each individual project. **Capital investment 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 revenues or net results, depending on the accounting method required by IFRS.

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

The Company prepares a formal annual budget (“Annual Budget”) in the fourth quarter of each 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 sector 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. Management selects specific prospects, which are deemed representative of its upcoming activities, to include in the budget.
Execution and expected performance	Revenues and costs (or execution) of projects are determined on an individual project basis for major projects or by groups of projects and take into consideration assumptions on risks and uncertainties that can have an impact on the progress and/or profitability of that project. This includes, but is 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.

Regarding its **Capital** budget and forecast, the Company establishes the expected results based on assumptions specific to each investment.

One of the key management tools for monitoring the Company's performance is the monthly evaluation and analysis of actual results compared with 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.
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 Capital investments	Variation in the financial results of each Capital investment accounted for under the consolidation or equity methods will impact the financial results of the Company. Additions to the Company's Capital investments 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 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, modifications to its offerings and changes in market perspectives might result, amongst other factors, 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.
Finance expense	Variation in interest rates could have an impact on the Company's results, as some of its financing bears interest at a variable rate.
Foreign exchange	As the Company operates in many countries, foreign currency exchange rates can cause variances to plan as the budgets and forecasts are prepared at specific rates. It should be noted that the Company has a foreign exchange hedging policy that limits the volatility in results caused by foreign exchange fluctuations.

3 2017 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2017		2016	CHANGE (%)
Income Statement					
Revenues	**$**	**9,334.7**	$	8,470.8	10.2%
Net income attributable to SNC-Lavalin shareholders		**382.0**		255.5	49.5%
Adjusted net income attributable to SNC-Lavalin shareholders from E&C(1)		**351.3**		226.4	55.2%
Earnings per share – diluted ("Diluted EPS") (in $)		**2.34**		1.70	37.6%
Adjusted diluted EPS from E&C (in $)(1)		**2.15**		1.51	42.4%
EBIT(1)		**603.4**		312.1	93.3%
EBITDA(1)		**818.9**		455.2	79.9%
Adjusted E&C EBITDA (% of revenues)(1)		**6.9%**		4.5%	
Financial Position & Cash Flows					
Cash and cash equivalents (at December 31)	**$**	**706.5**	$	1,055.5	(33.1%)
Cash net of recourse debt (Net recourse debt) (at December 31)(1)		**(640.8)**		694.9	(192.2%)
Net cash generated from (used for) operating activities		**(235.9)**		105.6	(323.4%)
Additional Indicator					
Revenue backlog (at December 31)(1)	**$**	**10,406.4**	$	10,677.4	(2.5%)

(1) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

- **Revenues increased by 10.2%** compared with 2016, largely attributable to the incremental revenues from Atkins acquired on July 3, 2017, as well as higher revenues from Mining & Metallurgy attributable to revenues generated by recent contracts awards, partially offset by lower revenues from Infrastructure, mainly due to the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations in the fourth quarter of 2016, and a decrease in revenues from Oil & Gas, principally due to the completion or near completion of certain major projects and Power due to the Company exiting the EPC part of the thermal business.

- **Net income attributable to SNC-Lavalin shareholders increased by 49.5% ($0.64 per diluted share)** compared with 2016, due to an increase in net income from E&C, mainly reflecting the incremental contribution of Atkins. The gain of $115.1 million ($101.5 million after taxes) generated from the disposal of the head office building and lower restructuring costs also favourably impacted net income from E&C, partially offset by higher acquisition-related costs and integration costs due to the Atkins Acquisition, as well as higher net financial expenses, largely attributable to the financing of the acquisition of Atkins and an increase in income taxes expense.

- **Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased by 55.2% ($0.64 per diluted share)** compared with 2016, primarily attributable to the incremental contribution of Atkins, as well as the higher contribution from Oil and Gas and Infrastructure, partially offset by higher net financial expenses, a lower contribution from Power and Mining & Metallurgy, and an increase in income taxes expense.

- **EBIT, EBITDA and Adjusted E&C EBITDA (% of revenues) have increased in 2017** compared to 2016, mainly due to the factors described above.

- **Cash and cash equivalents decreased by $349.0 million in 2017** compared with 2016, mainly attributable to cash used for investing and operating activities partly offset by cash generated from financing activities. The variations in investing and financing activities are mainly due to the Atkins Acquisition.

- **Net recourse debt as at December 31, 2017 was $640.8 million**, compared with cash net of recourse debt of $694.9 million as at December 31, 2016, mainly reflecting an increase in recourse debt to finance the acquisition of Atkins and a decrease in cash and cash equivalents due to repayment of debt.

- **Net cash used for operating activities increased by $341.5 million in 2017** compared with 2016, mainly attributable to an increase in the net change in non-cash working capital items.

- **Revenue backlog was $10.4 billion as at December 31, 2017** compared with $10.7 billion as at December 31, 2016, reflecting a decrease in Oil & Gas, Power and Infrastructure, partly offset by the incremental activities of Atkins and an increase in Mining & Metallurgy. The Company's contract bookings amounted to $6.7 billion in 2017, compared with $7.8 billion in 2016.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

CHANGES TO THE BOARD OF DIRECTORS AND APPOINTMENT OF CHAIRMAN

- On May 4, 2017, three new directors were appointed to the Board: Benita M. Warmbold, Isabelle Courville and the Honourable Kevin G. Lynch.
  - Ms. Warmbold is the former Senior Managing Director and CFO of the Canada Pension Plan Investment Board ("CPPIB"), a position she held from 2013 until July 2017. Ms. Warmbold brings more than 30 years of experience in the finance industry. Prior to that, she was Senior Vice-President and Chief Operations Officer from 2008 to 2013. Before joining CPPIB, she served as Managing Director and CFO for Northwater Capital Management Inc. from 1997 to 2008.
  - Ms. Courville is a Corporate Director and is Chair of the Board of Directors of the Laurentian Bank of Canada. She is an engineer and attorney by training and has more than 25 years of experience in the telecommunications, IT and energy sectors. Ms. Courville was President of Hydro-Québec Distribution from 2011 to 2013 and Hydro-Québec TransÉnergie from 2007 to 2011.
  - Dr. Lynch has been Vice-Chairman of BMO Financial Group since 2010. Prior to that, Dr. Lynch built a distinguished 33-year career in the Government of Canada until his retirement in 2009, serving as Clerk of the Privy Council, Secretary to the Cabinet and Head of the Public Service of Canada. He also served as Deputy Minister of Industry from 1995 to 2000 and Deputy Minister of Finance from 2000 to 2004.
- Following the retirement of Mr. Lawrence N. Stevenson in December 2017, the Board appointed the Honourable Kevin G. Lynch as Chairman of the Board of Directors, effective January 1, 2018.

SALE-LEASEBACK OF MONTREAL HEADQUARTERS

- On June 22, 2017, SNC-Lavalin announced that it completed the sale of its Montreal head office building and the adjacent empty lot of land located on René-Lévesque Boulevard West for $173.3 million to GWL Realty Advisors on behalf of institutional clients. The decision to sell the property was made as part of SNC-Lavalin's Operational Excellence program where the Company conducted a review of its owned real estate portfolio, which was announced in 2016. Concurrently, SNC-Lavalin entered into a 20-year lease for the building.

ACQUISITION OF WS ATKINS PLC

- On July 3, 2017, SNC-Lavalin completed the acquisition of WS Atkins plc ("Atkins"), one of the world's most respected consultancies in design, engineering and project management, with a leadership position across the infrastructure, transportation and energy sectors (the "Atkins Acquisition"). Headquartered in the United Kingdom ("U.K."), Atkins is a geographically diversified global company with approximately 18,000 employees in the United States, Middle East and Asia, together with a leading position in the U.K. and Scandinavia. The aggregate cash consideration for the acquisition was approximately $3.5 billion.
- For the period from July 3, 2017 to December 31, 2017, the operations of Atkins were managed and reviewed as one component and are therefore presented as a separate segment for the year ended December 31, 2017.

ACQUISITION OF DATA TRANSFER SOLUTIONS LLC

- On October 30, 2017, SNC-Lavalin completed the acquisition of Data Transfer Solutions LLC ("DTS") for USD$45 million (approximately CA$59 million). This acquisition will add to the capabilities of SNC-Lavalin's Atkins segment and will enhance service offerings in digital asset management for clients.

- Headquartered in Orlando, Florida, with 78 employees, DTS is a leader in asset management and geographic information systems within the North American market. As the creator of *VueWorks*, a comprehensive enterprise asset management software solution, DTS provides state-of-the-art tools and solutions to clients with large, complex infrastructure assets. These solutions help to inventory, manage and optimize physical assets across their life cycle.

CAPITAL INVESTMENTS PORTFOLIO

SNC-Lavalin Infrastructure Partners LP

- On June 30, 2017, SNC-Lavalin announced the launch of SNC-Lavalin Infrastructure Partners LP (the "Partnership"), established to efficiently redeploy capital back into development opportunities, and entered into a strategic agreement with a Canadian subsidiary of BBGI SICAV S.A. ("BBGI"). This Partnership holds 100% of SNC-Lavalin's interests in a selection of its mature Canadian infrastructure assets and their holding companies.

- On September 28, 2017, BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of the following four assets: Okanagan Lake Concession Limited Partnership ("Okanagan"), InTransit BC Limited Partnership ("InTransit"), Chinook Roads Partnership ("Chinook") and Rainbow Hospital Partnership ("Rainbow") and contemporaneously SNC-Lavalin transferred to the Partnership all of its ownership in the four assets. A fifth asset, McGill Healthcare Infrastructure Group, G.P. ("MHIG"), is currently expected to be transferred to the Partnership in 2018. The gain on partial disposal of the Partnership amounted to $36.7 million ($26.5 million after taxes) in the third quarter of 2017.

McGill Healthcare Infrastructure Group

- On June 30, 2017, the joint venture McGill Healthcare Infrastructure Group, in which SNC-Lavalin previously held 60% ownership interest, issued equity instruments to the other investor in MHIG, which resulted in a dilution of SNC-Lavalin's ownership interest to 50%. In addition, the Company's subordinated loan receivable from MHIG of $109.3 million (the "Subordinated Loan") was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for a total cash consideration of $23.3 million. These transactions resulted in a net gain of $5.4 million ($5.4 million after taxes) in the second quarter of 2017.

CHANGES TO THE LEADERSHIP TEAM IN 2017

- On August 2, 2017, Chantal Sorel was appointed Executive Vice-President, Capital, in addition to her current role as Managing Director. Ms. Sorel reports directly to Neil Bruce and serves as a member of SNC-Lavalin's Executive Committee. As Executive Vice-President and Managing Director, Capital, she is responsible for the investment and asset management business capability of SNC-Lavalin, consisting of investing capital in projects and managing its multi-billion dollar portfolio of infrastructure investments. Ms. Sorel joined SNC-Lavalin in 2007 and has held positions of increasing responsibility over the years. Most recently, she served as Senior Vice-President, Business Development, Infrastructure, and Vice-President and Project Director of the McGill University Health Centre, Glen site.

- On September 14, 2017, Christian Brown was appointed President, Oil & Gas, effective that day, succeeding Martin Adler, who stepped down from his role. As President, Oil & Gas, Mr. Brown is responsible for developing and overseeing the Company's largest business unit, with approximately 20,000 employees and activities throughout the world. Mr. Brown joined SNC-Lavalin in 2014, when the Company acquired Kentz Corporation Limited ("Kentz") where he was Chief Executive Officer and member of the Board of Directors.

- On November 2, 2017, Marie-Claude Dumas became Executive Vice-President of the Company's newly named Clean Power segment, which incorporates Hydro, Transmission & Distribution and Renewables. Effective January 1, 2018, Ms. Dumas is reporting directly to Neil Bruce. Ms. Dumas has held a number of senior leadership positions since joining SNC-Lavalin in 2006, most recently as Executive Vice-President, Human Resources. She previously served as Executive Vice-President of the Company's Hydro business unit, where she was responsible for growing the Hydro business to meet the needs of its customers in Canada and key international markets.

- On November 2, 2017, James Cullens became Executive Vice-President, Human Resources, as planned at the start of the SNC-Lavalin and Atkins integration process. Formerly the Group Director Human Resources & Marcomms and Executive Director of Atkins, Mr. Cullens is responsible for all aspects of the Company's human resources function globally. Mr. Cullens continues to serve on the Executive Committee and reports directly to Neil Bruce. James Cullens has over 25 years of international human resources management experience. Before joining Atkins, he was Group HR Director at Hays plc, The BOC Group plc and Linde AG.

KEY ORGANISATIONAL CHANGES EFFECTIVE IN 2018

Effective January 1, 2018, the Company's new organizational structure, aimed both at integrating Atkins and serving its clients worldwide even more effectively, will be as follows:

- All Oil & Gas activities will be consolidated into one business led by Christian Brown. This will combine the world-class capabilities from both SNC-Lavalin and Atkins, including Atkins' Offshore Upstream technology and capabilities, creating a highly compelling offering across the entire supply chain.

- The new Engineering, Design and Project Management activities will be led by Nick Roberts, formerly the CEO of Atkins' U.K. and European business. Mr. Roberts will oversee all infrastructure engineering and design services around the world, except for the Canadian market, which will remain fully integrated within the Company's Infrastructure sector.

- The previous Power sector of SNC-Lavalin and the power element of Atkins' energy business create the foundation for two new sectors in the newly integrated organization: Nuclear and Clean Power.

- Atkins' and SNC-Lavalin's nuclear businesses will be combined into a single Nuclear sector, under the leadership of Sandy Taylor, and will leverage the unique skills of these respective teams, creating a market-leading capability in this fast-growing sector. The Company will now be able to serve its clients across the full spectrum of six main business lines: consultancy, EPC(M), field services, technology services, reactor support and decontamination & decommissioning.

- Clean Power activities will be led by Marie-Claude Dumas. These will incorporate SNC-Lavalin's activities in hydro, transmission & distribution, renewables and energy storage. The renewables market is growing at an unprecedented rate throughout the world and the Company has the skills and capabilities to deliver a fully integrated life of asset service to its clients.

- The following sectors and project investment leadership team remain unchanged:
  - Infrastructure activities will continue to be led by Ian L. Edwards.
  - Mining & Metallurgy activities will continue to be led by José J. Suárez.
  - Capital will continue to be led by Chantal Sorel.

4 Financial Performance Analysis

4.1 SELECTED ANNUAL INFORMATION

The selected annual information presented in the table below has been derived from the Company's audited annual consolidated financial statements prepared in accordance with IFRS for each of the three most recently completed financial years, with the exception of the non-IFRS financial measures specifically identified in the "Additional selected financial information" section below.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS (LOSS) PER SHARE, ADJUSTED DILUTED EPS FROM E&C AND DIVIDENDS PER SHARE DECLARED TO SNC-LAVALIN SHAREHOLDERS)	2017	2016	2015
Revenues:			
From E&C	**$ 9,096.7**	$ 8,223.1	$ 9,363.5
From Capital	**238.0**	247.7	223.4
Total Revenue	**$ 9,334.7**	$ 8,470.8	$ 9,587.0
Net income attributable to SNC-Lavalin shareholders:			
From E&C	**$ 176.0**	$ 46.3	$ 95.8
From Capital	**206.0**	209.2	308.5
Net income attributable to SNC-Lavalin shareholders	**$ 382.0**	$ 255.5	$ 404.3
Earnings per share (in $):			
Basic	**$ 2.35**	$ 1.70	$ 2.68
Diluted:			
From E&C	**$ 1.08**	$ 0.31	$ 0.63
From Capital	**1.26**	1.39	2.04
Diluted earnings per share	**$ 2.34**	$ 1.70	$ 2.68
Additional selected financial information:			
Revenue Backlog (at December 31)[1]	**$ 10,406.4**	$ 10,677.4	$ 11,991.9
Adjusted EBITDA from E&C[1]	**$ 629.0**	$ 371.9	$ 433.4
Total assets (at December 31)	**$ 13,762.5**	$ 9,298.3	$ 10,503.2
Non-current financial liabilities (at December 31)[2]	**$ 1,349.4**	$ 850.0	$ 906.9
Adjusted diluted EPS from E&C (in $)[1]	**$ 2.15**	$ 1.51	$ 1.34
Dividends per share declared to SNC-Lavalin shareholders (in $)	**$ 1.106**	$ 1.053	$ 1.01

(1) Non-IFRS financial measure. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

(2) Non-current financial liabilities include long-term debt (Recourse, Limited recourse and Non-recourse from Capital investments), part of the Non-current portion of provisions and Other non-current financial liabilities.

4.2 REVENUE AND GROSS MARGIN ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS (LOSS) PER SHARE)		2017		2016		2015
Revenues:						
From E&C	**$**	**9,096.7**	$	8,223.1	$	9,363.5
From Capital		**238.0**		247.7		223.4
	$	**9,334.7**	$	8,470.8	$	9,587.0
Gross margin:						
From E&C	**$**	**1,665.2**	$	983.4	$	1,225.8
From Capital		**228.2**		222.7		207.0
	$	**1,893.4**	$	1,206.1	$	1,432.8
Gross margin-to-revenue ratio (%):						
From E&C		**18.3%**		12.0%		13.1%
From Capital		**95.9%**		89.9%		92.6%
		20.3%		14.2%		14.9%

The Company analyses its revenue and gross margin separately for E&C and for Capital. The analysis that follows is for 2017, 2016 and 2015.

E&C REVENUES AND GROSS MARGIN

E&C revenues increased to $9.1 billion in 2017, compared with $8.2 billion in 2016, largely attributable to the incremental revenues from Atkins, as well as higher revenues from Mining & Metallurgy attributable to revenues generated by recent contracts awards, partially offset by lower revenues from Infrastructure, mainly due to the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations in the fourth quarter of 2016, and a decrease in revenues from Oil & Gas and Power, principally due to the completion or near completion of certain major projects.

E&C revenues decreased in 2016, compared with 2015, due to a decrease in Mining & Metallurgy, Infrastructure, Oil & Gas and Power. The decrease in Mining & Metallurgy was attributable to a lower level of activity, which was partly due to persisting difficult market conditions in this sector. Also, the decrease in revenues from Mining & Metallurgy, Infrastructure, Oil & Gas and Power was reflecting the completion or near-completion of a number of major projects in these segments in 2016. The decrease in Oil & Gas revenues was also due to challenging market conditions in production and processing solutions activities.

E&C gross margin increased to $1.7 billion in 2017, compared with $983.4 million in 2016, largely attributable to the incremental gross margin from Atkins and also reflecting the increase in gross margin from Infrastructure. This increase was partially offset by a decrease in gross margin from Power and Mining & Metallurgy.

- The increase in Infrastructure was mainly due to an increase in gross margin-to-revenue ratio, partly offset by a lower level of activity, both impacted by the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations at the end of 2016. Also, the gross margin was favourably impacted by favourable outcomes and costs reforecasts as detailed in Section 7.4.
- The decrease from Power was due to a lower level of activities and to a decrease in the gross margin-to-revenue ratio. In 2017, the Power Segment gross margin was negatively impacted by losses from the thermal operations, partially offset by a strong performance in the nuclear operations and a favourable outcome on a major project as explained in Section 7.3.
- The decrease in Mining & Metallurgy is explained by a decrease in the gross margin-to-revenue ratio partly offset by a higher level of activity.

- Despite the lower level of activities, the Oil & Gas gross margin remained stable due to a higher gross margin-to-revenue ratio.

E&C gross margin decreased in 2016 compared with 2015, principally reflecting a decrease in gross margin from Oil & Gas, Mining & Metallurgy and Power, partially offset by an increase in gross margin from Infrastructure.

- The decrease in Oil & Gas was primarily due to a decrease in gross margin-to-revenue ratio due to unfavourable cost and revenue reforecasts on two Oil & Gas projects in the Middle East and challenging market conditions in the Company's production and processing solutions activities.
- The decrease in Mining & Metallurgy and Power were mainly explained by a lower level of activity in these segments due to the reasons stated above.
- The increase in Infrastructure was essentially attributable to a higher gross margin-to-revenue ratio and the positive impact of cost reforecasts and various outcomes on certain major projects, notably work on mass transit systems and social infrastructure in Canada.

REVENUES AND GROSS MARGIN FROM CAPITAL INVESTMENTS

The relationship between revenues and gross margin for Capital investments 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 Capital investment's financial results.

Revenues from Capital decreased to $238.0 million in 2017 compared with $247.7 million in 2016, mainly due to a lower level of activities on certain Capital investments and lower revenues from Capital investments partially disposed in 2017 partly offset by an increase in dividends received from Highway 407 ETR.

Segment gross margin from Capital increased to $228.2 million in 2017 compared with 222.7 million in 2016, due to an increase in dividends received from Highway 407 ETR partly offset by a decrease in revenues as explained above.

Revenues and gross margin from Capital increased in 2016 compared with 2015, mainly reflecting an increase in the level of activity on certain Capital investments and higher dividends received from Highway 407 ETR.

4.3 NET INCOME ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS (LOSS) PER SHARE)		**2017**		2016		2015
Net income attributable to SNC-Lavalin shareholders:						
From E&C	**$**	**176.0**	$	46.3	$	95.8
From Capital		**206.0**		209.2		308.5
Net income attributable to SNC-Lavalin shareholders	**$**	**382.0**	$	255.5	$	404.3
Non-controlling interests		**1.1**		1.0		33.2
Net income	**$**	**383.2**	$	256.6	$	437.5

The Company analyses its net income separately for E&C and for Capital. The analysis that follows is for 2017, 2016 and 2015.

Net income attributable to SNC-Lavalin shareholders from E&C was $176.0 million in 2017, compared to $46.3 million in 2016, mainly reflecting the incremental contribution of Atkins and the gain of $115.1 million ($101.5 million after taxes) generated from the disposal of the head office building, partially offset by higher selling, general and administrative expenses and higher net financial expenses, largely attributable to the financing of the acquisition of Atkins and an increase in income taxes expense explained in Section 4.11. Net income attributable to SNC-Lavalin shareholders from E&C was also impacted by an increase in contributions from Oil & Gas and Infrastructure, partially offset by a decrease in the contribution from Power and Mining & Metallurgy. Net income attributable to SNC-Lavalin shareholders from E&C included cost synergies of $40.3 million generated by the integration of Atkins.

In 2016, the net income attributable to SNC-Lavalin shareholders from E&C was $46.3 million, compared to $95.8 million in 2015, mainly reflecting a net loss of $37.1 million ($44.6 million after taxes) on the disposal of the Company's local French operations and its Real Estate Facilities Management business at the end of 2016. Net income attributable to SNC-Lavalin shareholders from E&C was also impacted by a decrease in contributions from Oil & Gas and Mining & Metallurgy, partially offset by an increase in the contribution from Infrastructure.

Net income attributable to SNC-Lavalin shareholders from Capital amounted to $206.0 million in 2017, in line with 2016. The 2017 net income included a gain on partial disposal of SNC-Lavalin Infrastructure Partners LP and on the reduction of SNC-Lavalin's ownership interest from 60% to 50% in the joint venture Groupe infrastructure Santé McGill totalling $31.9 million compared with the $48.4 million net gain on disposals of the Company's investments in MML Holdings Malta Limited (formerly, SNC-Lavalin (Malta) Limited ("SNCL Malta")), Rayalseema Expressway Private Limited ("Rayalseema") and Société d'Exploitation de l'Aéroport de Mayotte S.A.S ("Mayotte Airport") in 2016. The net income from Capital investments in 2017 also includes a 6.9% increase in the dividends received from Highway 407 ETR, a lower contribution from certain Capital investments and from Capital investments partially disposed in 2017, compared with the previous year.

Additionally, certain significant items had an impact on net income attributable to SNC-Lavalin shareholders in 2017, 2016 and 2015, notably:

› **Acquisition-related and integration costs** totalling $124.3 million ($97.2 million after taxes) in 2017, compared with $4.4 million ($3.4 million after taxes) in 2016 and $19.6 million ($15.2 million after taxes) in 2015. These costs were mainly professional fees and other related costs that were incurred in connection with the acquisition of Atkins in 2017 and with the acquisition of Kentz in 2016 and 2015;

› **Restructuring costs** amounted to $26.4 million ($20.1 million after taxes) in 2017, compared with $115.4 million ($83.5 million after taxes) in 2016 and $116.4 million ($87.7 million after taxes) in 2015;

› **Amortization of intangible assets related to business combinations** amounted to $138.9 million ($112.6 million after taxes) in 2017, compared with $68.8 million ($54.5 million after taxes) in 2016 and $94.0 million ($72.0 million after taxes) in 2015. These costs were related to Kentz acquisition in 2016 and 2015 and increased in 2017 due to the added expenses related to the acquisitions of Atkins and DTS;

› **Impact of U.S. corporate tax reform** resulting in an increase of income taxes expense of $42.5 million in 2017, explained in Section 4.11; and

› **Net foreign exchange gain** of $37.0 million ($32.6 million after taxes) in 2015.

4.4 ADJUSTED NET INCOME FROM E&C AND ADJUSTED DILUTED EPS FROM E&C

Adjusted net income from E&C and **adjusted diluted EPS from E&C** are non-IFRS financial measures. Definitions of these financial measures are provided in Section 13.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2017			2016			
			PER DILUTED SHARE				PER DILUTED SHARE
Net income	**$ 383.2**		**N/A**	$	256.6		N/A
Less:							
Non-controlling interests	**1.1**		**N/A**		1.0		N/A
Net income attributable to SNC-Lavalin shareholders from Capital	**206.0**	**$**	**1.26**		209.2	$	1.39
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	**$ 176.0**	**$**	**1.08**	$	46.3	$	0.31
Adjustments (net of income taxes):							
Restructuring, right-sizing costs and other(1)	**$ 25.4**	**$**	**0.15**	$	77.6	$	0.52
Acquisition-related costs and integration costs	**97.2**		**0.60**		3.4		0.02
Amortization of intangible assets related to business combinations	**112.6**		**0.69**		54.5		0.36
Loss (gain) on disposals of E&C businesses	**(0,9)**		**(0,01)**		44.6		0.30
Impact of U.S. corporate tax reform	**42.5**		**0.26**		-		-
Gain on disposal of the head office building	**(101.5)**		**(0.62)**		-		-
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	**$ 351.3**	**$**	**2.15**	$	226.4	$	1.51

(1) It should be noted that this adjustment includes a net amount of $5.1 million ($5.3 million after taxes) (2016: $4.2 million ($6.0 million after taxes)) which did not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased to $351.3 million ($2.15 per share on a diluted basis) for 2017, compared with $226.4 million ($1.51 per share on a diluted basis) for 2016, mainly reflecting the incremental contribution of Atkins, as well as the higher contribution from Oil and Gas and Infrastructure, partially offset by higher selling, general and administrative expenses, higher net financial expenses, largely attributable to the financing of the acquisition of Atkins, a lower contribution from Power and Mining & Metallurgy, and an increase in income taxes expense, explained in Section 4.11.

For 2017, adjusted net income attributable to SNC-Lavalin shareholders from E&C included the following adjustments, for a net total of $175.3 million ($1.07 per diluted share) compared with $180.1 million ($1.20 per diluted share) in 2016:

› $**25.4 million ($0.15 per diluted share) of restructuring, right-sizing costs and other**, compared with $77.6 million ($0.52 per diluted share) in 2016. These costs were mainly for severances;

› **Acquisition-related costs and integration costs of $97.2 million ($0.60 per diluted share)**, mainly attributable to the acquisition of Atkins, compared with $3.4 million ($0.02 per diluted share), attributable to the integration of Kentz in 2016;

› **Amortization of intangible assets related to business combinations of $112.6 million ($0.69 per diluted share)**, compared with $54.5 million ($0.36 per diluted share) in 2016, an increase due to the acquisition of Atkins;

› **A gain on disposals of E&C businesses in 2017 of $0.9 million ($0.01 per diluted share)** and a loss of $44.6 million ($0.30 per diluted share) in 2016, further explained in Section 4.9;

› **Impact of U.S. corporate tax reform resulting in an increase of income taxes expense of $42.5 million ($0.26 per diluted share) in 2017**, explained in Section 4.11; and

› **A gain of $101.5 million ($0.62 per diluted share) on the disposal of the head office building in 2017**, further explained in Section 4.9.

4.5 EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

EBIT, EBITDA and **Adjusted EBITDA** are non-IFRS financial measures. Definitions of these financial measures are presented in Section 13.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017						2016					
	FROM E&C		FROM CAPITAL		TOTAL		FROM E&C		FROM CAPITAL		TOTAL	
Net income	$	177.1	$	206.0	$	383.2	$	47.4	$	209.2	$	256.6
Net financial expenses		107.8		10.0		117.8		27.9		14.2		42.1
Income taxes		88.9		13.5		102.4		3.3		10.2		13.5
EBIT	$	373.8	$	229.6	$	603.4	$	78.6	$	233.5	$	312.1
Amortization of intangible assets related to business combinations	$	138.9	$	-	$	138.9	$	68.8	$	-	$	68.8
Depreciation and amortization		76.7		-		76.7		71.8		2.5		74.3
EBITDA	$	589.4	$	229.6	$	818.9	$	219.1	$	236.1	$	455.2
(as % of Revenues)		6.5%		N/A		8.8%		2.7%		N/A		5.4%
Restructuring, right-sizing costs and other[(1)]	$	31.4	$	-	$	31.4	$	111.2	$	-	$	111.2
Acquisition-related costs and integration costs		124.3		-		124.3		4.4		-		4.4
Loss (gain) on disposals of E&C businesses		(1.0)		-		(1.0)		37.1		-		37.1
Gain on disposals of Capital investments		-		(42.1)		(42.1)		-		(55.9)		(55.9)
Gain on disposal of the head office building		(115.1)		-		(115.1)		-		-		-
Adjusted EBITDA	$	629.0	$	187.5	$	816.5	$	371.9	$	180.2	$	552.1
(as % of Revenues)		6.9%		N/A		8.7%		4.5%		N/A		6.5%

(1) It should be noted that this adjustment includes a net amount of $5.1 million ($5.3 million after taxes) (2016: $4.2 million ($6.0 million after taxes)) which did not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

In 2017, EBIT from E&C increased to $373.8 million, compared with $78.6 million in 2016, mainly reflecting the incremental contribution from Atkins, as well as the higher contribution from Oil & Gas and Infrastructure, partially offset by a decrease in the contribution from Power and Mining & Metallurgy. In 2017, EBIT from E&C included amortization of intangible assets related to business combinations and depreciation and amortization expenses for a total amount of $215.6 million, compared with $140.6 million in 2016. This resulted in an **EBITDA from E&C of $589.4 million in 2017**, compared with $219.1 million in 2016. EBITDA from E&C included $31.4 million for restructuring, right-sizing costs and other in 2017, compared with $111.2 million in 2016, as well as $124.3 million in acquisition-related costs and integration costs, largely in connection with the acquisition of Atkins in 2017, compared with $4.4 million in 2016, due to the acquisition of Kentz in August 2014. Furthermore, the Company disposed of its head office building in a sale-leaseback transaction in 2017, resulting in a gain of $115.1 million that was included in EBITDA from E&C. In 2016, EBITDA from E&C included a gain of $50.1 million on the sale of the Company's Real Estate Facilities Management business in Canada, offset by a loss of $87.2 million on the disposal of its E&C local activities in France and Monaco. As such, the **2017 Adjusted E&C EBITDA increased to $629.0 million**, compared with $371.9 million in 2016, representing 6.9% of the revenues from E&C in 2017 (2016: 4.5%).

EBIT and EBITDA from Capital decreased compared to 2016, due to a lower level of activities on certain Capital investments and the partial disposal of some Capital investments in 2017 partly offset by an increase in dividends received from Highway 407 ETR.

4.6 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	**2017**						2016					
	FROM E&C		FROM CAPITAL		TOTAL		FROM E&C		FROM CAPITAL		TOTAL	
Selling costs	**$**	**258.6**	**$**	**6.0**	**$**	**264.6**	$	180.4	$	14.4	$	194.8
General and administrative expenses		**859.4**		**34.8**		**894.1**		498.6		30.7		529.3
Selling, general and administrative expenses	**$**	**1,117.9**	**$**	**40.8**	**$**	**1,158.7**	$	679.0	$	45.1	$	724.1

Selling, general and administrative expenses totalled $1,158.7 million in 2017 compared with $724.1 million in 2016, mainly due to the added selling, general and administrative expenses of Atkins.

General and administrative expenses were $894.1 million in 2017, compared with $529.3 million in 2016, mainly attributable to the incremental general and administrative expenses of Atkins. Excluding the impact of the acquisition of Atkins, general and administrative expenses have decreased in 2017, compared with 2016, reflecting the successful implementation of the “STEP Change” program in 2015 and the “Operational Excellence” program launched in 2016, which aims to improve and sustain a culture of efficiency and execution. In 2016, general and administrative expenses included a $32.5 million favourable impact from revised estimates on legacy sites environmental liabilities and other asset retirement obligations.

Selling costs were $264.6 million in 2017, compared with $194.8 million in 2016, primarily due to the incremental selling costs of Atkins, as well as higher proposal and business development costs related to bids on large scale projects, mainly in the Infrastructure segment.

In accordance with the methodology described in Note 4 to the Company’s 2017 audited annual consolidated financial statements, **corporate** selling, general and administrative expenses that are not directly related to projects or segments are not allocated to each of the Company’s segments, therefore these expenses are not included in Segment EBIT.

4.7 RESTRUCTURING COSTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	**2017**		2016	
Restructuring costs	**$**	**26.4**	$	115.4

The Company has launched its “Operational Excellence” program in the first quarter of 2016, a program whose objective is to sustain a culture of continuous improvement. Operational Excellence is an approach that will make the Company more agile, customer-focused and successful. Operational Excellence is a long-term, structured approach that focuses on improving every aspect of the business. In 2015, the Company successfully completed its previously announced “STEP Change” program. This program has delivered increased competitiveness and agility, as well as identifying a significant number of cost reduction initiatives. It has also aligned the organization with market conditions.

In 2017, the Company incurred restructuring costs totalling $26.4 million before taxes ($20.1 million after taxes), compared with $115.4 million before taxes ($83.5 million after taxes) in 2016.

The restructuring costs recognized in 2017 and 2016 were mainly for severances.

4.8 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2017		2016
Professional fees and other related costs	**$**	**75.6**	$	4.4
Remeasurement of a foreign exchange option		**48.7**		-
Acquisition-related costs and integration costs	**$**	**124.3**	$	4.4

In 2017, the Company incurred acquisition-related costs and integration costs totalling $124.3 million, compared with $4.4 million in 2016. In 2017, the fees incurred were mainly in connection with the acquisition and integration of Atkins, as well as the remeasurement of a foreign exchange option, which the Company entered into in the second quarter of 2017 to hedge the foreign currency exposure associated with the acquisition of Atkins. In 2016, acquisition-related costs and integration costs were mainly professional fees and other related costs incurred in connection with Kentz that was acquired in 2014.

4.9 NET GAINS (LOSSES) ON DISPOSALS

E&C BUSINESSES

In 2017, SNC-Lavalin completed the sale of its ownership interest of 100% in Equinox CA Europe Ltd. (“Equinox”) in exchange for a gain of $0.4 million ($0.4 million after taxes).

In December 2016, as part of a review conducted under its “Operational Excellence” approach, the Company completed the disposal of its non-core Real Estate Facilities Management business in Canada to Brookfield Global Integrated Solutions, for a gain of $50.1 million ($42.6 million after taxes). Furthermore, SNC-Lavalin sold its ongoing activities in France and Monaco to Ciclad and Impact Holding for a loss of $87.2 million ($87.2 million after taxes) in 2016.

The consideration receivable (payable) from these transactions was subject to certain adjustments. While the adjustments have not been finalized yet as at December 31, 2017, certain assumptions used to estimate such adjustments have been revised, resulting in a gain of $0.6 million ($0.4 million net of taxes) in 2017.

CAPITAL INVESTMENTS

In 2017, the Company’s subordinated loan receivable from MHIG of $109.3 million was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for a total cash consideration of $23.3 million. These transactions resulted in a net gain of $5.4 million ($5.4 million after taxes).

In 2017, SNC-Lavalin launched SNC-Lavalin Infrastructure Partners LP (the “Partnership”) and entered into a strategic agreement with a Canadian subsidiary of BBGI. BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of its assets, resulting in a gain on partial disposal of the Partnership of $36.7 million ($26.5 million after taxes).

In 2016, in line with its business strategy, the Company completed the sale of its indirect ownership interest in SNCL Malta, its ownership interest in Rayalseema and its investment in Mayotte Airport, which generated a total net gain of $55.9 million ($48.4 million after taxes).

HEAD OFFICE BUILDING

In 2017, SNC-Lavalin completed the sale of its Montreal head office building and the adjacent empty lot of land located on René-Lévesque Boulevard West for $173.3 million to GWL Realty Advisors on behalf of institutional clients. The gain on disposal of the head office building amounted to $115.1 million ($101.5 million after taxes). Concurrently, SNC-Lavalin entered into a 20-year lease for the building.

4.10 NET FINANCIAL EXPENSES

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YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	**$ (10.9)**	**$ (10.4)**	**$ (21.3)**	$ (9.4)	$ (13.1)	$ (22.5)
Interest on debt:						
Recourse	**41.5**	**-**	**41.5**	21.9	-	21.9
Limited recourse	**49.0**	**-**	**49.0**	-	-	-
Non-recourse	**-**	**20.6**	**20.6**	-	27.1	27.1
Net foreign exchange losses (gains)	**16.3**	**(0.2)**	**16.0**	3.8	-	3.8
Other	**12.0**	**-**	**12.0**	11.6	0.2	11.8
Net financial expenses	**$ 107.8**	**$ 10.0**	**$ 117.8**	$ 27.9	$ 14.2	$ 42.1

Net financial expenses from E&C increased in 2017 compared with 2016, mainly due to an increase from limited recourse debt and recourse debt, mainly due to the financing of the acquisition of Atkins.

Net financial expenses from Capital decreased in 2017 compared with 2016, primarily due to a decrease in non-recourse debt following the transfer of investments to the Partnership and subsequent partial disposal.

4.11 INCOME TAXES ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Earnings before income taxes	**$ 266.0**	**$ 219.5**	**$ 485.5**	$ 50.6	$ 219.3	$ 270.0
Income taxes	**$ 88.9**	**$ 13.5**	**$ 102.4**	$ 3.3	$ 10.2	$ 13.4
Effective income tax rate (%)	**33.4%**	**6.2%**	**21.1%**	6.4%	4.6%	5.0%

Income taxes have increased to $102.4 million in 2017 from $13.4 million in 2016.

The effective income tax rate from E&C increased in 2017 compared with 2016 and was higher than the Canadian statutory income tax rate of 26.6%, reflecting mainly adjustments to deferred income taxes due to the US tax reform. Excluding these adjustments, the effective income tax rate would have been lower than the Canadian statutory income tax rate mainly due to the geographic mix of earnings before income taxes and by the non-taxable portion of the gain on the disposal of the head office building, partially offset by the non-deductible expenses and other permanent items.

The effective income tax rate from Capital investments increased in 2017 compared with 2016. The increase mainly reflected the tax effect resulting from the gain on the partial disposition of the assets to SNC-Lavalin Infrastructure Partners LP.

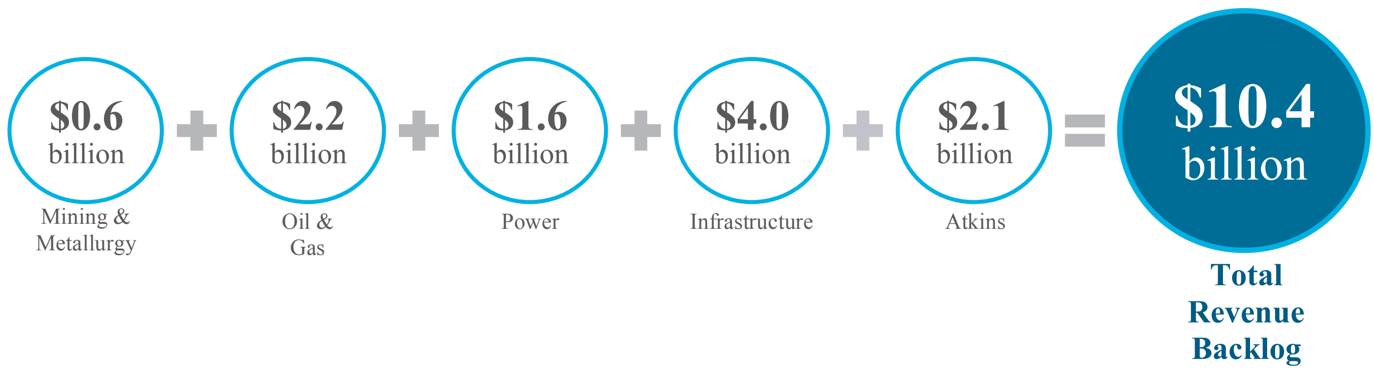
4.12 ACQUISITION OF NON-CONTROLLING INTEREST

In the third quarter of 2017, SNC-Lavalin completed the acquisition of the non-controlling interest of Saudi Arabian Kentz Company Limited for a total cash consideration of US$45.8 million (CA$59.5 million), increasing SNC-Lavalin's ownership interest in this subsidiary from 49% to 75%. Concurrently, a new shareholder for this entity was introduced.

The excess of the consideration paid over the carrying amount of the acquired non-controlling interest of $35.8 million is included in "Retained earnings" in the Company's consolidated statement of changes in equity for the year ended December 31, 2017.

The acquisition of the prior shareholder's shareholdings in Saudi Arabian Kentz Company Limited resulted in the derecognition of non-controlling interest in the Company's subsidiary. Based on the contractual agreements with the new shareholder, the Company consolidates the results of this entity in full from the date of such transaction.

5 Revenue Backlog



The Company reports revenue backlog, which is a non-IFRS financial measure, for **E&C**. Revenue backlog is a **forward-looking indicator of anticipated revenues** to be recognized by the Company. A definition of revenue backlog is provided in Section 13.

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.

Revenue backlog includes reimbursable contracts (2017: 25%; 2016: 45%), fixed-price contracts (2017: 55%; 2016: 55%) and Atkins services contracts (2017: 20%; 2016: nil).

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

AT DECEMBER 31 (IN MILLIONS CA$)	2017	2016[1]
BY SEGMENT		
Mining & Metallurgy	**$ 618.5**	$ 294.0
Oil & Gas	**2,208.3**	3,909.6
Power	**1,574.6**	2,353.2
Infrastructure	**3,951.8**	4,120.6
Atkins	**2,053.3**	-
Total	**$ 10,406.4**	$ 10,677.4
From Canada	**$ 4,648.1**	$ 5,547.3
Outside Canada	**5,758.3**	5,130.0
Total	**$ 10,406.4**	$ 10,677.4

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its financial results related to the Infrastructure segment. Please refer to Section 12.2 for further details.

The Company's revenue backlog decreased at December 31, 2017 compared with 2016, mainly reflecting a decrease in Oil & Gas and Power, partly offset by the incremental activities of Atkins and an increase in Mining & Metallurgy. Contract bookings amounted to $6,7 billion in 2017, with $2,0 billion in Infrastructure, $1,7 billion in Oil & Gas, $1,7 billion in Atkins since its acquisition on July 3rd, 2017, $0,8 billion in Mining & Metallurgy and $0,5 billion in Power.

As the Oil & Gas industry has evolved, the Company's Oil & Gas business mix in terms of service and commercial offerings have significantly changed over the last two years. The offerings in this segment, as planned, have grown more towards services, including engineering and consulting services and developed into longer-term framework and master service agreements. While the lifetime of such agreements can be very valuable, and include the award of significant number of individual scopes, these do not always fit within our recognition of backlog. Therefore management is seeing more book and burn scopes.

Power backlog mainly decreased due to the Company exiting the EPC part of the thermal business.

Backlog from Canada decreased in 2017, reflecting a decrease in Power, Infrastructure, Mining & Metallurgy and Oil & Gas, partly offset by the incremental backlog of Atkins.

Backlog from Outside Canada increased in 2017, principally due to the incremental backlog of Atkins, as well as an increase in Mining & Metallurgy and Infrastructure, partially offset by a decrease in Oil & Gas and Power.

BACKLOG RECONCILIATION

In the following section, the Company presents its "booking-to-revenue ratio", a non-IFRS measure, which corresponds to the contract bookings divided 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 2.2, which can be a significant portion of the budgeted and/or forecasted revenues.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$ EXCEPT FOR BOOKING-TO-REVENUE RATIO)		**2017**	2016
Opening backlog		**$ 10,677.4**	$ 11,991.9
Plus:	Contract bookings during the year	**6,653.1**	7,811.3
	Backlog from business combinations	**2,172.7**	-
Less:	Revenues recognized during the year	**9,096.7**	8,223.1
	Disposal of non-core E&C businesses	**-**	902.7
Ending backlog(1)		**$ 10,406.4**	$ 10,677.4
Booking-to-revenue ratio(1)		**0.73**	0.95

(1) Non-IFRS financial measures. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

MAJOR CONTRACT AWARDS

In 2017, a major contract award in the Mining & Metallurgy segment is a project for the construction of an ammonia plant in the Middle East. In the Infrastructure segment, the Company was awarded contracts to build Phase 2 of a mass transit system project in Central Canada and the construction of a concrete gravity structure for a fixed drilling platform in Eastern Canada. In the Power segment, the Company was awarded a contract extension for a nuclear generating station in Argentina.

In 2016, major additions to the Oil & Gas backlog included a project for the expansion of asphalt production facilities and a contract for work on infrastructure and processing facilities for oil fields, both in the Middle East. In the Power segment, the

Company was awarded a contract to carry out the execution phase of the re-tube and feeder replacement as part of the refurbishment of a nuclear station in Canada, as well as engineering services and tooling related to operational support and the future refurbishment project of a nuclear generating facility in Canada. In Mining & Metallurgy, the Company won a major contract for the construction of two sulphuric acid plants in Latin America. It is important to note that the Company removed a significant amount of $902.7 million of its Infrastructure backlog in 2016, due to the disposal of its non-core E&C businesses in France and its Real Estate Facilities Management business in Canada in December 2016.

O&M CONTRACTS

It should be noted that O&M activities are provided under contracts that can cover a period of up to 40 years. 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. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M revenue backlog to the earlier of: i) **the contract term**; and ii) **the next five years**.

The 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 the backlog.

	INCLUDED IN BACKLOG						NOT INCLUDED IN BACKLOG
(IN MILLIONS CA$)	2018	2019	2020	2021	2022	TOTAL	THEREAFTER
O&M backlog	$ 397.8	$ 308.3	$ 289.5	$ 251.3	$ 233.7	$ 1,480.6	$ 3,607.5

BACKLOG BY TYPES OF CONTRACTS

The following table shows the proportions of reimbursable contracts, fixed-price contracts and Atkins services contracts included in each segment's backlog as at December 31, 2017:

	REIMBURSABLE CONTRACTS(1)	FIXED-PRICE CONTRACTS(1)	ATKINS SERVICES CONTRACTS
BY SEGMENT			
Mining & Metallurgy	**10%**	**90%**	**-%**
Oil & Gas	**35%**	**65%**	**-%**
Power	**80%**	**20%**	**-%**
Infrastructure	**20%**	**80%**	**-%**
Atkins	**-%**	**-%**	**100%**

(1) Note that the percentages provided in the table above are rounded and therefore provide an approximation of the proportion of reimbursable contracts versus fixed-price contracts included in each segment's backlog.

Atkins' services contracts revenue backlog includes reimbursable contracts, as well as fixed-price lump-sum contracts, which were comprised of a significant number of low value and short-term projects as at December 31, 2017, mainly in consulting and design, with limited procurement or construction risks. Atkins' revenue backlog is presented separately as it is calculated differently than SNC-Lavalin's. The Company decided that, starting January 1, 2018, it will replace its measure of revenue backlog with the concept of remaining performance obligation described in IFRS 15, *Revenue from contracts with customers*, which comes into effect on that date.

6 Geographic Breakdown of Revenues by Category of Activity

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017						
		E&C		CAPITAL		TOTAL	%
Americas:							
Canada	$	**2,706.0**	$	**232.7**	$	**2,938.7**	**31%**
United States		**1,550.8**		**2.6**		**1,553.4**	**17%**
Latin America		**341.6**		**-**		**341.6**	**4%**
Middle East and Africa:							
Saudi Arabia		**992.2**		**-**		**992.2**	**11%**
Other Middle East countries		**639.5**		**-**		**639.5**	**7%**
Africa		**450.8**		**2.6**		**453.5**	**5%**
Asia Pacific:							
Australia		**1,173.5**		**-**		**1,173.5**	**13%**
Other		**152.4**		**-**		**152.4**	**1%**
Europe:							
United Kingdom		**885.1**		**-**		**885.1**	**9%**
Other		**204.8**		**-**		**204.8**	**2%**
Total	**$**	**9,096.7**	**$**	**238.0**	**$**	**9,334.7**	**100%**

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2016[1]						
		E&C		CAPITAL		TOTAL	%
Americas:							
Canada	$	3,286.6	$	207.6	$	3,494.2	41%
United States		898.0		2.6		900.6	11%
Latin America		128.3		-		128.3	1%
Middle East and Africa:							
Saudi Arabia		880.2		-		880.2	10%
Other Middle East countries		589.6		-		589.6	7%
Africa		369.6		23.9		393.5	5%
Asia Pacific:							
Australia		1,597.1		-		1,597.1	19%
Other		43.7		-		43.7	1%
Europe:							
United Kingdom		78.4		-		78.4	1%
Other		351.7		13.7		365.4	4%
Total	$	8,223.1	$	247.7	$	8,470.8	100%

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its geographic breakdown since the United Kingdom became more significant following Atkins Acquisition.

AMERICAS:

- **Revenues in Canada decreased in 2017** compared with 2016, mainly due to a decrease in Infrastructure, reflecting notably the sale of the Company's non-core Real Estate Facilities Management business, as well as a decrease in Oil & Gas, Power and Mining & Metallurgy, partially offset by an increase from Capital.

- **Revenues in the United States increased in 2017** compared with 2016, reflecting the incremental activities of Atkins and an increase in Oil & Gas, partially offset by a decrease in Mining and Metallurgy, Power and Infrastructure.

- **Revenues in Latin America increased in 2017** compared with the previous year, principally reflecting an increase in Mining & Metallurgy and Power.

MIDDLE EAST AND AFRICA:

- **Revenues in Saudi Arabia increased in 2017** compared with 2016, primarily due to an increase in Oil & Gas and the incremental activities of Atkins, partially offset by a decrease in Mining & Metallurgy and Infrastructure.

- **Revenues in other Middle East countries increased in 2017** compared with 2016, mainly attributable to the incremental activities of Atkins, partially offset by a decrease in Oil & Gas.

- **Revenues in Africa increased in 2017** compared with 2016, primarily due to an increase in Infrastructure and Power, partially offset by a decrease from Capital and Mining & Metallurgy.

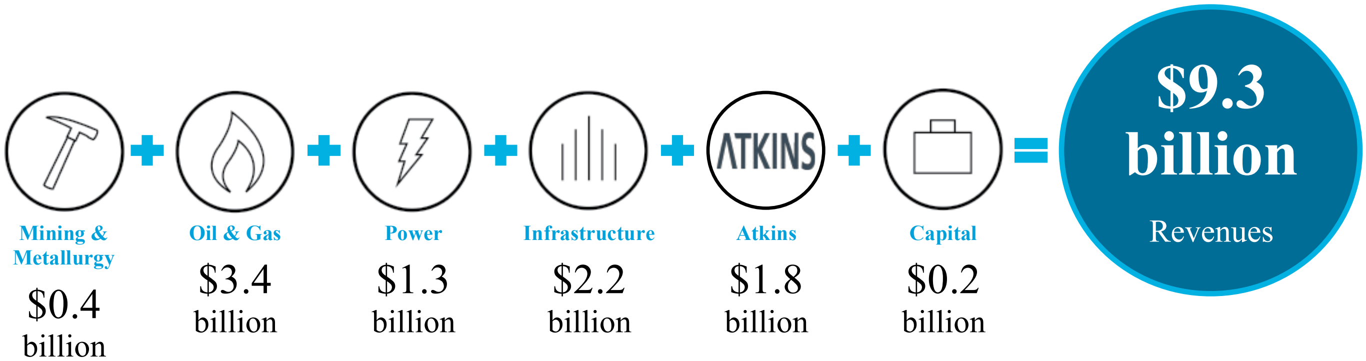
ASIA PACIFIC:

- **Revenues in Australia decreased in 2017** compared with the previous year, mainly attributable to a decrease in Oil & Gas due to completion or near completion of certain major projects in 2017.
- **Revenues in other countries, increased in 2017** compared with the previous year, mainly reflecting the incremental activities of Atkins.

EUROPE:

- **Revenues in the United Kingdom, increased in 2017** compared with the previous year, mainly reflecting the incremental activities of Atkins and an increase in Infrastructure.
- **Revenues in other countries decreased in 2017** compared with 2016, mainly due to a decrease in Infrastructure reflecting notably the sale of the Company's non-core Real Estate Facilities Management business, Oil & Gas, Power and Capital, partially offset by the incremental activities of Atkins and an increase in Mining & Metallurgy.

7 Segmented Information



As previously mentioned, the Company's results are analyzed by segment, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. As such, the Company's reportable segments are: i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; v) **Atkins**; and vi) **Capital**.

Furthermore, corporate selling, general and administrative expenses that are not directly related to projects or segments are not allocated to the Company's segments. Therefore, the Company's Segment EBIT excludes these corporate selling, general and administrative expenses. The Company believes that the use of such Segment EBIT improves the quality of its segments disclosure by providing information that is more comparable relating to their results from operations.

The Company evaluates segment performance using **Segment EBIT**, which is a non-IFRS financial measure defined in Section 13.

In the second quarter of 2017, the Company updated its definition of the Segment EBIT, which now excludes the gain on disposal of the head office building. Refer to Section 12.1 for further details.

The Company generally derives its revenues from reimbursable contracts (2017: 35%; 2016: 60%), fixed-price contracts (2017: 45%; 2016: 40%) and, since July 3, 2017, Atkins services contracts (2017: 20%; 2016: nil). The following discussion reviews the Company's segment revenues and Segment EBIT.

Effective January 1, 2018, the Company's new organizational structure described at Section 3 will result in a change to the Company's reportable segments, which will be: i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Nuclear**; iv) **Clean Power**; v) **Engineering, Design and Project Management**; vi) **Infrastructure**; and vii) **Capital**. The thermal power operations will also be disclosed separately until completion of the remaining fixed price EPC projects.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017							
BY SEGMENT		REVENUES		SEGMENT EBIT FROM E&C		SEGMENT EBIT FROM CAPITAL		TOTAL SEGMENT EBIT
Mining & Metallurgy	**$**	**432.8**	**$**	**20.5**	**$**	**-**	**$**	**20.5**
Oil & Gas		**3,393.0**		**245.6**		**-**		**245.6**
Power		**1,334.6**		**66.4**		**-**		**66.4**
Infrastructure		**2,137.8**		**158.4**		**-**		**158.4**
Atkins		**1,798.6**		**205.0**		**-**		**205.0**
Total E&C segments	**$**	**9,096.7**	**$**	**695.8**	**$**	**-**	**$**	**695.8**
Capital		**238.0**		**-**		**214.0**		**214.0**
Total revenues and Segment EBIT	**$**	**9,334.7**	**$**	**695.8**	**$**	**214.0**	**$**	**909.8**
Less:								
Acquisition-related costs and integration costs			**$**	**(124.3)**	**$**	**-**	**$**	**(124.3)**
Amortization of intangible assets related to business combinations				**(138.9)**		**-**		**(138.9)**
Corporate selling, general and administrative expenses and others not allocated to segments				**(149.7)**		**(26.5)**		**(176.2)**
Gain from disposals of E&C businesses				**1.0**		**-**		**1.0**
Gain on disposals of Capital investments				**-**		**42.1**		**42.1**
Gain on disposal of the head office building				**115.1**		**-**		**115.1**
Restructuring costs				**(26.4)**		**-**		**(26.4)**
Reversal of non-controlling interests before income taxes				**1.1**		**-**		**1.1**
EBIT			**$**	**373.8**	**$**	**229.6**	**$**	**603.4**

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2016(1)							
BY SEGMENT		REVENUES		SEGMENT EBIT FROM E&C		SEGMENT EBIT FROM CAPITAL		TOTAL SEGMENT EBIT
Mining & Metallurgy	$	355.9	$	35.3	$	-	$	35.3
Oil & Gas		3,735.5		186.3		-		186.3
Power		1,624.0		113.0		-		113.0
Infrastructure		2,507.7		131.0		-		131.0
Atkins		-		-		-		-
Total E&C segments	$	8,223.1	$	465.6	$	-	$	465.6
Capital		247.7		-		201.9		201.9
Total revenues and Segment EBIT	$	8,470.8	$	465.6	$	201.9	$	667.5
Less:								
Acquisition-related costs and integration costs			$	(4.4)	$	-	$	(4.4)
Amortization of intangible assets related to business combinations				(68.8)		-		(68.8)
Corporate selling, general and administrative expenses and others not allocated to segments				(162.3)		(24.3)		(186.6)
Gain on disposals of Capital investments				-		55.9		55.9
Loss on disposals of E&C businesses				(37.1)		-		(37.1)
Restructuring costs				(115.4)		-		(115.4)
Reversal of non-controlling interests before income taxes				1.0		-		1.0
EBIT			$	78.6	$	233.5	$	312.1

(1) Comparative figures have been revised to reflect a change made to the Company's reporting of its financial results related to the Infrastructure segment. Please refer to Section 12.2 for further details.

7.1 MINING & METALLURGY

Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects. The Mining & Metallurgy segment derives its revenues from reimbursable contracts (2017: 25%, 2016: 40%) and fixed-price contracts (2017: 75%, 2016: 60%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2017		2016	CHANGE (%)
Revenues from Mining & Metallurgy	**$**	**432.8**	$	355.9	21.6 %
Segment EBIT from Mining & Metallurgy	**$**	**20.5**	$	35.3	(42.0 %)
Segment EBIT over revenues from Mining & Metallurgy (%)		**4.7%**		9.9%	
Revenue backlog at year end	**$**	**618.5**	$	294.0	110.4%

Mining & Metallurgy revenues increased to $432.8 million in 2017 compared with $355.9 million in 2016. The variance was mainly attributable to revenues generated by recent contracts awards, namely the construction of sulphuric acid plants in Chile, a sulphur dioxide mitigation project in Russia and an anhydrous liquid ammonia plant in the Sultanate of Oman, partially offset by a lower level of activity due to the near completion of certain major projects, notably sulphuric acid plants in the Middle East. Global commodity prices remained relatively low in 2017, despite the fact that the prices of certain metals have increased. This market trend continued to have an adverse impact on planned capital expenditures and investments of companies operating in the mining and metallurgy industry in 2017.

The major revenue contributors in 2017 included work on sulphuric acid plants in Chile and Middle East, a sulphur dioxide mitigation project in Russia and an atmospheric emissions reduction project for a nickel smelter complex in Canada.

The Company's **Segment EBIT from Mining & Metallurgy was $20.5 million in 2017** compared with $35.3 million in 2016, primarily due to a decrease in the gross margin-to-revenue ratio, partly offset by a decrease in selling, general and administrative expenses and an increase in volume. In 2016, Mining & Metallurgy's gross margin-to-revenue ratio was driven in part by the positive close-out process of certain major international projects.

7.2 OIL & GAS

Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle, from front-end evaluation through decommissioning (operational and capital expenditures). The Oil & Gas segment derives its revenues from both reimbursable contracts (2017: 45%, 2016: 80%) and fixed-price contracts (2017: 55%, 2016: 20%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		**2017**		2016	CHANGE (%)
Revenues from Oil & Gas	**$**	**3,393.0**	$	3,735.5	(9.2%)
Segment EBIT from Oil & Gas	**$**	**245.6**	$	186.3	31.8%
Segment EBIT over revenues from Oil & Gas (%)		**7.2%**		5.0%	
Revenue backlog at year end	**$**	**2,208.3**	$	3,909.6	(45.2%)

Oil & Gas revenues were $3,393.0 million in 2017 compared with $3,735.5 million in the previous year, primarily due to completion or near completion of certain major projects, most notably Liquefied Natural Gas ("LNG") projects in Australia partly offset by higher revenues from certain contracts that were awarded in 2016 and 2017, principally in the Middle East and in the United States.

The major revenue contributors in 2017 included LNG projects in Australia, work on oil and gas infrastructure and processing facilities across the globe, unconventional gas facilities in the Middle East, production and processing solutions activities in the Americas, as well as revenue derived from book and burn service contracts.

Segment EBIT from Oil & Gas increased to $245.6 million in 2017, compared with $186.3 million in 2016, reflecting a decrease in selling, general and administrative expenses and an increase in the gross margin-to-revenue ratio, partially offset by a lower level of activity on certain major projects that were completed or nearing completion, as explained above. The gross margin-to-revenue ratio increase mainly relates to projects in the Americas.

In 2016, the gross margin from Oil & Gas was affected by the negative impact of unfavourable cost and revenue reforecasts on two Oil & Gas projects under the same contract in the Middle East. The negative impacts of these reforecasts were offset by favourable reforecasts and positive outcomes on other major projects. Segment EBIT from Oil & Gas was also negatively impacted by challenging market conditions in the Company's production and processing solutions activities.

7.3 POWER

Power covers projects and services in hydro, nuclear and thermal power generation, renewable power generation, energy from waste, and electrical power delivery systems. It also has a wealth of expertise in clean and sustainable power technologies. The Power segment derives its revenues from both reimbursable contracts (2017: 50%; 2016: 45%) and fixed-price contracts (2017: 50%; 2016: 55%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		**2017**		2016	CHANGE (%)
Revenues from Power	**$**	**1,334.6**	$	1,624.0	(17.8 %)
Segment EBIT from Power	**$**	**66.4**	$	113.0	(41.2%)
Segment EBIT over revenues from Power (%)		**5.0%**		7.0%	
Revenue backlog at year end	**$**	**1,574.6**	$	2,353.2	(32.8%)

Power revenues were $1,334.6 million in 2017 compared with $1,624.0 million in 2016, largely attributable to the completion of a gas-fired combined-cycle power plant project outside Canada and near-completion of work on transmission lines in Western Canada, partly offset by an increase in revenues from nuclear power projects, notably from nuclear generating stations in Canada and Latin America.

The major revenue contributors in 2017 included projects related to nuclear generating stations in Canada and Latin America, a gas-fired combined cycle power plant in the United States and hydroelectric power facilities in Canada.

In 2017, Segment EBIT from Power decreased to $66.4 million compared with $113.0 million in 2016, mainly attributable to a lower level of activity due to the completion or near completion of certain major projects, as explained above, and a decrease in gross margin-to-revenue ratio, partially offset by a decrease in selling, general and administrative expenses. In 2017, the Power Segment EBIT was negatively impacted by losses from the thermal operations mainly driven by the $93.4 million loss on two gas-fired combined-cycle power plant projects in the United States, partially offset by a strong performance in the nuclear operations and a favourable outcome resulting from the close-out process of a gas-fired combined-cycle power plant project in North Africa.

7.4 INFRASTRUCTURE

Infrastructure provides end-to-end services to a broad range of sectors, including 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, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects. The Infrastructure segment derives its revenues from both reimbursable contracts (2017: 30%; 2016: 35%) and fixed-price contracts (2017: 70%; 2016: 65%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2017		2016[1]	CHANGE (%)
Revenues from Infrastructure	**$**	**2,137.8**	$	2,507.7	(14.7%)
Segment EBIT from Infrastructure	**$**	**158.4**	$	131.0	20.9%
Segment EBIT over revenues from Infrastructure (%)		**7.4%**		5.2%	
Revenue backlog at year end	**$**	**3,951.8**	$	4,120.6	(4.1%)

(1) Comparative figures have been revised to reflect a change made to the Company's reporting of its financial results related to the Infrastructure segment. Please refer to Section 12.2 for further details.

Revenues from Infrastructure decreased to $2,137.8 million in 2017 compared with $2,507.7 million in 2016, following the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations at the end of 2016. Excluding the divested businesses, revenues from Infrastructure in 2017 were in line with the previous year, mainly due to an increase in revenues from certain major projects, including mass transit systems in Central Canada, O&M projects in North Africa and a new bridge corridor in Eastern Canada, partly offset by a decrease in revenues due to completed projects, namely a mass transit system in Western Canada and a hospital in Eastern Canada.

The major revenue contributors in 2017 included multiple projects for mass transit systems in Central Canada, as well as the construction of a new bridge corridor in Eastern Canada and O&M projects in North Africa.

Segment EBIT from Infrastructure increased to $158.4 million in 2017 compared with $131.0 million in 2016. The variance principally reflected an increase in gross margin-to-revenue ratio and lower general and administrative expenses, partially offset by a lower level of activity and an increase in selling expenses, attributable to an increase in proposals and business development costs related to bids on large scale projects. The Infrastructure Segment gross margin included a net positive impact of $55.6 million due to favourable outcomes, as well as cost reforecasts on certain major projects mainly in Canada, while the 2016 gross margin included a net positive impact of $44.2 million due to cost reforecasts and various outcomes on certain major projects, notably mass transit systems and social infrastructure in Canada.

7.5 ATKINS

Atkins, acquired by the Company on July 3, 2017, has projects in the energy, transportation and infrastructure sectors. Atkins also includes the brands *Faithful+Gould*, a world leading integrated project and programme management consultancy, *Atkins Acuity*, an advisory business operating worldwide that offers seamless end-to-end advisory services in the infrastructure and energy sectors, and *Howard Humphreys*, a multidisciplinary engineering consultancy based in Kenya and Tanzania. Atkins also includes *Data Transfer Solutions LLC*, acquired by the Company on October 30, 2017.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		**2017**		2016	CHANGE (%)
Revenues from Atkins	**$**	**1,798.6**	$	-	N/A
Segment EBIT from Atkins	**$**	**205.0**	$	-	N/A
Segment EBIT over revenues from Atkins (%)		**11.4%**		-%	
Revenue backlog at year end	**$**	**2,053.3**	$	-	N/A

For the period from July 3, 2017 to December 31, 2017, Atkins revenues were $1,798.6 million. Atkins revenues were primarily generated from its U.K. and Europe operations, its business in North America, its Energy sector, its Middle East and Africa operations and its Asia Pacific business. In U.K. and Europe, Atkins has projects mainly in transportation, including rail, mass transit and roads, infrastructure and aerospace, defence, security and technology. In North America, projects are primarily funded by the public sector and include projects with several departments of transportation, as well as the water treatment, environmental, city and county markets, and the intermodal business. In Energy, Atkins' projects are largely in the nuclear sector, whereas the remainder of projects are in oil and gas, as well as power, which include renewables.

For the period from July 3, 2017 to December 31, 2017, Atkins Segment EBIT was $205.0 million. The largest contributions are attributable to businesses in the U.K. and Europe, in North America and in Energy.

Atkins' services contracts include reimbursable contracts, as well as fixed-price lump-sum contracts, which were comprised of a significant number of low value and short-term projects as at December 31, 2017, mainly in consulting and design, with limited procurement or construction risks.

7.6 CAPITAL

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes capital investments in a variety of infrastructure assets such as bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

It is the Company's view that the aggregate fair value of its Capital investments is much higher than their net book value of $316.2 million as at December 31, 2017. Highway 407 ETR represents the most significant portion of the total fair value of the Company's Capital investments portfolio.

SNC-Lavalin owns a 16.77% ownership interest in 407 International Inc. ("Highway 407 ETR"). 407 ETR Concession Company Limited ("407 ETR"), which is a wholly-owned subsidiary of Highway 407 ETR, operates, maintains and manages Highway 407 ETR, 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.

Capital investments net book value, as at December 31, 2017 and 2016, can be summarized as follows:

AT DECEMBER 31 (IN MILLIONS CA$)	NET BOOK VALUE **2017**	2016
Highway 407 ETR [(1)]	**$ -**	$ -
Others	**316.2**	416.5
Total	**$ 316.2**	$ 416.5

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

The decrease in the total net book value of Capital investments presented in the table above was largely attributable to the partial disposal of the Partnership, which held the four following Capital investments, Okanagan, InTransit, Chinook and Rainbow, as well as the presentation of the Company's investment in MHIG as a disposal group classified as held for sale

In this section, the Company provides additional information on Highway 407 ETR due to the significance that this Capital investment may have on the Company's value and net income.

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

The Company’s investments are accounted for by either the cost, equity or 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 a Capital investment, as described below:

ACCOUNTING METHODS FOR THE COMPANY’S INVESTMENTS IN CAPITAL INVESTMENTS	REVENUES INCLUDED IN THE COMPANY’S CONSOLIDATED INCOME STATEMENT
Consolidation	**Revenues** that are recognized and reported by the Capital investments
Equity method	SNC-Lavalin’s **share of net results** of the Capital investment or **dividends** from its Capital investments for which the carrying amount is $nil, which are recognized when the Company’s right to receive payment has been established
Cost method	**Dividends and distributions** from the Capital investments

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 Capital investment’s financial results.

REVENUES, SEGMENT EBIT AND DIVIDENDS OF THE CAPITAL SEGMENT

For the year ended December 31, 2017, the Capital Segment EBIT increased to $214.0 million, compared with $201.9 million in 2016. EBIT from Highway 407 ETR, which corresponds to the dividends paid to SNC-Lavalin (see explanations below), increased by 6.9% to $141.7 million in 2017.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		**2017**		2016
Revenues from Capital	**$**	**238.0**	$	247.7
Segment EBIT from Capital investments:				
From Highway 407 ETR	**$**	**141.7**	$	132.5
From other Capital investments[(1)]		**72.3**		69.4
Segment EBIT from Capital	**$**	**214.0**	$	201.9
Dividends and distributions received by SNC-Lavalin from Capital investments accounted for by the equity method:				
From Highway 407 ETR	**$**	**141.7**	$	132.5
From other Capital investments		**15.2**		29.9
Total	**$**	**156.9**	$	162.4

(1) EBIT from other Capital investments is net of divisional and allocated corporate selling, general and administrative expenses, as well as from selling, general and administrative expenses from all other capital investments accounted for by the 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 a Capital investment 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 ETR of $141.7 million in 2017 (2016: $132.5 million). The Company did not recognize its share of Highway 407 ETR's net income of $78.9 million (2016: $62.6 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was $nil at December 31, 2017 and December 31, 2016.

Revenues from Capital decreased to $238.0 million in 2017 compared with $247.7 million in 2016, mainly due to a lower level of activities on certain Capital investments and lower revenues from Capital investments partially disposed in 2017 partly offset by an increase in dividends received from Highway 407 ETR.

Segment EBIT from Capital increased to $214.0 million in 2017 compared with $201.9 million in 2016, due to an increase in dividends received from Highway 407 ETR and higher profitability of certain Capital investments partly offset by a decrease in revenues as explained above.

CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2017:

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	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
MCGILL HEALTHCARE INFRASTRUCTURE GROUP ("MHIG")	50%	Equity	Yes	2010	2044	In operation	Operates and maintains the McGill University Health Centre's new Glen Campus.
INPOWER BC GENERAL PARTNERSHIP ("INPOWER BC")	100%	Consolidation	Yes	2014	2033	Under construction	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility, in Canada.
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.
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").
407 INTERNATIONAL INC. ("HIGHWAY 407 ETR")	16.77%	Equity	No	1999	2098	In operation	Operates, maintains and manages Highway 407 ETR, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m^3/day 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.
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.
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	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.
SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")	50%	Equity	Yes	2015	2049	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the New Champlain Bridge Corridor project.
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINTON CROSSTOWN")	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.

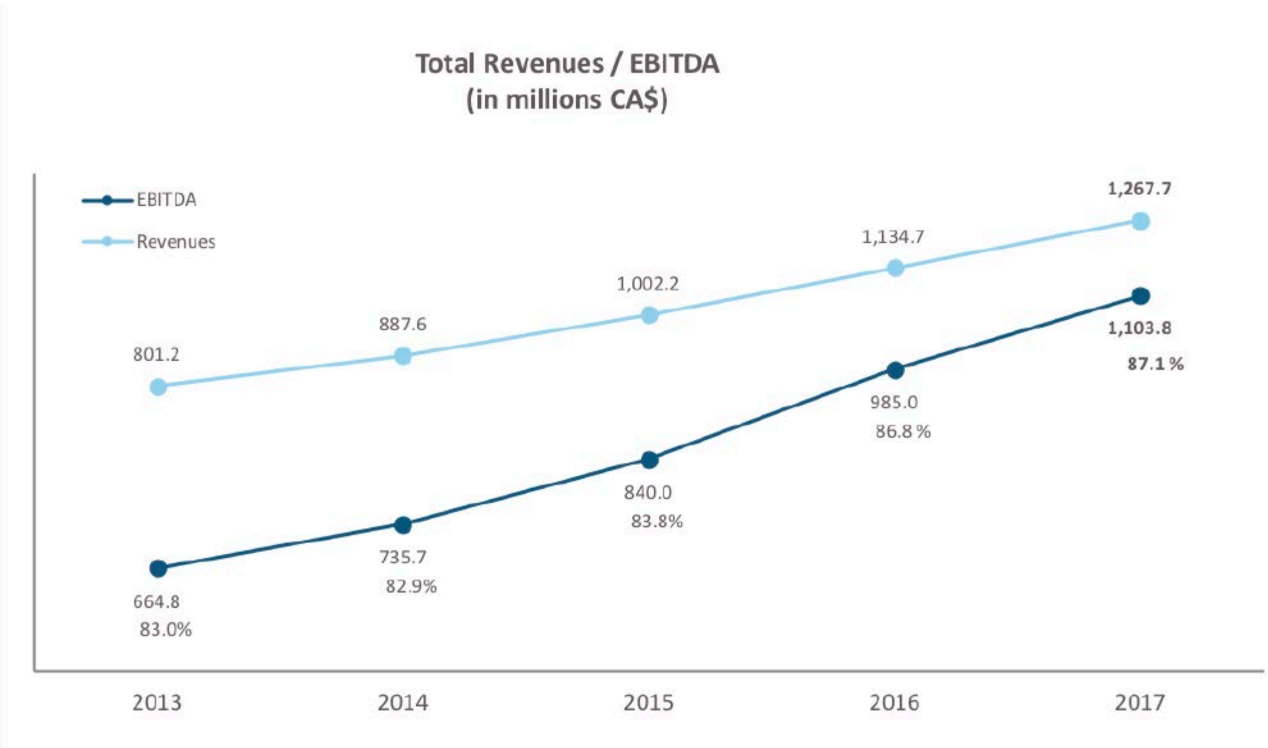
NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
SNC-LAVALIN INFRASTRUCTURE PARTNERS LP ("PARTNERSHIP")	20%	Equity	No	2017	N/A	In operation	Holds the participations in Rainbow Hospital Partnership, Chinook Roads Partnership, InTransit BC Limited Partnership and Okanagan Lake Concession Limited Partnership.

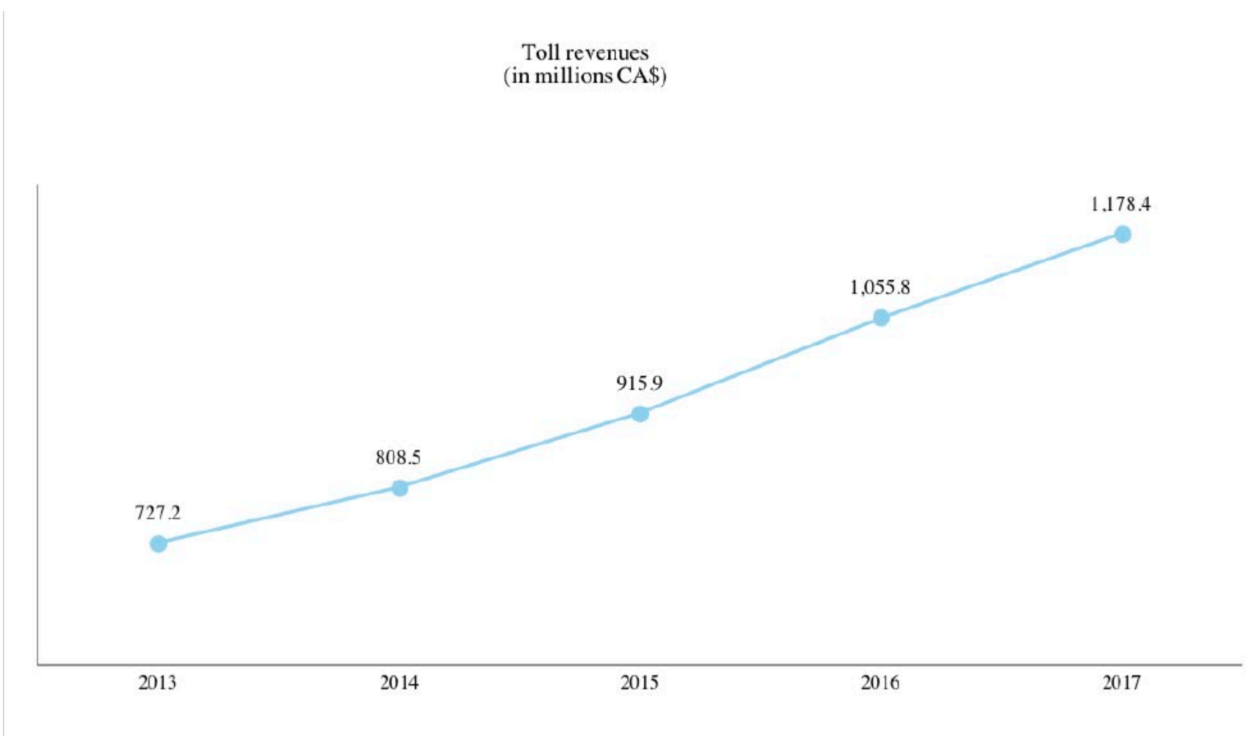
N/A: not applicable

HIGHWAY 407 ETR

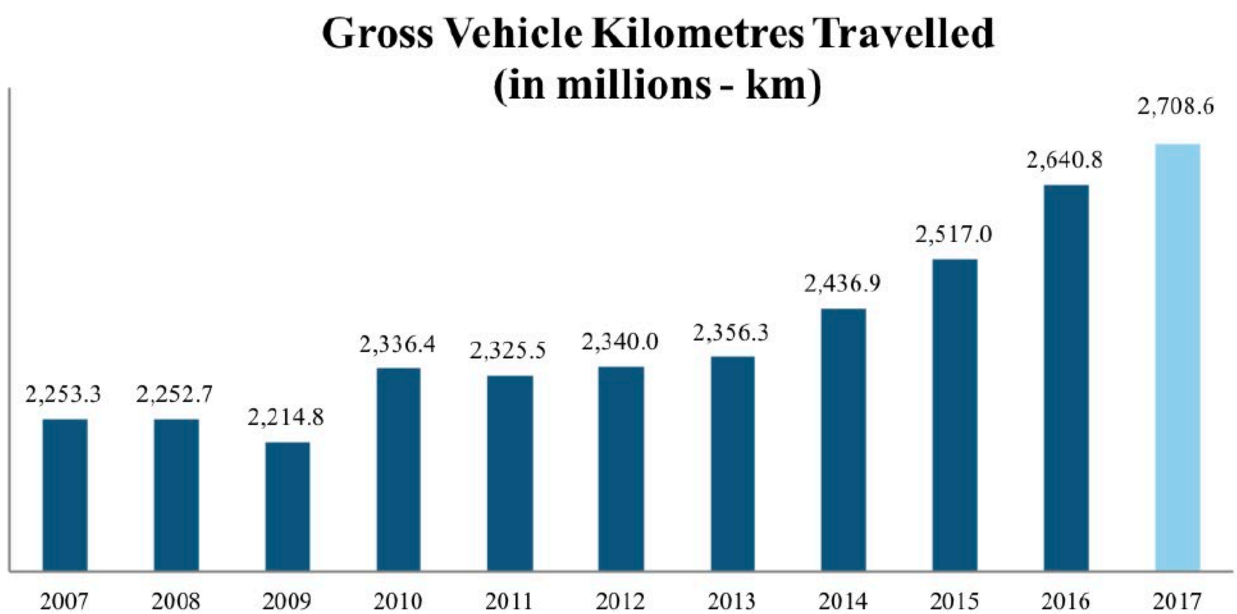
The following information is intended to provide the reader with a general understanding of the operations and key metrics of Highway 407 ETR. As 407 International Inc. issues public debt, 407 International Inc. financial statements, MD&A and other relevant financial materials can be found on **www.sedar.com**, 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 Capital investment, for full financial disclosure, the reader should refer to 407 International Inc. official documents.

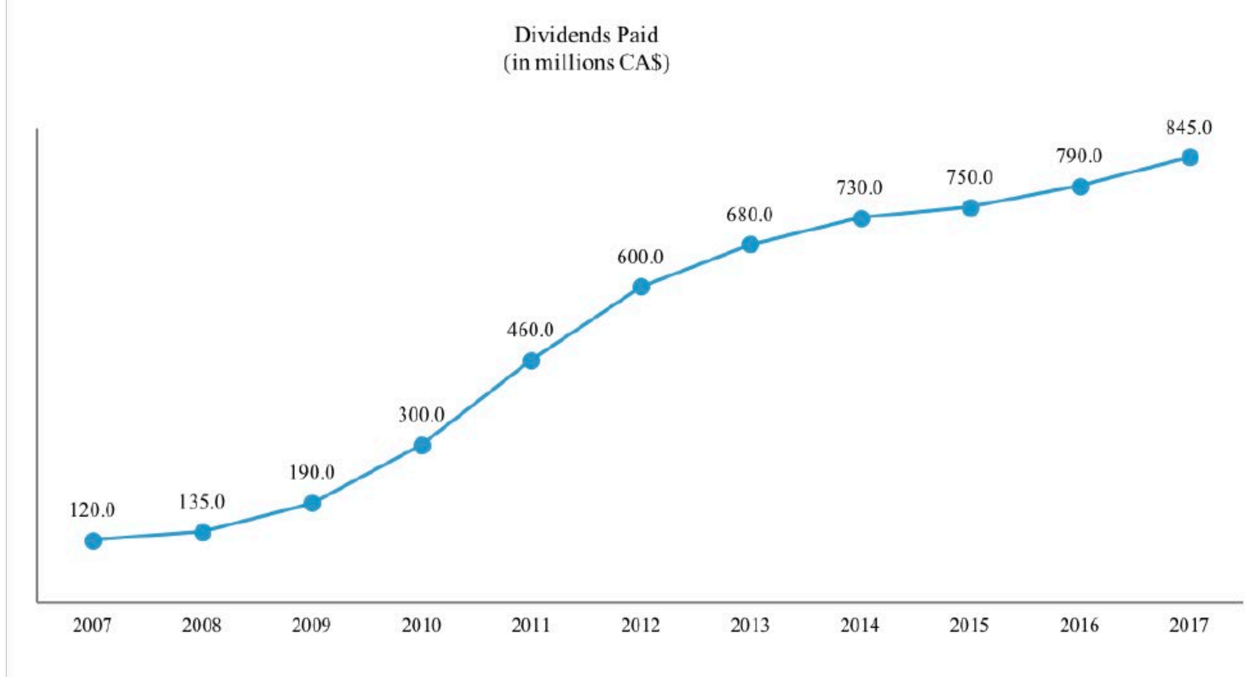
407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS



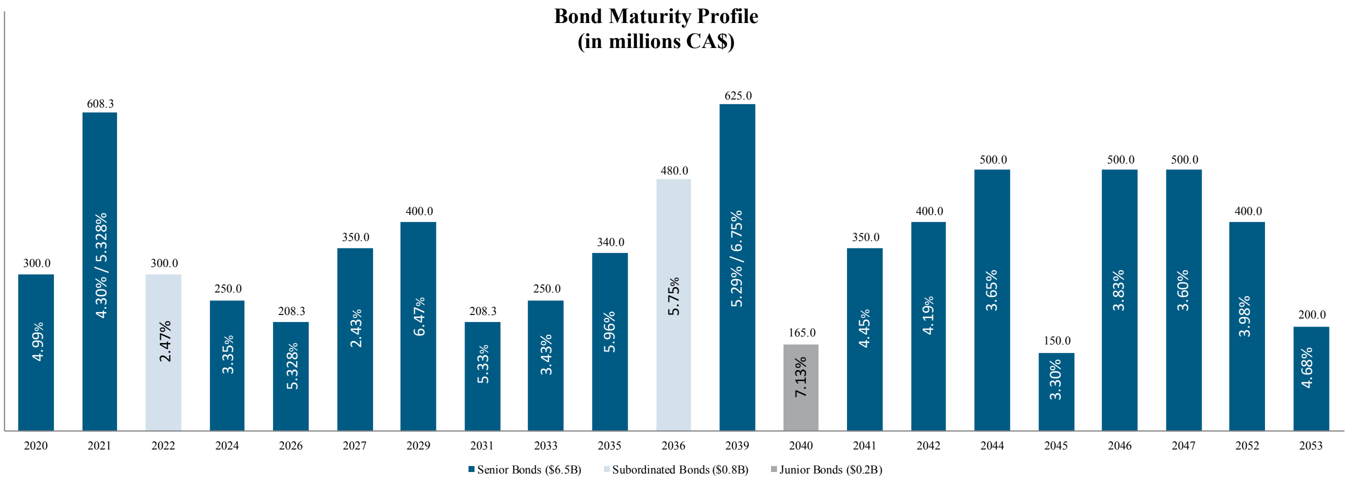


407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS





407 INTERNATIONAL INC. BOND MATURITY PROFILE



407 International Inc.'s acquisition of 407 ETR in May 1999 was, and the development of Highway 407 ETR 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.

407 INTERNATIONAL INC. FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017	2016	CHANGE (%)
Revenues	**$ 1,267.7**	$ 1,134.7	11.7%
Operating expenses	**163.9**	149.7	9.5%
EBITDA	**1,103.8**	985.0	12.1%
EBITDA as a percentage of revenues	**87.1%**	86.8%	N/A
Depreciation and amortization	**105.8**	104.9	0.9%
Interest and other expenses	**358.4**	372.8	(3.9) %
Deferred income tax expense	**13.9**	67.8	(79.5) %
Current income tax expense	**155.6**	66.6	133.6 %
Net income	**$ 470.1**	$ 372.9	26.1%
Dividends paid	**$ 845.0**	$ 790.0	7.0%

The Company's investment in Highway 407 ETR is accounted for by the equity method, however for 2016 and 2017, the Company recognized in its income statement its share of the dividends from Highway 407 ETR instead of its share of Highway 407 ETR'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. TRAFFIC RESULTS

YEAR ENDED DECEMBER 31 (EXCEPT TRANSPONDERS IN CIRCULATION)	2017	2016	CHANGE (%)
Traffic/Trips (in millions)	**125.7**	124.5	1.0%
Average Workday Number of Trips (in thousands)	**413.4**	408.2	1.3%
Vehicle Kilometres Travelled ("VKT", in millions)	**2,708.6**	2,640.8	2.6%
Average Trip Length ("ATL", in kilometres)	**21.5**	21.2	1.4%
Unbillable traffic (percent)	**2.3**	2.3	-
Transponder Penetration rate (percent)	**82.1**	82.5	(0.5)%
Transponders in Circulation at December 31	**1,434,485**	1,342,290	6.9%

407 International Inc. is owned by Cintra Global, a wholly-owned subsidiary of Ferrovial, S.A. (43.23%), by indirectly owned subsidiaries of Canada Pension Plan Investment Board (40.00%), 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 seven million and is projected to exceed nine million by the year 2031. Future growth in the GTA is expected to continue further north, north-west and north-east in areas proximate to the highway corridor, as Lake Ontario prevents growth to the south. What makes Highway 407 ETR particularly attractive is that unlike many other toll roads, Highway 407 ETR 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 ETR is therefore a convenient alternative in the region, and a growing capacity to provide further congestion relief. What also differentiates Highway 407 ETR 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 financial penalty to the Province of Ontario, which the concession does not expect to be material. 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.

DISPOSALS OF CAPITAL INVESTMENTS IN 2017

SNC-Lavalin Infrastructure Partners LP

On June 30, 2017, SNC-Lavalin announced the launch of the Partnership, established to efficiently redeploy capital back into development opportunities, and entered into a strategic agreement with a Canadian subsidiary of BBGI. This Partnership would hold 100% of SNC-Lavalin's interests in a selection of its mature Canadian infrastructure assets and their holding companies. SNC-Lavalin retains the long-term management of the assets and acts as General Partner and Manager of the Partnership.

On September 28, 2017, BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of the following four assets: Okanagan, InTransit, Chinook and Rainbow and contemporaneously SNC-Lavalin transferred to the Partnership all of its ownership in the four assets. A fifth asset, MHIG, is currently expected to be transferred to the Partnership in 2018. The gain on partial disposal of the Partnership amounted to $36.7 million ($26.5 million after taxes) in the third quarter of 2017.

McGill Healthcare Infrastructure Group

On June 30, 2017, the joint venture McGill Healthcare Infrastructure Group, in which SNC-Lavalin previously held 60% ownership interest, issued equity instruments to the other investor in MHIG, which resulted in a dilution of SNC-Lavalin's ownership interest to 50%. In addition, the Company's subordinated loan receivable from MHIG of $109.3 million (the "Subordinated Loan") was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for a total cash consideration of $23.3 million. These transactions resulted in a net gain of $5.4 million ($5.4 million after taxes) in the second quarter of 2017.

RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its associates and joint ventures, mainly its Capital investments. 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 investments accounted for by the equity or consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the investment. Profits generated from transactions with investments accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

INVESTMENT	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
Capital investments accounted for under IFRIC 12	Consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the Capital investment 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 Capital investment through the contractual agreement with its client.
Others	Equity method	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.
	Cost method	Not eliminated, in accordance with IFRS.

For the year ended December 31, 2017, SNC-Lavalin recognized E&C revenues of $1,098.3 million (2016: $755.8 million) from contracts with investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from

Capital investments accounted for by the equity method of $184.8 million for the year ended December 31, 2017 (2016: $182.8 million).

SNC-Lavalin's trade receivables from investments accounted for by the equity method amounted to $77.6 million as at December 31, 2017 (2016: $90.2 million). SNC-Lavalin's other current financial assets receivable from these investments accounted for by the equity method amounted to $103.6 million as at December 31, 2017 (2016: $83.0 million). SNC-Lavalin's remaining commitment to invest in its Capital investments accounted for by the equity method was $98.0 million as at December 31, 2017 (2016: $98.0 million).

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

ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

The Company provides additional financial information on its Capital investments to allow the reader to have a better understanding of the financial position, results of operations and cash flows for E&C activities and Capital investments. As such, the following information on the Company's Capital investments is included in the Company's 2017 audited annual consolidated financial statements:

Consolidated statement of financial position	› The net book value of Capital investments accounted for by the equity and cost methods, distinctively; › Non-recourse debt from Capital investments controlled by the Company.
Consolidated statement of cash flows	› For Capital investments controlled by the Company: ○ Depreciation and amortization from Capital investments, and acquisition of property and equipment from Capital investments; ○ Repayment and increase of non-recourse debt from Capital investments.
Notes to the audited annual consolidated financial statements	› Net income attributable to SNC-Lavalin shareholders from Capital investments; › Certain other notes provide information regarding Capital investments separately from E&C.

7.7 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND OTHERS NOT ALLOCATED TO SEGMENTS

Corporate selling, general and administrative expenses that are not directly related to projects or segments are not allocated to the Company's segments.

Corporate selling, general and administrative expenses and others not allocated to projects or segments in 2017 were in line with 2016, mainly due to a lower amount of unallocated benefits, incentives, social security charges and other costs to projects or segments in 2017, while there was a $32.5 million favourable impact resulting from revised estimates on legacy sites environmental liabilities and other asset retirement obligations in 2016 .

8 Fourth Quarter Results

For the fourth quarter of 2017, net income attributable to SNC-Lavalin shareholders was $52.4 million ($0.30 per share on a diluted basis), compared with a net income of $1.6 million ($0.01 per share on a diluted basis) for the comparable quarter in 2016 which was negatively impacted by a net loss of $44.6 million net of income taxes on the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations at the end of 2016. The remaining increase was principally attributable to the incremental contribution of Atkins, partly offset by a higher income taxes expense and higher net financial expenses.

For the fourth quarter of 2017, there was a net income attributable to SNC-Lavalin shareholders from E&C of $14.3 million, compared with a net loss of $38.4 million due to disposals of E&C businesses, as explained above. The remaining increase was principally due to the incremental contribution of Atkins and a higher contribution from Infrastructure and Mining & Metallurgy, partially offset by a lower contribution from Oil & Gas and a loss from Power.

› **The higher contribution from Infrastructure** was mainly due to an increase of the gross margin-to-revenue ratio and a decrease in selling, general and administrative expenses, partly offset by a lower level of activities due the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations at the end of 2016.

› **The higher contribution from Mining & Metallurgy** was mainly due to a higher level of activities and lower selling, general and administrative expenses, partly offset by a lower gross margin-to-revenue ratio. In the fourth quarter of 2016, a lower level of activity due to persisting difficult market conditions in this sector and the completion or near completion of certain major projects had a negative impact on the contribution from Mining & Metallurgy.

› **The loss from Power in the fourth quarter of 2017** is due to losses from the thermal operations, mainly driven by the loss on one gas-fired combined-cycle power plant project in the United States. Segment EBIT from Power was also negatively impacted by a decrease in the level of activities, a decrease of gross margin-to-revenue ratio and an increase in selling, general and administrative expenses. In 2016, the increase in gross margin-to-revenue ratio coupled with the decrease in selling, general and administrative expenses were offset by a decrease in volume, due to certain major projects reaching completion, principally work on transmission lines in Western Canada.

› **The contribution from Oil & Gas were in line with the fourth quarter of 2016** due to a lower level of activities following completion or near completion of certain major projects, most notably LNG projects in Australia and a lower gross margin-to-revenue ratio, offset by lower selling, general and administrative expenses. In the fourth quarter of 2016, a lower level of activity on certain major projects that were completed or near completion and the challenging market conditions in the Company's production and processing solutions activities had a negative impact on the contribution from Oil & Gas.

Additionally, certain significant items also had an impact on the net income attributable to SNC-Lavalin shareholders in the fourth quarter of 2017 and 2016, mainly:

› **$1.5 million ($1.9 million after taxes) of net reversal of restructuring costs in the fourth quarter of 2017**, compared with $87.8 million ($61.9 million after taxes) of restructuring costs in the corresponding period of 2016;

- **$25.4 million ($21.6 million after taxes) of acquisition-related costs and integration costs in the fourth quarter of 2017**, compared with $0.3 million ($0.2 million after taxes) in the same period last year, mainly due to costs incurred in connection with the acquisition of Atkins, completed on July 3, 2017;

- **$73.8 million ($61.3 million after taxes) of amortization of intangible assets related to business combinations**, compared with $16.5 million ($13.2 million after taxes) in the corresponding quarter of 2016, an increase also attributable to the acquisition of Atkins; and

- **Impact of U.S. corporate tax reform resulting in a non-cash income taxes expense of $42.5 million in 2017**, explained in Section 4.11.

Net income attributable to SNC-Lavalin shareholders from Capital amounted to $38.1 million in the fourth quarter of 2017, compared with $40.0 million for the fourth quarter of 2016. The decrease in contributions from certain Capital investments and from Capital investments partially disposed in 2017 was partly offset by a decrease in net financial expenses and an income taxes adjustment.

Revenues increased to $2,917.8 million in the fourth quarter of 2017, compared with $2,211.1 million for the fourth quarter of 2016, mainly reflecting the impact of the incremental revenues of Atkins, as well as an increase in Mining & Metallurgy, partly offset by a decrease in Oil & Gas, Power, and Infrastructure, principally due to the reasons stated above.

The Company's backlog as at December 31, 2017 amounted to $10.4 billion, compared with $11.3 billion at the end of the third quarter of 2017. This variation was mainly attributable to a decrease in Oil & Gas and Power, as explained in Section 5, as well as a decrease in Infrastructure and Mining & Metallurgy, partly offset by an increase in Atkins. **The Company's contract bookings amounted to $1.9 billion in the fourth quarter of 2017.**

At the end of December 2017, the Company's cash and cash equivalents amounted to $0.7 billion, compared with $0.6 billion at the end of September 2017. The increase was mainly due to cash generated from financing activities, partially offset by cash flows used for investing and operating activities.

9 Liquidity and Capital Resources

$0.7 billion
Cash & Cash equivalents

5%
Quarterly dividend increase

($235.9) million
Operating cash flows

$177.9 million
Dividends paid to shareholders

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

- A **cash flow** analysis, providing details on how the Company generated and used its cash and cash equivalents;
- A discussion on the Company's **capital structure management** and its **capital resources**;
- A description of the Company's **debt and financing agreements** and its **capital management indicators**;
- An update on the Company's **credit ratings**;
- 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
- The presentation of the Company's **dividends declared** over the past three years and its **normal course issuer bid**.

9.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2017		2016
Cash flows generated from (used for):				
Operating activities	**$**	**(235.9)**	$	105.6
Investing activities		**(3,063.8)**		(87.1)
Financing activities		**2,953.4**		(538.2)
Decrease in exchange differences on translating cash and cash equivalents held in foreign operations		**(2.7)**		(6.7)
Net decrease in cash and cash equivalents		**(348.9)**		(526.4)
Cash and cash equivalents at beginning of year		**1,055.5**		1,581.8
Cash and cash equivalents at end of year	**$**	**706.5**	$	1,055.5

Cash and cash equivalents decreased by $348.9 million in 2017, compared with a decrease of $526.4 million in 2016, as discussed further below.

OPERATING ACTIVITIES

Net cash used for operating activities totalled $235.9 million in 2017 compared with net cash generated of $105.6 million in 2016, a variance of $341.5 million reconciled as follows:

(IN MILLIONS CA$)		
Net cash generated from operating activities for the year ended December 31, 2016	$	105.6
Changes between the year ended December 31, 2016 and 2017:		
Increase in net income		**126.6**
Decrease in income taxes paid		**29.4**
Increase in interest paid (from E&C and from Capital investments)		**(76.5)**
Increase in depreciation of property and equipment and amortization of other non-current assets		**72.5**
Increase in income taxes recognized in net income		**89.0**
Increase in net financial expenses recognized in net income		**75.7**
Decrease in net change in provisions related to forecasted losses on certain contracts		**73.4**
Decrease in the gain on disposals of Capital investments		**13.8**
Loss on disposals of E&C businesses in 2016		**(37.1)**
Remeasurement of a foreign exchange option in 2017		**48.7**
Decrease in restructuring costs recognized in net income		**(89.0)**
Decrease in restructuring costs paid		**23.2**
Gain on disposal of the head office building in 2017		**(115.1)**
Other items		**4.3**
Changes in the net cash generated/used by operating activities before net change in non-cash working capital items	**$**	**238.9**
Increase in cash used by the changes in non-cash working capital items	**$**	**(580.4)**
Net cash used for operating activities for the year ended December 31, 2017	**$**	**(235.9)**

› **Net cash generated from operating activities before net change in non-cash working capital items, totalled $405.2 million in 2017**, compared with $166.3 million in 2016, a variance of $238.9 million, mainly explained by the elements in the table above, most notably by an increase in net income, partially attributable to the incremental results of Atkins, acquired in July 2017;

› As detailed in Note 29B to the Company's 2017 audited annual consolidated financial statements, **changes in non-cash working capital items used cash of $641.1 million in 2017**, compared with $60.7 million in 2016. This difference reflected mainly a decrease in deferred revenues on certain major projects, trade payables and downpayments on contracts, partly offset by a decrease in other current financial assets and contracts in progress. The negative net change in non-cash working capital items was mainly reflecting working capital requirements on certain major projects in 2017.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to $3,063.8 million in 2017, compared with $87.1 million in 2016, a variance of $2,976.7 million reconciled as follows:

(IN MILLIONS CA$)	
Net cash used for investing activities for the year ended December 31, 2016	$ (87.1)
Changes between the year ended December 31, 2016 and 2017:	
Decrease in acquisitions of property and equipment	**26.5**
Proceeds from disposal of the head office building in 2017	**173.3**
Decrease in payments for Capital investments	**11.7**
Costs associated to a foreign exchange option, net of recovery in 2017	**(48.7)**
Acquisition of Atkins in 2017	**(3,119.4)**
Acquisition of DTS in 2017	**(57.3)**
Change in restricted cash position	**48.1**
Higher increase in receivables under service concession arrangements, net of recovery	**(28.7)**
Lower net cash inflow on disposals of Capital investments accounted for by the equity method	**(78.6)**
Higher net cash inflow on disposals of E&C businesses and of Capital investments accounted for by the consolidation method	**91.8**
Other items	**4.6**
Net cash used for investing activities for the year ended December 31, 2017	**$ (3,063.8)**

› The changes in cash flows related to investing activities between 2016 and 2017 were primarily explained by the elements in the table above, most notably by the $3,119.4 million cash used to acquire Atkins in July 2017, partially offset by the proceeds of $173.3 million received from the sale of the Company's head office building in 2017;

› In 2017, the Company entered into a foreign exchange option to hedge the foreign exchange exposure related to the acquisition of Atkins. This foreign exchange option was settled during the second quarter of 2017, resulting in a cost, net of recovery, of $48.7 million;

› In 2017, SNC-Lavalin completed the acquisition of Data Transfer Solutions LLC ("DTS") for $57.3 million. This transaction is described in Note 6B to the Company's 2017 audited annual consolidated financial statements;

› In 2017, inflows on disposals of Capital investments accounted for by the equity method were $78.6 million lower compared to 2016. In 2017, the Company received a $23.3 million cash consideration in reduction of the subordinated loan receivable from MHIG and in 2016, the Company received $101.9 million on disposals of Capital investments, mainly reflecting the disposal of the Company's indirect ownership interest in SNCL Malta. Both transactions are described in Note 5A to the Company's 2017 audited annual consolidated financial statements; and

- In 2017, the net cash inflow on disposals of E&C businesses and of Capital investments accounted for by the consolidation method was $91.8 million higher compared to previous year.
  - This variation is mainly due to BBGI's subscription to units of the Partnership in 2017, in an amount equal to 80% of the value of the following four assets: Okanagan, InTransit, Chinook and Rainbow, while contemporaneously SNC-Lavalin transferred to the Partnership all of its ownership in the four assets, for a net cash inflow of $89.9 million. This transaction is described in Note 5A to the Company's 2017 audited annual consolidated financial statements.
  - In 2017, the Company also disposed of Equinox, for a net cash outflow of $21.9 million, mainly reflecting cash held by Equinox upon disposal. This transaction is described in Note 7 to the Company's 2017 audited annual consolidated financial statements.
  - In 2016, the Company's non-core Real Estate Facilities Management business, its local operations in France and its investment in Mayotte Airport were sold, for a net cash outflow of $23.9 million.

FINANCING ACTIVITIES

Net cash generated from financing activities totaled $2,953.4 million in 2017, compared with net cash used of $538.2 million in 2016, a variance of $3,491.6 million reconciled as follows:

(IN MILLIONS CA$)

Net cash used for financing activities for the year ended December 31, 2016	$ (538.2)
Changes between the year ended December 31, 2016 and 2017:	
Higher increase in recourse debt	**2,677.1**
Payment for recourse debt issue costs in 2017	**(8.7)**
Increase in repayment of recourse debt	**(2,185.3)**
Increase in limited recourse debt	**1,500.0**
Payment for limited recourse debt issue costs in 2017	**(26.6)**
Net repayment of advances under contract financing arrangements in 2016	**395.7**
Decrease in proceeds from exercise of stock options	**(12.9)**
Increase in dividends paid to SNC-Lavalin shareholders	**(21.8)**
Decrease in dividends paid by subsidiaries to non-controlling interests	**9.1**
Proceeds from shares issued in exchange of subscription receipts in 2017	**1,220.8**
Amount paid for acquisition of non-controlling interest in 2017	**(59.5)**
Other items	**3.7**
Net cash generated from financing activities for the year ended December 31, 2017	**$ 2,953.4**

- The changes in cash flows related to financing activities between 2016 and 2017 were primarily explained by the elements in the table above, most notably by the financing related to the acquisition of Atkins, namely the limited recourse debt, and part of the increase in the Revolving Facility, all of which are defined and described in Section 9.4, in addition to the proceeds from the issuance of shares;

- In 2016, the Company repaid in full the outstanding balance of advances under contract financing arrangements related to the Ste-Justine and Evergreen projects amounting to $395.7 million, therefore financing arrangements did not have any cash flow impact in 2017;

- In 2017, SNC-Lavalin acquired the non-controlling interest of Saudi Arabia Kentz Co. LLC for total cash consideration of US$45.8 million (CA$59.5 million). This transaction is described in Note 25 to the Company's 2017 audited annual consolidated financial statements;

- Dividends paid to SNC-Lavalin shareholders increased by $21.8 million in 2017, totalling $177.9 million compared with $156.1 million in 2016, mainly reflecting an increase in dividends paid per share. The increase in dividends reflects dividends paid of $1.092 per share in 2017 compared with $1.04 per share for 2016; and

- The issuance of shares pursuant to the exercise of stock options generated $9.7 million in cash in 2017 (251,402 stock options at an average price of $38.69), compared with $22.6 million in 2016 (585,428 stock options at an average price of $38.60). As at February 13, 2018, there were 288,663 stock options outstanding with an exercise price of $40.98 per common share. At that same date, there were 175,526,455 common shares issued and outstanding, including the equity issued in connection with the acquisition of Atkins.

9.2 CAPITAL STRUCTURE MANAGEMENT

The Company's sources of funds stem primarily from its operating cash flows from E&C projects, as well as from its Capital investments, the divestiture of matured Capital investments and non-core assets, and the additional financial leverage available through its credit facility. The Company's funds are mainly used to meet working capital requirements and sustain capital expenditures on projects, make equity investments that drive E&C revenues, pay dividends to shareholders and complete M&A activities.

SNC-Lavalin's key objectives for its capital allocation framework are:

- To drive organic and inorganic E&C growth;
- Optimize its balance sheet while safeguarding the Company's investment grade rating; and
- Return capital to shareholders.

In order to meet its objectives, the Company has undertaken a number of significant actions over the course of 2017. SNC-Lavalin completed the acquisition of Atkins in July 2017 and of DTS in October 2017, which have improved its business mix and driven inorganic growth in E&C. Furthermore, the Company has monetized certain of its Capital investments through the creation of a Partnership, SNC-Lavalin Infrastructure Partners LP, and disposal of its head office building, both in 2017. The Company has added leverage to its capital structure while maintaining its investment grade rating and has complied with all of its bank covenants as at December 31, 2017. In addition, the Company aims to maintain its dividend growth trajectory, stabilize its dividend payout ratio and deliver dividend returns in the 2% range to its shareholders.

9.3 CAPITAL RESOURCES

AT DECEMBER 31 (IN MILLIONS CA$)	2017		2016	
Cash and cash equivalents	$	**706.5**	$	1,055.5
Unused portion of committed revolving credit facilities(1)(2)		**2,349.2**		2,227.6
Available short-term capital resources	$	**3,055.8**	$	3,283.1

(1) Including cash draws and letters of credit issued on a committed basis, but excluding bilateral letters of credit that can be issued on a non-committed basis.
(2) Before considering potential limitations resulting from contractual covenants.

As at December 31, 2016, the Company had a revolving credit facility of $4,250 million, of which $2,227.6 million was unused. Following the amendment of its existing revolving credit facility, as described in Section 9.4, the Company now has a committed revolving facility of $2,750 million, of which $2,349.2 million was unused as at December 31, 2017, and uncommitted credit facilities by way of bilateral letters of credit. The decrease in cash and cash equivalents as at December 31, 2017 compared with the previous year is explained in Section 9.1.

While liquidity remains subject to numerous risks and limitations, including but not limited to the risks described under Section 14 "Risks and Uncertainties" and in this section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations over the foreseeable future. Due to the nature of the Company's activities and the fact that its operations are conducted through multiple entities and joint operations on an international level, the Company's cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various pooling agreements with financial institutions and may transfer cash balances between subsidiaries, joint arrangements or investees or use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

9.4 DEBT AND FINANCING AGREEMENTS

CHANGES IN 2017

Financing Related to the Acquisition of Atkins

On April 20, 2017, SNC-Lavalin announced that it reached an agreement with Atkins to acquire the entire issued and to be issued share capital of Atkins. This acquisition was funded through a combination of equity and debt issuance, including a £300 million term facility (the "Term Facility") and a $1,500 million loan (the "CDPQ Loan") made by CDPQ Revenu Fixe Inc. ("CDPQ RF") to SNC-Lavalin Highway Holdings Inc. ("Highway Holdings").

On May 15, 2017, the Company amended its existing revolving credit facility (the "Revolving Facility") and merged the Revolving Facility with the Term Facility into one single agreement (the "Credit Agreement"). The Credit Agreement is subject to affirmative and negative covenants, as well as a financial covenant which is to maintain at all times, on a rolling 12-month and consolidated basis, a maximum net recourse debt to EBITDA ratio, as defined under the Credit Agreement. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of all indebtedness under the Credit Agreement. The Company complied with all its covenants under the Credit Agreement as at December 31, 2017.

In July 2017, the aggregate cash consideration for the acquisition was £20.80 per Atkins share for a total consideration of approximately $3.5 billion and was financed, including the acquisition-related costs, using the net proceeds from an $880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters, a $400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec ("the Caisse"), the $1.5

billion CPDQ Loan from the CDPQ RF to Highway Holdings, a draw of £300 million (CA$498 million) under the Term Facility, as well as a draw of US$185 million (CA$238 million) and £56 million (CA$93 million) under the Revolving Facility.

Revolving Facility

The Revolving Facility is comprised of two tranches: i) tranche A is for an amount of $2 billion; and ii) tranche B is for an amount of $750 million. The Revolving Facility maturity date is May 15, 2021 or such other date as may be agreed pursuant to extension provisions of the Credit Agreement. Borrowings under tranche A may be obtained in the form of: i) prime rate loans; ii) acceptances; iii) US base rate loans; iv) Libor loans in US dollars, Euros and British pounds; and v) non-financial, financial and documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non-financial or documentary letters of credit.

Term Facility

The Term Facility is comprised of three tranches: i) tranche 1 is for an amount of £75 million; ii) tranche 2 is for an amount of £75 million; and iii) tranche 3 is for an amount of £150 million. Tranches 1, 2 and 3 maturity dates are respectively on the third, the fourth and the fifth anniversaries of the disbursement of the Term Facility. The Term Facility is not revolving and amounts repaid or prepaid may not be reborrowed. Borrowings were obtained in the form of Libor loans in British pounds. In November 2017, borrowings under tranche 1 were repaid.

Bilateral Letters of Credit

Any lender party to the Credit Agreement may, in its sole discretion, issue bilateral letters of credit (outside the Credit Agreement) requested by the Company in any currency agreed to by such issuing lender. The Company must ensure that the aggregate outstanding amount of all outstanding bilateral letters of credit under the Credit Agreement does not at any time exceed $2.5 billion. The Company has also access to other bilateral letters of credit capacity outside of the Credit Agreement.

CDPQ Loan

The CDPQ Loan is a limited recourse debt comprised of two tranches: i) tranche A which is a non-revolving term loan in an aggregate amount of $1 billion; and ii) tranche B which is a non-revolving term loan in an aggregate amount of $500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of Highway Holdings, an indirect wholly-owned subsidiary of the Company holding shares of 407 International Inc. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. The maturity date of the CDPQ Loan is on the seventh anniversary of the funding date. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: i) the CDOR rate; and ii) 0.9%, plus an applicable margin.

Tranche A is subject to a non-call period of 4 years after the disbursement date of the loan, a time during which early voluntary repayment of the loan by the Company is not allowed. Tranche B can be repaid in part or in full, without penalties, at the Company’s discretion.

The CDPQ Loan is subject to affirmative and negative covenants, as well as financial covenants, notably not to exceed, on a rolling 12-month and consolidated basis, a maximum net recourse debt to EBITDA ratio, as defined under the CDPQ Loan agreement, on two consecutive quarters, starting six full quarters after the initial funding date. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the CDPQ Loan. The Company was in compliance with all its covenants under the CDPQ Loan as at December 31, 2017.

Private Placement and Public Offering

On April 24, 2017, the Company filed a prospectus supplement to its short form base shelf prospectus dated March 13, 2017 for its $800 million public bought deal offering (the "Public Offering"). This prospectus supplement provided, among other things, pro forma financial results of the proposed transaction.

On April 27, 2017, the Company closed its previously announced $800 million Public Offering which resulted in aggregate gross proceeds of $880 million, including the over-allotment option exercised in full by the syndicate of underwriters. Under the Public Offering, the Company issued 17,105,000 subscription receipts at a price of $51.45 per subscription receipt.

On April 27, 2017, SNC-Lavalin also completed its previously announced private placement with the Caisse for aggregate gross proceeds of $400 million (the "Private Placement"). Under the Private Placement, the Company issued 7,775,000 subscription receipts at a price of $51.45 per subscription receipt.

On July 3, 2017, each subscription receipt holder received, without payment of additional consideration or further action, one common share of the Company together with an amount equal to the per share dividends the Company declared on its common shares between April 27, 2017 and July 3, 2017, for a total of $6.8 million, net of any applicable withholding taxes.

Repayment of Senior Notes

On October 19, 2017, SNC-Lavalin repaid in full senior notes due in May 2019 with a face value of US$75 million (approximately CA$94 million) issued by Atkins in the U.S. private placement market resulting in a cash outflow of $98.9 million, including the accrued interest, and a loss of $3.5 million before income taxes ($2.9 million after income taxes) resulting from a prepayment penalty.

Unsecured Debentures

On November 24, 2017, the Company issued new unsecured debentures of $300 million aggregate principal amount that bears interest at a fixed annual rate of 2.689%, payable in equal semi-annual instalment over a 3 year term. The net proceeds were used by the Company to repay certain indebtedness outstanding under the Term Facility and the Revolving Facility and for general corporate purposes.

CHANGES IN 2016

Recourse Revolving Credit Facility

The Company had an unsecured revolving credit facility (the "Facility") totalling $4,250 million, which the Company was able to use for the issuance of performance and financial letters of credit, subject to limits described below, as well as cash draws. In the third quarter of 2016, the Company amended its Facility to: i) extend its maturity from August 2018 to August 2019; and ii) increase its limit applicable to financial letters of credit and cash draws from $1.8 billion to $2 billion.

As at December 31, 2016, $2,227.6 million of the Facility remained unused, while the balance of $2,022.4 million was exclusively used for the issuance of letters of credit, including $246.7 million of financial letters of credit.

In addition, the Facility permits the issuance of bilateral letters of credit on a non-committed basis. As at December 31, 2016, $168.3 million of bilateral letters of credit were outstanding.

NON-RECOURSE AND LIMITED RECOURSE DEBT

The Company does not consider non-recourse and limited recourse debt when monitoring its capital because such debt results from the consolidation of certain Capital investments or holding entities 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 Capital investments or investment in Capital investments they finance. The Company's investments and underlying assets in its Capital investments accounted for by the consolidation or equity methods may be at risk, however, if such investments or holding entities were unable to repay their long-term debt.

9.5 CAPITAL MANAGEMENT INDICATORS

The Company periodically monitors capital using certain ratios, which are described further below. The Company endeavours to keep these ratios at levels that are in line with its objective of maintaining an investment grade credit rating.

NET RECOURSE DEBT

Net recourse debt (or Cash net of recourse debt) is a non-IFRS financial measure. A definition of this financial measure is provided in Section 13.

AT DECEMBER 31 (IN MILLIONS OF CA$)	**2017**	2016	2015
Cash and cash equivalents	**$ 706.5**	$ 1,055.5	$ 1,581.8
Less:			
Cash and cash equivalents of Capital investments accounted for by the consolidation method[1]	**1.8**	11.3	17.1
Recourse debt:			
Revolving facility	**318.8**	-	-
Term facility	**378.4**	-	-
2019 Debentures	**349.6**	349.4	349.1
2020 Debentures	**298.8**	-	-
Cash net of recourse debt (Net recourse debt)	**$ (640.8)**	$ 694.9	$ 1,215.6

(1) As at December 31, 2017, cash and cash equivalents of Capital investments accounted for by the consolidation method exclude the cash and cash equivalents of the Company's Capital investments in Rainbow and Okanagan, which have been transferred into the Partnership.

Net recourse debt as at December 31, 2017 was $640.8 million, compared with cash net of recourse debt of $694.9 million as at December 31, 2016, mainly reflecting an increase in recourse debt to finance the acquisition of Atkins and a decrease in cash and cash equivalents as explained in Section 9.1.

NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO

The net recourse debt to adjusted EBITDA ratio, a non-IFRS financial measure, compares the net recourse debt, as calculated above, to the adjusted EBITDA less the interest on the limited recourse debt. Refer to Section 13 for further information on non-IFRS financial measures. Net recourse debt to adjusted EBITDA ratio is a measure of the Company's leverage and of its financial capabilities.

AT DECEMBER 31 (IN MILLIONS CA$, EXCEPT NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO)	**2017**
Net recourse debt[1]	**$ 640.8**
Trailing 12-month ("TTM") adjusted EBITDA[1]	**$ 816.5**
Less: Interest on limited recourse debt (TTM)	**(49.0)**
Adjusted EBITDA, less interest on limited recourse debt (TTM)[2]	**$ 767.5**

Net recourse debt to adjusted EBITDA ratio	**0.8**
Net recourse debt to adjusted EBITDA ratio ***(incorporating full trailing 12-month adjusted EBITDA for the acquisition of Atkins and DTS)***	**0.6**

(1) Net recourse debt and Adjusted EBITDA are non-IFRS financial measures or additional IFRS measures. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS.

(2) TTM adjusted EBITDA includes the dividends received from Highway 407 ETR which are used to service the limited recourse debt; therefore, the interest on limited recourse debt has been deducted from the TTM adjusted EBITDA.

As at December 31, 2017, the Company's net recourse debt was $640.8 million and its net recourse debt to adjusted EBITDA ratio was 0.8x. The net recourse debt to adjusted EBITDA ratio, incorporating the full trailing 12-month adjusted EBITDA for the acquisition of Atkins and DTS, was 0.6x. It should be noted that these ratios do not represent the calculations that are performed to assess compliance with the Company's bank covenants.

RECOURSE DEBT TO CAPITAL RATIO

The recourse debt to capital ratio, an additional IFRS measure, 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. Refer to Section 13 for further information on non-IFRS financial measures or additional IFRS measures. Recourse debt to capital ratio is calculated as follows:

AT DECEMBER 31 (IN MILLIONS CA$)	2017	2016
Recourse debt	**$ 1,345.5**	$ 349.4
Equity attributable to SNC-Lavalin shareholders	**5,225.1**	3,873.2
Less: Other components of equity	**278.0**	359.0
Plus: Recourse debt	**1,345.5**	349.4
Total amount of capital	**$ 6,292.7**	$ 3,863.6
Recourse debt to capital ratio	**21:79**	9:91

Recourse debt has increased by $996.2 million and the total amount of capital has increased by $2,429.1 million as at December 31, 2017, compared with the previous year, largely attributable to the debt contracted to finance the acquisition of Atkins and the additional financing obtained through the issuance of common shares. As at December 31, 2017, the Company maintained an adequate mix of debt and equity with a recourse debt to capital ratio of 21:79, below its objective, which is not to surpass a ratio of 30:70.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 13. **ROASE was 9.5% for 2017**, compared with 7.1% for 2016 and 12.0% for 2015.

9.6 CREDIT RATING

IN 2017

On April 21, 2017, Standard & Poor's ("S&P") affirmed its BBB long-term corporate credit rating on SNC-Lavalin with a stable outlook, after the Company announced its plan to acquire Atkins. At the same time, S&P affirmed its BBB issue-level rating on the Company's $350 million senior unsecured notes due in 2019.

On April 21, 2017, DBRS Limited ("DBRS") placed the BBB Issuer Rating and BBB Senior Debentures rating of SNC-Lavalin Under Review with Developing Implications following the announcement that SNC-Lavalin plans to acquire

Atkins. On July 7, 2017, on September 29, 2017, and on November 21, 2017, DBRS confirmed the Issuer Rating and Senior Debentures rating of SNC-Lavalin at BBB with a Stable trend. The confirmation was primarily supported by the Company's stronger business risk profile after the acquisition of Atkins, according to DBRS.

SNC-Lavalin retains its investment grade status from both S&P and DBRS.

IN 2016

On April 25, 2016, S&P revised its outlook on SNC-Lavalin to stable from negative. At the same time, S&P affirmed its ratings on SNC-Lavalin, including its BBB long-term corporate credit and issue-level ratings. The outlook revision to stable reflects S&P's view that although the negative operational and financial risks that SNC-Lavalin might face in response to the charges laid against it have not been removed, S&P expects the impact of these risks, if any, on SNC-Lavalin to be beyond its outlook horizon. The revision also acknowledges that, from S&P's perspective, SNC-Lavalin's operations have not been negatively affected following the charges and there have been no changes to SNC-Lavalin's right and ability to bid or work on any public or private projects and that SNC-Lavalin has continued to do so throughout the past year while exhibiting growing EBITDA margins.

On September 9, 2016, DBRS confirmed the Issuer Rating and the debenture rating of SNC-Lavalin at BBB with stable trend.

9.7 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

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 Capital investments and rental obligations:

(IN MILLIONS CA$)	2018	2019-2020	2021-2022	THEREAFTER	TOTAL
Short-term debt and long-term debt repayments:					
Recourse	$ 327.1	$ 650.0	$ 380.0	$ -	**$ 1,357.2**
Limited recourse	-	-	-	1,500.0	**1,500.0**
Non-recourse from Capital investments	15.6	23.9	35.3	246.1	**320.8**
Commitments to invest in Capital investments	98.0	-	-	-	**98.0**
Rental obligations under operating lease arrangements	157.1	268.3	72.5	301.3	**799.2**
Total	**$ 597.8**	**$ 942.2**	**$ 487,8**	**$ 2,047.4**	**$ 4,075.2**

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 21E to the Company's 2017 audited annual consolidated financial statements. The commitments to invest in Capital investments 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 the Company's 2017 audited annual consolidated financial statements. The commitments to invest in Capital investments are recognized for investments accounted for by the equity or cost methods and mainly related to Rideau, 407 EDGGP, SSL and Eglinton Crosstown in 2017 and 2016. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 35 to the Company's 2017 audited annual consolidated financial statements.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects related to energy, power and other natural resources that include a significant amount of greenfield development, construction or other capital expenditures programs. As at December 31, 2017, no liability was recorded in relation to this agreement, as the conditions have not been met yet.

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 the Company's 2017 audited annual consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS
SNC-Lavalin enters or may enter into derivative financial instruments, namely: › Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates; › Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements; and › Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company’s share price. Refer to Note 23C to the Company's 2017 audited annual consolidated financial statements for further details.
All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

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

9.8 DIVIDENDS DECLARED

The Board of Directors has decided to increase the quarterly cash dividend payable to shareholders from $0.273 per share to $0.287 per share for the fourth quarter of 2017, resulting in total cash dividends declared of $1.106 per share relating to 2017.

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

YEAR ENDED DECEMBER 31 (IN CA$)		**2017**		2016		2015
Dividends per share declared to SNC-Lavalin shareholders (1)	**$**	**1.106**	$	1.053	$	1.01
Dividend increase (%)		**5%**		4%		4%

(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 2017 were $177.9 million compared with $156.1 million in 2016. The Company has paid quarterly dividends for 28 consecutive years and has increased its yearly dividend paid per share for each of the past 17 years. The Board of Directors of the Company determines the dividend policy.

9.9 NORMAL COURSE ISSUER BID

On June 2, 2017, SNC-Lavalin announced that its Board of Directors has filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2017. In the notice, the Company stated that a maximum of 1,500,000 Common Shares, representing less than 1% of the issued and outstanding Common Shares as of May 23, 2017, may be purchased for cancellation, on the open market.

10 Financial Position

10.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

AT DECEMBER 31 (IN MILLIONS CA$)	2017	2016	CHANGE ($)	EXPLANATIONS
Current Assets				
Cash and cash equivalents	**$ 706.5**	$ 1,055.5	$ (349.0)	See discussion in Section 9.1.
Restricted cash	**20.9**	55.6	(34.6)	Decrease in restricted cash mainly from certain Capital investments following the creation and subsequent partial disposal of the Partnership.
Trade receivables	**1,445.9**	936.0	509.9	Increase was attributable to the addition of Atkins' trade receivables, following its acquisition in July 2017.
Contracts in progress	**1,329.9**	1,188.9	140.9	Increase mainly due to the addition of Atkins' work in progress partially offset by various ongoing projects, primarily in Oil & Gas.
Inventories	**110.2**	138.8	(28.6)	Variation mainly due to a decrease in raw materials and finished goods.
Other current financial assets	**442.5**	492.7	(50.2)	Decrease in retention on client contracts, mainly attributable to a project nearing completion in Mining & Metallurgy, as well as a decrease in financial assets related to InPower BC, and in advances and deposits on contracts, partly offset by other receivables.
Other current non-financial assets	**450.9**	315.8	135.0	Increase in income taxes receivable and prepaid expenses and other.
Assets held for sale	**108.0**	6.7	101.3	In 2017, assets held for sale mainly related to MIHG while in 2016 they related to project equipment included in Oil & Gas and to the investment in TC Dôme.
Total current assets	**$ 4,614.8**	$ 4,190.0	$ 424.8	
Property and equipment	**$ 414.1**	$ 298.3	$ 115.8	Increase mainly due to the acquisition of Atkins, partially offset by the 2017 depreciation expense and disposals, most notably the sale of the head office building.
Capital investments accounted for by the equity method	**296.7**	399.4	(102.8)	Decrease mainly due to the transfer of the Company's ownership interest in Chinook and InTransit in the Partnership and the classification of MIHG as held for sale.
Capital investments accounted for by the cost method	**55.6**	48.3	7.3	Increase mainly due to exchange differences on translating Astoria investment.
Goodwill	**6,323.4**	3,268.2	3,055.2	Increase mainly due to the goodwill arising from the acquisition of Atkins and DTS in 2017, partially offset by the foreign currency translation on the goodwill associated to the acquisition of Kentz in 2014.
Intangible assets related to business combinations	**1,089.8**	194.2	895.7	Increase primarily due to intangible assets resulting from the acquisition of Atkins, partially offset by the amortization expense of 2017.
Deferred income tax asset	**545.6**	421.5	124.1	Increase mainly due to Atkins deferred income tax assets.

ASSETS (CONTINUED)

AT DECEMBER 31 (IN MILLIONS CA$)	2017	2016	CHANGE ($)	EXPLANATIONS
Non-current portion of receivables under service concession arrangements	273.3	356.8	(83.5)	Decrease mainly due to the transfer of the Company's ownership interest in Okanagan and Rainbow into the Partnership partially disposed in 2017, in part offset by an increase in financial assets related to construction for InPower BC.
Other non-current financial assets	44.3	58.5	(14.2)	-
Other non-current non-financial assets	104.8	63.0	41.8	Increase mainly due to the acquisition of Atkins.
Total assets	**$ 13,762.5**	$ 9,298.3	$ 4,464.2	

LIABILITIES

AT DECEMBER 31 (IN MILLIONS CA$)	2017	2016	CHANGE ($)	EXPLANATIONS
Current Liabilities				
Trade payables	**$ 2,176.9**	$ 1,888.2	$ 288.7	Increase principally attributable to the trade payable of Atkins, acquired in July 2017, partially offset by payments made to suppliers for ongoing projects and the impact of foreign currency translation.
Downpayments on contracts	149.4	263.4	(114.0)	Decrease mainly due to revenues recognized on contracts nearing completion.
Deferred revenues	758.4	851.2	(92.8)	Decrease mainly due to revenue recognized for projects that are near completion in 2017, partially offset by the addition of Atkins' deferred revenues of Atkins.
Other current financial liabilities	264.7	304.0	(39.3)	Variation due to decreases in retention on supplier contracts and derivative financial instruments.
Other current non-financial liabilities	584.1	397.8	186.3	Variation principally reflecting an increase in income taxes payable.
Current portion of provisions	174.5	236.6	(62.1)	Decrease mainly due to payments made on provisions, as well as a decrease in provision for forecasted losses on certain contracts. Refer to note 22 to the 2017 audited annual consolidated financial statements of the Company for further details.
Short-term debt and current portion of long-term debt:				
Recourse – Revolving Facility	318.8	-	318.8	Increase due to the financing of the acquisition of Atkins and of working capital requirements.
Non-recourse from Capital investments	15.6	21.0	(5.4)	Refer to note 21C to the 2017 audited annual consolidated financial statements of the Company for details.
Liabilities of disposal group classified as held for sale	60.4	-	60.4	Relates to MHIG in 2017.
Total current liabilities	**$ 4,502.9**	$ 3,962.2	$ 540.7	

LIABILITIES (CONTINUED)

AT DECEMBER 31 (IN MILLIONS CA$)	2017	2016	CHANGE ($)	EXPLANATIONS
Long-term debt:				
Recourse	**$ 1,026.8**	$ 349.4	$ 677.4	Increase due to the term facility and the issuance of $300.0 million unsecured debentures, both in 2017.
Limited recourse	**1,475.2**	-	1,475.2	Increase due to the CDPQ Loan used to finance the acquisition of Atkins.
Non-recourse from Capital investments	**297.4**	472.6	(175.2)	Decrease mainly due to the transfer of the Company's ownership interest in Okanagan and Rainbow in the Partnership, partially disposed in 2017.
Other non-current financial liabilities	**15.4**	5.9	9.5	-
Non-current portion of provisions	**791.1**	326.4	464.7	Increase was principally due to Atkins' pension-related obligations. Refer to Note 22 to the 2017 audited annual consolidated financial statements of the Company for details.
Other non-current non-financial liabilities	**53.4**	15.8	37.5	-
Deferred income tax liability	**377.2**	269.7	107.5	Increase mainly due to deferred income tax liability of Atkins partly offset mainly by the impact of capital investments partial disposals and MHIG classified as held for sale.
Total liabilities	**$ 8,539.3**	$ 5,402.0	$ 3,137.2	

EQUITY

AT DECEMBER 31 (IN MILLIONS CA$)	2017	2016	CHANGE ($)	EXPLANATIONS
Share capital	**$ 1,801.7**	$ 554.8	$ 1,246.9	Increase was principally due to the issuance of 24,880,000 common shares of the Company to finance the acquisition of Atkins.
Retained earnings	**3,145.4**	2,959.4	186.0	Increase was mainly attributable to 2017 results, partially offset by dividends paid.
Other components of equity	**278.0**	360.8	(82.8)	Decrease was largely due to exchange differences on translating foreign operations.
Other components of equity of asset held for sale	**-**	(1.8)	1.8	-
Equity attributable to SNC-Lavalin shareholders	**$ 5,225.1**	$ 3,873.2	$ 1,351.9	
Non-controlling interests	**(1.9)**	23.1	(25.0)	Difference mainly due to the repurchase of the non-controlling interest of Saudi Arabian Kentz Co. LLC, as described in Section 4.12.
Total Equity	**$ 5,223.2**	$ 3,896.3	$ 1,326.9	

WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS CA$, EXCEPT CURRENT RATIO)		2017		2016		CHANGE	EXPLANATIONS
Working Capital[1]	**$**	**111.9**	$	227.9	$	(120.7)	Variance was principally attributable to an increase in current liabilities, mainly due to the financing of the acquisition of Atkins and the addition of its liabilities on the consolidated statement of financial position of the Company, as explained above, partially offset by an increase in current assets, principally due to Atkins' assets.
Current Ratio[1]		**1.02**		1.06		(0.04)	

(1) Additional IFRS financial measures. Please refer to Section 13 for further information on these financial measures.

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 2017 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 2017 audited annual consolidated financial statements.

12 Accounting Policies and Changes

12.1 CHANGE IN AN ACCOUNTING POLICY

In 2017, the Company updated its definition of the segment EBIT, which now excludes the gain on disposal of the head office building. This change in the definition was made to take into consideration a transaction that took place in 2017. This change in the definition 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*.

12.2 CHANGE IN PRESENTATION

In 2017, the Company combined the financial results of its Infrastructure & Construction and Operations & Maintenance sub-segments, which were previously presented separately as additional information of the Infrastructure segment. The combination mainly comes from the disposal of a significant portion of the Operations & Maintenance sub-segment in 2016, which decreased the level of activities of the Operations & Maintenance sub-segment. As a result of the combination, comparative figures have been adjusted, with no impact on the Infrastructure segmented results.

12.3 NEW ACCOUNTING POLICY ADOPTED IN 2017

As a result of the disposal of the Company's head office building in 2017, the Company adopted a new accounting policy applicable to sale and leaseback transactions, which is as follows:

A sale and leaseback transaction involves the sale of an asset by the Company and the leasing back of the same asset from the buyer.

Where a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognized as income by a seller-lessee. Instead, it is deferred and amortized over the lease term.

Where a leaseback transaction results in an operating lease:

- if the sale price of the asset is at fair value, the gain or loss from the sale is recognized immediately in the Company's income statement;
- if the sale price of the asset is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used; and
- if the sale price of the asset is below fair value, any gain or loss is recognized immediately in the Company's income statement except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used.

12.4 AMENDMENTS ADOPTED IN 2017

The following amendments to existing standards have been adopted by the Company on January 1, 2017:

- *Disclosure Initiative* (Amendments to IAS 7, *Statement of Cash Flows*) require disclosures of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendments to IFRS 12, *Disclosure of Interests in Other Entities*, clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The adoption of the amendments listed above did not have any impact on the Company's financial statements, other than on its disclosures of the financial information related to the statement of cash flows. Refer to Note 29E to the Company's 2017 audited annual consolidated financial statements for further details.

12.5 STANDARDS, AMENDMENTS AND INTERPRETATION ISSUED TO BE ADOPTED AT A LATER DATE

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

- IFRS 9, *Financial Instruments*, ("IFRS 9") 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. Refer to considerations for the implementation of IFRS 9 and IFRS 15 below for more information.

- IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") 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. Refer to considerations for the implementation of IFRS 9 and IFRS 15 below for more information.

- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.

- Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.

- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

- *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2019 and thereafter, with an earlier application permitted for entities that have also adopted IFRS 15:

- IFRS 16, *Leases*, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede IAS 17, *Leases*, and its associated interpretative guidance.

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2019 and thereafter, with an earlier application permitted:

- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.

- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.

- Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are applicable for annual reporting periods beginning on or after January 1, 2018.

IFRS 9

IFRS 9 is applicable retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to certain exemptions and exceptions. In general, the main changes introduced by IFRS 9 are related to the classification and measurement of financial assets, the introduction of a new impairment model based on expected credit losses (rather than incurred losses as per IAS 39, *Financial Instruments: Recognition and Measurement*) and hedge accounting. Although the methodology related to the classification of financial assets will change, the Company expects that most of its financial assets currently classified as "loans and receivables" and measured at amortized cost (approximately $2.1 billion as at December 31, 2017) will be classified as "financial assets subsequently measured at amortized cost". Excluding the potential impact from the change in the impairment model applicable to these financial assets, which is currently being analyzed (see below), the Company does not expect any significant impact on their measurement. Furthermore, the Company had $55.1 million of investments in equity instruments classified as "available-for-sale" as at December 31, 2017 which will be classified as financial assets subsequently measured at fair value through profit or loss or designated at fair value through other comprehensive income upon transition to IFRS 9. The Company does not expect any significant impact from the classification of its financial liabilities.

The Company is currently evaluating the impact of determining the amount of impairment of certain financial assets based on the expected credit loss model. While the Company had approximately $164.0 million of allowance for doubtful accounts on its trade receivables as at December 31, 2017, most of this allowance was related to commercial reasons, such as balances being disputed or subject to negotiation, rather than credit risk. The Company also has reserves on its contract in progress amounts, but most of these reserves are also due to commercial reasons rather than credit risk.

As permitted by IFRS 9, the Company will continue to apply the requirements contained in IAS 39 for hedge accounting.

Upon adoption of IFRS 9, the Company expects to apply the exemption from the requirement to restate comparative information. Therefore, differences between the previous carrying amounts and the carrying amounts at the date of initial application, if any, will be recognized in the opening balance of retained earnings or other components of equity, as appropriate, as at January 1, 2018.

The Company is currently assessing the impact of the change on its financial systems, internal controls and policies and procedures related to the adoption of IFRS 9.

IFRS 15

IFRS 15 introduces a 5-step model to revenue recognition on contracts with customers. Such model requires to: 1) identify the contract with the customer; 2) identify the performance obligations related to that contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations; and 5) recognize revenue when (or as) performance obligation is satisfied. In addition to recognition and measurement, IFRS 15 also provides new requirements on presentation and disclosures.

Transition considerations

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospectively with the cumulative effect of initially applying IFRS 15 recognized in opening retained earnings at the date of initial application (the "modified retrospective method"). The Company decided to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in retained earnings on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including upon the initial adoption of the standard. The Company intends to apply the following practical expedients upon adoption of IFRS 15 on January 1, 2018:

Practical expedient	Description
Completed contract	The Company will apply IFRS 15 retrospectively only to contracts that are not completed contracts as at January 1, 2018.
Contract modifications	The Company will not apply IFRS 15 retrospectively to contract modifications that occurred before January 1, 2018.

Quantification of impact

The Company is currently finalizing the quantification of the impact of IFRS 15 on its consolidated financial statements. Although, the Company has made progress in the implementation of IFRS 15 on its consolidated financial statements, the amounts disclosed below represent estimated impacts and actual results may differ from these estimates. As such, the following items represent the significant impact areas for the Company on transition to IFRS 15:

Change orders and claims

Change orders and claims, referred to as contract modifications, are currently recognized as per guidance provided in IAS 11, *Construction Contracts* ("IAS 11"). Under such guidance, revenue can be recognized on contract modifications only when certain conditions are met, including the fact that it is **probable** the customer will approve the modification and the amount of revenue arising from such contract modifications. IFRS 15 also provides guidance on the recognition of revenue from contract modifications, but such guidance is based, among other factors, on the fact that the contract modification is approved and it is **highly probable** that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, some revenue recognized under IAS 11 is expected to be reversed as at January 1, 2018 (reversal of approximately $200 million after taxes to be reflected in the Company's opening retained earnings). Revenue from these contract modifications will be recognized when, and if, IFRS 15 guidance is met.

Measure of anticipated revenues and determination of progress

Under IFRS 15, the amount of anticipated revenue used when determining the amount of revenue to be recognized must be based on contracts with legally enforceable rights and obligations. As a result, certain contracts under which the Company anticipates some volume of work based on discussions with the customer or other indicators, but for which formal purchase orders or work orders need to be issued by the customer in order to formalize the exact scope of work, are being assessed to determine when the anticipated revenue should be included in the transaction price.

The Company estimates that the adoption of IFRS 15 for such contracts will result in a decrease of approximately $100 million after taxes in the Company's 2018 opening retained earnings.

Furthermore, for projects having revenue recognized based on the stage of completion method using a cost input method, the Company currently accounts for its assurance-type warranty costs the same way as other project costs. As a result, the Company does not carry a provision for such expected warranty costs. Rather, it recognizes such costs as they are incurred, which in turn contribute to the progress of the project based on the stage of completion method and, as such, generates revenue.

Under IFRS 15, these assurance-type warranty costs are to be excluded from the measure of progress of projects for which revenue is recognized over time using a cost input method. Such costs will rather be recognized as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* based on the advancement of the projects, and the provision recognized will then either be used when costs are incurred or reversed if it is no longer needed.

In addition to these warranty-related costs, the Company reviewed its other project costs on contracts for which revenue is recognized over time to determine if each of these costs is contributing to the transfer of control of the goods or services to the customer. The exclusion of certain project costs from the determination of progress will either increase or decrease revenue being recognized on a project, without any impact on the total revenue and costs to be recognized over the life of the project. While the Company expects to increase its warranty provision as at January 1, 2018, no significant impact on its 2018 opening retained earnings is expected from the revised determination of progress.

Presentation and disclosures

In accordance with IFRS 15, the Company will change its presentation of contract-related assets and liabilities. As such, the Company will present its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its accounts receivable. Contract assets and accounts receivable are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (accounts receivable) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the amount received by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

The Company will also provide additional disclosures required by IFRS 15, notably the transaction price allocated to remaining performance obligations as at the end of a reporting period. While such disclosure is required on an annual basis under IFRS 15, the Company expects to disclose such amount in each of its quarterly financial statements as it will replace its previously disclosed amount of revenue backlog, a non-IFRS measure that was disclosed quarterly by the Company, notably in its Management's Discussion and Analysis. The Company estimates that the value of its remaining performance obligation will be approximately $3 billion higher than its reported revenue backlog as at December 31, 2017, mainly due to the Company's practice to limit its revenue backlog on certain long-term contracts to the earlier of i) the contract term and ii) the next five years.

As previously mentioned, the Company will adopt IFRS 15 using the modified retrospective method, without restatement of the comparative figures. In addition to the new disclosure requirements under IFRS 15, the Company will also disclose the amount by which each financial statement line item is affected in the reporting period by the application of IFRS 15 as compared with the previous standards, as well as an explanation of the reasons for significant changes identified in IFRS 15.

Procedures and controls

The Company has updated and is finalizing the implementation of revised procedures and controls in order to meet the requirements of IFRS 15, notably the recording of the transition adjustment and the change in presentation to be reported in the Company's unaudited consolidated financial statements for the three-month period ended March 31, 2018, as well as additional disclosures to be provided in the Company's 2018 audited annual consolidated financial statements.

13 Non-IFRS Financial Measures and Additional IFRS Measures

The following section provides information regarding non-IFRS financial measures and additional IFRS measures used by the Company to analyze and evaluate its results. Non-IFRS financial measures do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS measures provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Performance

Adjusted diluted earnings per share from E&C ("Adjusted diluted EPS from E&C") is defined as adjusted net income from E&C, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to **Section 4.4** for the reconciliation of adjusted diluted EPS from E&C to diluted EPS as determined under IFRS.

Adjusted EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes charges related to restructuring, right-sizing and other, the acquisition-related costs and integration costs, as well as the gains (losses) on disposals of E&C businesses, Capital investments and the head office building. Refer to **Section 4.5** for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

Adjusted net income from E&C is defined as net income attributable to SNC-Lavalin shareholders from E&C, excluding charges related to restructuring, right-sizing and other, acquisition-related costs and integration costs, as well as amortization of intangible assets related to business combinations, the gains (losses) on disposals of E&C businesses and the head office building, and also the impact of U.S corporate tax reform. Adjusted net income from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to **Section 4.4** for the reconciliation of adjusted net income from E&C to net income as determined under IFRS.

Booking-to-revenue ratio corresponds to contract bookings divided by the revenues, for a given period. This measure provides a basis for assessing the renewal of business.

Diluted earnings per share from E&C and **Diluted earnings per share from Capital** correspond to diluted earnings per share as determined under IFRS, reported separately for E&C and for Capital.

EBIT is an indicator of the entity's capacity to generate earnings from operations before taking into account management's financing decisions. Accordingly, EBIT is defined as earnings before net financial expenses (income) and income taxes. Refer to **Section 4.5** for a reconciliation of EBIT to net income as determined under IFRS.

EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization. Refer to **Section 4.5** for a reconciliation of EBITDA to net income as determined under IFRS.

Gross margin from E&C and **Gross margin from Capital** correspond to revenues less direct cost of activities for E&C and for Capital.

Return on Average Shareholders' Equity ("ROASE") 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 of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the "other components of equity" are not representative of the Company's financial position.

Revenue Backlog is a forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that are considered firm. Management could be required to make estimates regarding the revenue to be generated for long-term firm reimbursable contracts. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M activities revenue backlog, which can cover a period of up to 40 years, to the earlier of: i) the contract term awarded; and ii) the next five years.

Segment EBIT consists of gross margin less i) directly related selling, general and administrative expenses, ii) corporate selling, general and administrative expenses that are directly related to projects or segments; and iii) non-controlling interests before taxes. Expenses that are not allocated to the Company's segments include: Corporate selling, general and administrative expenses that are not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs and integration costs, and amortization of intangible assets related to business combinations, as well as gains (losses) on disposals of E&C businesses, Capital investments and the head office building. See reconciliation of Segment EBIT to the most directly comparable IFRS measure in **Sections 7** and **4.5**.

Liquidity

Net recourse debt (or Cash net of recourse debt) corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt. Refer to **Section 9.5** for a reconciliation of net recourse debt (or cash net of recourse debt) to cash and cash equivalents as determined under IFRS.

Net recourse debt to adjusted EBITDA ratio is defined as net recourse debt, as defined above, divided by the trailing 12-month adjusted EBITDA less interest on limited recourse debt. **Net recourse debt to adjusted EBITDA ratio, incorporating a full trailing 12-month adjusted EBITDA for the acquisition of Atkins and DTS**, corresponds to net recourse debt, as defined above, divided by the trailing 12-month adjusted EBITDA on a pro forma basis, including the EBITDA of Atkins and DTS before its acquisition by SNC-Lavalin, less interest on limited recourse debt. The net debt to adjusted EBITDA ratio is a measure of the Company's leverage and financial capabilities. Refer to **Section 9.5** for a reconciliation of net recourse debt to recourse debt as determined under IFRS and to **Section 4.5** for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

Recourse debt to capital 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. Refer to **Section 9.5** for the detailed calculation of this ratio.

Working capital corresponds to the amount of the Company's total current assets minus its total current liabilities and the **Current ratio** corresponds to the Company's total current assets divided by its total current liabilities.

14 Risks and Uncertainties

14.1 PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties in carrying out its activities. SNC-Lavalin has measures in place to identify, monitor and, to a certain extent, mitigate such risks and uncertainties. Such measures include, among others, the maintenance of an enterprise risk register, the work performed by various committees at the Board and management levels, as well as the enforcement of numerous policies and procedures. You should carefully consider the risks and uncertainties below before investing in the Company's 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 Capital investments 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.

The Company is subject to class actions in Quebec and Ontario commenced in 2012 on behalf of security holders (collectively, the "Actions"). The Actions are brought pursuant to the secondary market civil liability provisions in the various Canadian provincial and territorial securities statutes. The Actions allege the agent payments that were the subject of the Independent Review were bribes to public officials and that bribes were also offered in relation to the project in Bangladesh that forms part of the World Bank Settlement. Consequently, it is alleged that various of the Company's public disclosure documents issued between November 2009 and November 2011 included misrepresentations. The Actions seek damages, on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012, based on the decline in market value of SNC-Lavalin shares following the Company's February 28, 2012 news release and other public announcements.

The Ontario Action is presently completing the oral discovery stage. The Quebec Action is presently in abeyance while the Ontario Action proceeds.

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 "Wave 1" of 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 then-known defendants, on an *in solidum* basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the 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 (such insurance coverage is itself subject to litigation). In addition to the appeal of the decision, recourses in warranty were filed against another party, which may result in reduction of SNC-Lavalin's share of the damages. The appeal hearing has started in October 2017 and will be completed in April 2018.

In parallel to the appeal and warranty recourses for Wave 1 claims, additional potential claims were notified and continue to be notified against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims are currently undergoing discovery stage and it is still premature to evaluate SNC-Lavalin's total liability exposure in respect of same, if any. It is currently estimated that a significant portion of the damages claimed are in respect of buildings for which the concrete foundations were poured outside of SNC-Lavalin's liability period, as determined in the Wave 1 judgement. SNC-Lavalin expects some insurance coverage for claims filed up to March 31, 2015. In addition, SNC-Lavalin has undertaken warranty recourse against another party with respect to Wave 2 claims.

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

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 is 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 recover promptly on these types of claims could have a material adverse impact on SNC-Lavalin's liquidity and financial results. Additionally, irrespective of how well the Company documents the nature of its claims and change orders, the cost to prosecute and defend claims and change orders can be significant.

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

The Company is also subject to other ongoing investigations that 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 investigation

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 (Canada) (the "Criminal Code") and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (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, 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 preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018. 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 Charges 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 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) could 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 Act Respecting Contracting by Public Bodies

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").

Certain subsidiaries of the Company require certification from the AMF, subject to periodic renewal, to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. If 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 or not renew 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. Those subsidiaries of the Company that need to be certified by the AMF have obtained that certification.

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 a project in Bangladesh and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully. According to the terms of the World Bank Settlement, the Company and certain of its 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 has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

African Development Bank Settlement

On October 1, 2015, the Company announced a settlement with the African Development Bank relating to allegations of corruption in two African countries (the "African Development Bank Settlement"). The African Development Bank Settlement requires that the Company cooperate with the African Development Bank on various compliance matters in the future.

Canada's Integrity Regime

The Canadian government announced the Integrity Regime for procurement and real property transactions on July 3, 2015. The scope of offences which may cause a supplier to be deemed ineligible to carry on business with the federal government are broad and encompass offences under the Criminal Code, the Competition Act, and the CFPOA, among others. Some of the offences qualifying for ineligibility include bribery, fraud, money laundering, falsification of books and documents, extortion, and offences related to drug trafficking. A determination of ineligibility to participate in federal government procurement projects may apply for 10 years for listed offences. However, the Integrity Regime permits the ineligibility period to be reduced by up to five years if a supplier can establish that it has cooperated with law enforcement authorities or addressed the causes of misconduct.

If a supplier is charged with a listed offence (as is presently the case with the Company), it may under the Integrity Regime be ineligible to do business with the Canadian government while legal proceedings are ongoing.

If a supplier applies for a reduced ineligibility period, or if a supplier charged with a listed offence is notified that it could be ineligible to do business with the Canadian government, as a condition of granting the reduced ineligibility period or not suspending the supplier an administrative agreement may be imposed to monitor the supplier. Administrative agreements include conditions and compliance measures that the supplier must meet to remain eligible to contract with the federal government.

The Company has signed an administrative agreement with Public Services and Procurement (PSP) of the Government of Canada under the Integrity Regime.

Failure of the Company to abide by the terms of any of its certification from the AMF, the World Bank Settlement, the African Development Bank Settlement and/or the PSP Administrative Agreement could result in serious consequences for the

Company, including new sanctions, legal actions and/or suspension from eligibility to carry on business with the government or agency involved or to work on projects funded by them. The Company is taking steps that are expected to mitigate this risk.

Quebec's Voluntary Reimbursement Program (the "Program")

The Company participated in the Voluntary Reimbursement Program ("Bill 26") which was put into force by the Government of Quebec on November 2, 2015. The Program provided for a period of time within which the Government of Quebec and various municipalities, governmental agencies and others could assess whether settlement proposals by program participants should cover a governmental or municipal entity. The Company settled all issues that it notified under the Program, or which the Program brought to its attention, on a timely and substantiated basis.

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 Aïssa, 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 Aïssa 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 Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and was awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA$17.2 million translated using the exchange rates as at October 1, 2014 (representing the equivalent of 12.9 million CHF and US$2.0 million) plus interest. As at December 31, 2017, the Company has received all amounts due under this award.

The Company is currently unable to determine when any of the above investigations will be completed or 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 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 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 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

Fixed-price contracts or the Company’s failure to meet contractual schedule, performance requirements or to execute projects efficiently 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. In addition, reimbursable contracts such as unit-rate contracts for which a fixed amount per quantity is charged to the customer and reimbursable contracts with a cap bear some risks that are similar to those related to fixed-price contracts, as the estimates used to establish the contract unit-rate and/or the contractual cap are also subject to the assumptions listed above.

Furthermore, should the Company experience difficulties in the execution of projects due to various factors, such as a lack of efficiency in the implementation of its processes, failure to estimate accurately project costs and/or conclude strategic transactions pertaining to project resources, such difficulties could have an adverse impact on the Company’s financial results from these projects.

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. Furthermore, the Company may incur significant costs in order to bid on certain projects that may not be awarded to the Company, thus resulting in expenses that did not generate any profit for the Company.

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 or management's estimates of revenues to be generated from firm contract awards for reimbursable contracts, 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, most of which also apply to its Canadian operations, including:

- recessions and other economic crises in other regions, 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 or Canadian 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 British pounds, in U.S. dollars and in currencies pegged to U.S. dollars. While SNC-Lavalin has a hedging strategy in place to mitigate some of the effects of certain foreign currency exposures, there can be no assurance that such hedging strategy will be effective. Furthermore, the volatility of the Company's financial results and cash flows could increase if certain countries no longer peg their currencies to the U.S. dollar. 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 Capital investments that could adversely affect it.

In accordance with its business strategy, SNC-Lavalin makes Capital investments. When SNC-Lavalin holds an ownership interest in a Capital investment, it assumes a degree of risk associated with the financial performance of the Capital investment. The value of the Company's investment is dependent on the ability of the Capital investment 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 Capital investment'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 Capital investments or partners in such Capital investments, which may result in a liability for the Company in the event such guarantee is enforced or applied.

The Company makes Capital investments where it does not hold a controlling interest. These Capital investments 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 Capital investment or internal control problems arise within the Capital investment, 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 Capital investments can be affected by fluctuations in interest rates. A hedging strategy is in place when the Capital investment's management deems it appropriate. However, the assumptions and estimates inherent to the hedging strategy could be erroneous, thus rendering the hedging strategy ineffective or partially ineffective. Furthermore, the financial instruments associated with the hedging strategy contain an inherent credit risk related to defaults on obligations by the counterparties to such instruments.

In addition, many of the Company's Capital 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 Capital investments 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 Capital investments 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 or unwilling to fulfill their contractual 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 contract 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.

Divestitures and the sale of significant assets may present risks or uncertainties

The sale of a business unit and/or significant assets is a complex process that involves certain risks, such as failure to properly plan, prepare and execute the transaction and to prepare a contract that protects the Company from post-closing adjustments and additional costs. In addition, the Company is exposed to the risk of the deal falling through, selling at a lower price than the asking price and/or extended deal close times.

RISKS RELATED TO THE ACQUISITION OF ATKINS ("THE ACQUISITION")

Possible Failure to Realize Anticipated Benefits of the Acquisition and Difficulties in the Integration of Atkins

The Company believed that the Acquisition would provide certain benefits to the Company. Achieving the benefits of the Acquisition depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the growth opportunities from combining the Atkins businesses and operations with those of the Company. To effectively integrate Atkins' business into its current operations, the Company is establishing appropriate operational, administrative, finance, management systems and controls and marketing functions relating to Atkins. This requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business, customer and employee relationships that may adversely affect the Company's ability to achieve the anticipated benefits of the Acquisition, including the Company's ability to realize the anticipated synergies from combining the two entities. A variety of factors may also adversely affect the likelihood that the anticipated benefits of the Acquisition may be realized for the Company or that they will occur within the time periods anticipated by the Company. In addition, the overall integration process of the two companies may result in unanticipated operational problems, costs, expenses, liabilities, customer loss and business disruption for the Company (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers and in retaining key employees of Atkins and its subsidiaries) and, consequently, the failure to realize, in whole or in part, the anticipated benefits of the Acquisition. The performance of Atkins' operations could be adversely affected if the combined entity cannot retain selected key employees to assist in the integration of the operations of the Company and Atkins. In addition, changes in laws or regulations, including tax laws, in the jurisdictions in which the Company, Atkins and their subsidiaries operate could have a negative effect on their respective businesses, financial condition and results of operations, or on the ability of the Company to achieve its anticipated benefits from the Acquisition. There can be no assurance that the Company will be successful in integrating Atkins' operations, or that the expected benefits will be realized.

Increased Indebtedness as a result of the Atkins Acquisition

On April 20, 2017, SNC-Lavalin Highway Holdings Inc. (the "Borrower"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with CDPQ Revenu Fixe Inc. (the "Lender"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (the "Caisse"), establishing a limited recourse loan in the original principal amount of $1.5 billion (the "CDPQ Loan" and such agreement being the "SNC-Lavalin Highway Holdings Loan Agreement").

In addition to the SNC-Lavalin Highway Holdings Loan, the Company drew in July 2017 the following additional amounts under its existing syndicated credit agreement: (a) an amount of £300 million (approximately CA$498 million) under its term facility; and (b) an amount of £56 million (approximately CA$93 million) and an amount of US$185 million (approximately CA$238 million) in both cases under its revolving facility. Such borrowings represent a material increase in the Company's consolidated indebtedness. The Company had approximately $3.1 billion of consolidated indebtedness as at December 31, 2017, including recourse, limited recourse and non-recourse debt. That heighted level of indebtedness will increase the Company's consolidated interest expense and debt service obligations, which will have a negative effect on its results of operations, and may in the future have a negative effect on its credit ratings.

The Company will need to refinance or reimburse amounts outstanding under the Company's consolidated indebtedness. There can be no assurance that any indebtedness of the Company will be refinanced or that additional financing on commercially reasonable terms will be obtained, if at all.

The Company's degree of leverage could have other important consequences, including the following:

- it may have a negative effect on the current credit ratings of the Company's rated long-term debt;

- it may limit the Company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes on commercially reasonable terms, if at all;
- most of the Company's borrowings are at variable rates of interest and expose the Company to the risk of increased interest rates;
- it may limit the Company's ability to adjust to changing market conditions and place the Company at a competitive disadvantage (including if the Company's investment grade credit rating is negatively affected) compared to its competitors that have less debt or greater financial resources;
- it may limit the Company's ability to declare and pay dividends on its Common Shares;
- the Company may be vulnerable in a downturn in general economic conditions; and
- the Company may be unable to make capital expenditures that are important to its growth and strategies.

The credit facilities and instruments governing the Company's consolidated debt contain certain financial covenants requiring the Company, on a consolidated basis, to satisfy net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratios. Such credit facilities and instruments also contain covenants restricting the Company's ability to incur liens on its assets, incur additional debt or effect dispositions of assets or fundamental changes in its business, pay dividends and make certain other disbursements, or use the proceeds from the sale of assets and capital stock of subsidiaries. These covenants limit the Company's discretion and financial flexibility in the operation of its business. Under the terms of these credit facilities and instruments, the Company and its subsidiaries are permitted to incur additional debt in certain circumstances. However, doing so could increase the risks described above. In addition, if the Company or its subsidiaries incur additional debt in the future, the Company may be subject to additional covenants, which may be more restrictive than those that it is subject to now.

A breach of any of these agreements or the Borrower's or the Company's, as the case may be, inability to comply with these covenants could, if not cured or waived, result in an acceleration of the Company's consolidated debt or a cross-default under certain of its debt. If the Company's indebtedness is accelerated, the Company may not be able to service its indebtedness, or borrow sufficient funds to refinance its indebtedness. Additionally, if the Borrower is unable to service its indebtedness and/or if any other condition for re-payment is triggered under the terms of its indebtedness, the Borrower may, in order to make payments owed thereon, be required to sell part or all of its shares in 407 International Inc. in compliance with that company's shareholders' agreement at a time, price and in circumstances outside of its control and/or that may not allow for an optimal sale price of such 407 International Inc. shares.

The Company's ability to service its increased consolidated debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions, interest rate fluctuations and financial, business, legal, regulatory and other factors, some of which are beyond the Company's control. If the Company's operating results or liquidity are not sufficient to service its current or future consolidated indebtedness, the Company may be forced to take actions such as reducing dividends, reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt, or seeking additional equity capital.

Dependence on Subsidiaries to help repay indebtedness as a result of the Atkins Acquisition

A significant portion of the Company's assets are the capital stock of its subsidiaries and the Company conducts an important portion of its business through its subsidiaries. Consequently, the Company's cash flow and ability to service its debt obligations are dependent to a great extent upon the earnings of its subsidiaries and the distribution of those earnings to the Company, or upon loans, advances or other payments made by these entities to the Company.

The Company's subsidiaries are separate and distinct legal entities and have significant liabilities. The ability of these entities to pay dividends or make other loans, advances or payments to the Company will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt including, for example, the financial covenants applicable to the Borrower under the SNC-Lavalin Highway Holdings Loan Agreement that the Company's consolidated net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio not exceed a certain limit. In addition, certain other deeds and agreements governing certain subsidiaries of the Company contain restrictions on the payment of dividends and distributions, as well as specified liquidity covenants.

The ability of the Company's subsidiaries to generate sufficient cash flow from operations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, including those discussed above, many of which are outside of the control of the Company or its subsidiaries. The cash flow and earnings of the Company's operating subsidiaries and the amount that they are able to distribute to the Company as dividends or otherwise may not generate sufficient cash flow from operations to satisfy the Company's debt obligations. Accordingly, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any such alternatives would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of the Company's various debt instruments then in effect. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have an adverse effect on its business, financial condition and results of operations.

Security under the SNC-Lavalin Highway Holdings Loan being called at an inopportune time

The SNC-Lavalin Highway Holdings Loan is secured by all of the Borrower's assets, excluding the 407 International Inc. shares held by the Borrower (until such time as the Borrower may elect to grant a pledge thereon), as well as the rights and receivables of the Borrower under the Inter-Company Loan. In addition to this security, SNC-Lavalin Inc. has provided a guarantee (the "Guarantee") in favour of the Lender secured by a pledge given by SNC-Lavalin Inc. to the Lender over 20,900 common shares held by the former in the share capital of the Borrower (representing approximately 29.9% of the outstanding common shares of the Borrower). The Lender's sole recourse against SNC-Lavalin Inc. in connection with the Guarantee and any potential breach or default by the Borrower under the SNC-Lavalin Highway Holdings Loan is limited to enforcement on or against the shares of the capital of the Borrower held by SNC-Lavalin Inc. The Company has a 16.77% ownership interest in 407 International Inc. through its wholly-owned subsidiary, the Borrower. The terms of the SNC-Lavalin Highway Holdings Loan include various covenants that must be satisfied by the Borrower. There can be no assurance that such covenants will be satisfied. Any event of default under the SNC-Lavalin Highway Holdings Loan Agreement, including in respect of covenants thereunder, could result in the Lender demanding immediate payment of all amounts outstanding under the SNC-Lavalin Highway Holdings Loan, or forcing the sale of the 407 International Inc. shares in compliance with the 407 International Inc. shareholders' agreement at a time, price and in circumstances outside of the Company's control and/or that may not allow for an optimal sale price of such 407 International Inc. shares, which could have a material adverse effect on the Company's business and financial position.

Ability to pay Dividends

The declaration and payment of dividends on Common Shares are at the discretion of the board of directors of the Company. The cash available for dividends is a function of numerous factors, including the Company's financial performance, the impact of interest rates, debt covenants and obligations, working capital requirements and future capital requirements. The Company's ability to pay dividends could be adversely affected if the free cash flow resulting from the Acquisition does not materialize as expected when coupled with the potentially dilutive effect of the additional common shares issued to fund the Acquisition. In addition, the Company's ability to pay dividends depends upon the payment of dividends by certain of the Company's subsidiaries or the repayment of funds to the Company by its subsidiaries. The Company's subsidiaries, including Atkins following the Acquisition, in turn, may be restricted from paying dividends, making repayments or making other distributions to the Company for financial, regulatory, legal or other reasons. To the extent the Company's subsidiaries are not able to pay dividends or repay funds to the Company, it may adversely affect the Company's ability to pay dividends on common shares.

Additional Significant Unanticipated integration costs may be incurred following Atkins Acquisition

The Company incurred costs associated with the Acquisition and is incurring costs for integrating the operations of the Company and Atkins. The substantial majority of such costs are non-recurring expenses resulting from the Acquisition and consist of transaction costs related to the Acquisition, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of the Company and Atkins' respective businesses.

Atkins' Pension-Related Obligations

Atkins operates two significant defined benefit plans, namely the Atkins Pension Plan and the Railways Pension Scheme, with combined net significant retirement benefit liabilities of £277.7 million (or approximately CA$471.6 million) as at December 31, 2017. The majority of Atkins' post-employment benefits obligations sits within its U.K. business and is comprised of defined benefit pension obligations. In the U.K., defined benefit pension schemes funding requirements are based on actuarial valuations of the assets and liabilities of each scheme. A scheme's assets are determined by the value of investments held by the scheme and the returns. The valuation of plan liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Changes in a number of key assumptions can have a material impact on the calculation of the liability. There is also some judgement in the measurement of the fair value of pension assets giving rise to a risk of material misstatement in their valuation.

The nature of the funding regime in the U.K. creates uncertainty around the size and timing of cash that Atkins will be required to pay to the pension schemes. The scheduled contribution to the Atkins Pension Plan and the Railways Pension Scheme from Atkins totals £44.3 million (or approximately CA$75.3 million) for the year ending December 31, 2018, with annual contributions escalating by 2.5% each year until March 31, 2025. If Atkins is required to increase cash funding contributions, this will reduce the availability of such funds for other corporate purposes and limit its ability to invest in growth. Deteriorating economic conditions may result in significant increases in Atkins' funding obligations, which could restrict available cash for Atkins' operations, capital expenditures and other requirements, and have a material adverse effect on Atkins' business, financial condition and results of operations.

Atkins' pension-related liabilities and its future payment obligations thereunder could restrict cash available for the Company's operations, capital expenditures and other requirements and may materially adversely affect its financial condition and liquidity.

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

A deterioration or weakening of the Company's financial position could have a material adverse effect on its business and results of operations.

The Company relies both on its cash, its credit facility, as well as the capital market 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 or a deterioration in or weakening of its financial position due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the cost of one or more of these financing sources, including credit facilities, the issuance of long-term debt, or the availability of letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate cash balance 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 limit the Company's ability to issue new letters of credit or performance guarantees or accessing external sources of short-term 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.

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, short-term investments or credit facility 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.

A significant deterioration of the current global economic and credit market environment 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 position.

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 position.

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 cost of completing 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.

The Company manages several legacy sites for which the Company has potential exposure to the costs of environmental remediation and possible harm to neighbouring properties and communities. While the Company is taking steps to manage this risk and has provisions in its books for the related risk and expense, there can be no assurance that it will not be subject to claims for damages, remediation and other related matters, and its provisions may not fully cover any such future claim or expense.

15 Legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings. See also Section 14 “Risks and Uncertainties – Risks Related to Litigation, Regulatory Matters and Investigations”; including the general cautionary language relating to the risks inherent to all litigation and proceedings against SNC-Lavalin, which is equally applicable to the legal proceedings described below.

While SNC-Lavalin cannot predict with certainty the final outcome or timing of the legal proceeding described below, based on the information currently available (which in some cases remains incomplete), SNC-Lavalin believes that it has strong defences to these claims and intends to vigorously defend its position.

SNC-Lavalin Inc. has initiated court proceedings against a Canadian client stemming from engineering, procurement, and construction management services that SNC-Lavalin Inc. provided in relation to the client’s expansion of an ore-processing facility. SNC-Lavalin claimed from the client certain amounts due under the project contract. The client has counterclaimed alleging that SNC-Lavalin defaulted under the project contracts and seeking damages.

16 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.

16.1 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, 2017.

16.2 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, 2017, using the *Internal Control - Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

16.3 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, 2017 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 Atkins described below.

The Company completed its acquisition of Atkins in July 2017 and DTS in October 2017. 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 Atkins and DTS. Atkins and DTS represent 19% of revenues, 31% of net income attributable to SNC-Lavalin shareholders and 10% of total assets of the consolidated figures reported in the Company's 2017 audited annual consolidated financial statements. Note 6 to the audited annual 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 acquisitions and business impact on the consolidated results of the Company.

17 Quarterly Information

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT PER SHARE AMOUNTS)	2017					2016				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues :										
From E&C	1,788.3	1,868.2	2,572.5	2,867.7	9,096.7	1,930.8	2,045.2	2,100.6	2,146.5	8,223.1
From Capital	60.9	66.7	60.3	50.1	238.0	57.4	57.7	67.9	64.7	247.7
	1,849.3	**1,934.9**	**2,632.7**	**2,917.8**	**9,334.7**	1,988.2	2,103.0	2,168.5	2,211.1	8,470.8
Gross margin	293.0	301.6	622.9	675.9	1,893.4	291.9	340.8	212.7	360.7	1,206.1
Selling, general and administrative expenses	157.1	185.3	399.0	417.3	1,158.7	168.1	201.1	141.1	213.9	724.1
Restructuring costs	2.8	22.3	1.7	(0.4)	26.4	13.0	2.7	11.8	87.8	115.4
Acquisition-related costs and integration costs	1.4	55.3	42.3	25.4	124.3	1.2	1.7	1.1	0.3	4.4
Amortization of intangible assets related to business combinations	15.4	14.3	35.4	73.8	138.9	20.3	15.8	16.2	16.5	68.8
(Gain) loss on disposals of Capital investments	-	(5.4)	(36.7)	-	42.1	(58.5)	-	-	2.7	(55.9)
Gain on disposal of the head office building	-	(115.1)	-	-	(115.1)	-	-	-	-	-
(Gain) loss on disposals of E&C businesses	(0.7)	(0.3)	-	-	(1.0)	-	-	-	37.1	37.1
EBIT	**117.1**	**145.3**	**181.3**	**159.8**	**603.4**	147.8	119.5	42.5	2.3	312.1
Net financial expenses	13.2	13.4	40.9	50.4	117.8	9.5	12.3	9.9	10.5	42.1
Earnings (Loss) before income taxes	103.9	131.9	140.4	109.4	485.5	138.3	107.2	32.6	(8.1)	270.0
Income taxes	8.8	(2.5)	39.2	56.9	102.4	10.9	14.9	(2.6)	(9.8)	13.4
Net income	**95.1**	**134.4**	**101.2**	**52.5**	**383.2**	127.4	92.3	35.2	1.6	256.6
Net income attributable to:										
SNC-Lavalin shareholders	89.7	136.4	103.6	52.4	382.0	122.1	88.5	43.3	1.6	255.5
Non-controlling interests	5.4	(2.0)	(2.4)	0.1	1.1	5.3	3.8	(8.1)	0.1	1.0
Net income	**95.1**	**134.4**	**101.2**	**52.5**	**383.2**	127.4	92.3	35.2	1.6	256.6
Basic earnings per share ($)	**0.60**	**0.91**	**0.59**	**0.30**	**2.35**	0.82	0.59	0.29	0.01	1.70
Diluted earnings (loss) per share($):										
From E&C	0.30	0.58	0.17	0.08	1.08	0.21	0.35	-	(0.26)	0.31
From Capital	0.30	0.33	0.42	0.22	1.26	0.60	0.24	0.29	0.27	1.39
Diluted earnings per share ($)	**0.60**	**0.91**	**0.59**	**0.30**	**2.34**	0.81	0.59	0.29	0.01	1.70
Dividend declared per share ($)	**0.273**	**0.273**	**0.273**	**0.287**	**1,106**	0.26	0.26	0.26	0.273	1.053
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	45.3	87.4	29.0	14.3	176.0	31.2	52.9	0.7	(38.4)	46.3
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407 ETR	34.8	34.8	36.1	36.0	141.7	31.5	31.5	34.8	34.8	132.5
From other Capital investments	9.6	14.2	38.5	2.1	65.2	59.5	4.2	7.8	5.2	76.7
Net income attributable to SNC-Lavalin shareholders	**89.7**	**136.4**	**103.6**	**52.4**	**382.0**	122.1	88.5	43.3	1.6	255.5
Additional indicators										
Adjusted diluted EPS from E&C (in $)	**0.40**	**0.43**	**0.51**	**0.78**	**2.15**	0.38	0.48	0.16	0.49	1.51
Adjusted EBITDA	**148.9**	**134.7**	**250.0**	**282.8**	**816.5**	143.8	160.7	93.0	154.5	552.1
Revenue backlog (at end of quarter)	**10,078.7**	**9,576.6**	**11,336.3**	**10,406.4**		13,417.3	12,544.3	11,776.6	10,677.4	

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, 2017, 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, 2017, 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 International Financial Reporting Standards. Management excluded from its assessment the internal control over financial reporting at WS Atkins Limited ("Atkins") and Data Transfer Solutions LLC, which were acquired on July 3, 2017 and on October 30, 2017, respectively, and whose revenues, net income attributable to SNC-Lavalin shareholders and total assets constitute approximately 19%, 31% and 10% of the consolidated financial statements as at and for the year ended December 31, 2017.

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. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

NEIL BRUCE *(signed)*
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

SYLVAIN GIRARD *(signed)*
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

FEBRUARY 21, 2018
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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP[1]

FEBRUARY 21, 2018
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 2017**	DECEMBER 31 2016
ASSETS			
Current assets			
Cash and cash equivalents	8	**$ 706,531**	$ 1,055,484
Restricted cash	8	**20,932**	55,577
Trade receivables	9	**1,445,859**	935,983
Contracts in progress		**1,329,861**	1,188,912
Inventories	10	**110,237**	138,795
Other current financial assets	11	**442,500**	492,725
Other current non-financial assets	12	**450,877**	315,847
Assets of disposal group classified as held for sale and assets held for sale	39	**107,994**	6,706
Total current assets		**4,614,791**	4,190,029
Property and equipment	13	**414,138**	298,333
Capital investments accounted for by the equity method	5	**296,664**	399,425
Capital investments accounted for by the cost method	5	**55,614**	48,325
Goodwill	15	**6,323,440**	3,268,214
Intangible assets related to business combinations	16	**1,089,837**	194,164
Deferred income tax asset	30A	**545,551**	421,461
Non-current portion of receivables under service concession arrangements		**273,340**	356,847
Other non-current financial assets	17	**44,321**	58,523
Other non-current non-financial assets	18	**104,810**	62,998
Total assets		**$ 13,762,506**	$ 9,298,319
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,176,947**	$ 1,888,242
Downpayments on contracts		**149,388**	263,382
Deferred revenues		**758,392**	851,158
Other current financial liabilities	19	**264,724**	303,975
Other current non-financial liabilities	20	**584,102**	397,790
Current portion of provisions	22	**174,534**	236,594
Short-term debt and current portion of long-term debt:			
Recourse	21	**318,757**	–
Non-recourse from Capital investments	21	**15,566**	21,011
Liabilities of disposal group classified as held for sale	39	**60,440**	–
Total current liabilities		**4,502,850**	3,962,152
Long-term debt:			
Recourse	21	**1,026,782**	349,369
Limited recourse	21	**1,475,177**	–
Non-recourse from Capital investments	21	**297,398**	472,571
Other non-current financial liabilities		**15,425**	5,928
Non-current portion of provisions	22	**791,060**	326,401
Other non-current non-financial liabilities		**53,367**	15,846
Deferred income tax liability	30A	**377,225**	269,718
Total liabilities		**8,539,284**	5,401,985
Equity			
Share capital	23	**1,801,733**	554,839
Retained earnings		**3,145,424**	2,959,366
Other components of equity	24	**277,974**	360,845
Other components of equity of asset held for sale	39	**–**	(1,828)
Equity attributable to SNC-Lavalin shareholders		**5,225,131**	3,873,222
Non-controlling interests		**(1,909)**	23,112
Total equity		**5,223,222**	3,896,334
Total liabilities and equity		**$ 13,762,506**	$ 9,298,319

See accompanying notes to consolidated financial statements.

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

NEIL BRUCE *(signed)*
DIRECTOR

BENITA M. WARMBOLD *(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)

2017

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 24)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	**150,357**	**$ 554,839**	**$ 2,959,366**	**$ 359,017**	**$ 3,873,222**	**$ 23,112**	**$ 3,896,334**
Net income	**–**	**–**	**382,035**	**–**	**382,035**	**1,116**	**383,151**
Other comprehensive income (loss)	**–**	**–**	**20,026**	**(81,043)**	**(61,017)**	**55**	**(60,962)**
Total comprehensive income (loss)	**–**	**–**	**402,061**	**(81,043)**	**321,018**	**1,171**	**322,189**
Dividends declared (Note 23F)	**–**	**–**	**(177,948)**	**–**	**(177,948)**	**–**	**(177,948)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(854)**	**(854)**
Stock option compensation (Note 23B)	**–**	**–**	**139**	**–**	**139**	**–**	**139**
Shares issued under stock option plans (Note 23B)	**251**	**12,162**	**(2,435)**	**–**	**9,727**	**–**	**9,727**
Acquisition of non-controlling interest (Note 25)	**–**	**–**	**(35,759)**	**–**	**(35,759)**	**(23,740)**	**(59,499)**
Shares issued in exchange of subscription receipts (Note 6)	**24,880**	**1,234,732**	**–**	**–**	**1,234,732**	**–**	**1,234,732**
Additional non-controlling interests arising on acquisition of Atkins (Note 6)	**–**	**–**	**–**	**–**	**–**	**(1,623)**	**(1,623)**
Capital contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Balance at end of year	**175,488**	**$ 1,801,733**	**$ 3,145,424**	**$ 277,974**	**$ 5,225,131**	**$ (1,909)**	**$ 5,223,222**

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

2016

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 24)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	149,772	$ 526,812	$ 2,901,353	$ 440,013	$ 3,868,178	$ 35,318	$ 3,903,496
Net income	–	–	255,533	–	255,533	1,032	256,565
Other comprehensive loss	–	–	(36,646)	(80,996)	(117,642)	(3,336)	(120,978)
Total comprehensive income (loss)	–	–	218,887	(80,996)	137,891	(2,304)	135,587
Dividends declared (Note 23F)	–	–	(156,104)	–	(156,104)	–	(156,104)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(10,002)	(10,002)
Stock option compensation (Note 23B)	–	–	658	–	658	–	658
Shares issued under stock option plans (Note 23B)	585	28,027	(5,428)	–	22,599	–	22,599
Capital contributions by non-controlling interests	–	–	–	–	–	100	100
Balance at end of year	150,357	$ 554,839	$ 2,959,366	$ 359,017	$ 3,873,222	$ 23,112	$ 3,896,334

See accompanying notes to consolidated financial statements.

Consolidated Income Statements

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)	Note	2017	2016
Revenues from:			
E&C		**$ 9,096,715**	$ 8,223,085
Capital investments accounted for by the consolidation or cost methods		**53,184**	64,904
Capital investments accounted for by the equity method		**184,819**	182,844
		9,334,718	8,470,833
Direct costs of activities		**7,441,286**	7,264,735
Gross margin		**1,893,432**	1,206,098
Selling, general and administrative expenses	26	**1,158,678**	724,115
Restructuring costs	27	**26,363**	115,405
Acquisition-related costs and integration costs	6	**124,300**	4,409
Amortization of intangible assets related to business combinations	16	**138,892**	68,810
Gain on disposals of Capital investments	5A	**(42,078)**	(55,875)
(Gain) loss from disposals of E&C businesses	7	**(999)**	37,133
Gain on disposal of the head office building	14	**(115,101)**	–
EBIT (1)		**603,377**	312,101
Financial expenses	28	**123,094**	60,810
Financial income and foreign exchange losses (gains)	28	**(5,250)**	(18,693)
Earnings before income taxes		**485,533**	269,984
Income taxes	30	**102,382**	13,419
Net income		**$ 383,151**	$ 256,565
Net income attributable to:			
SNC-Lavalin shareholders		**$ 382,035**	$ 255,533
Non-controlling interests		**1,116**	1,032
Net income		**$ 383,151**	$ 256,565
Earnings per share (in $)			
Basic		**$ 2.35**	$ 1.70
Diluted		**$ 2.34**	$ 1.70
Weighted average number of outstanding shares (in thousands)	23E		
Basic		**162,910**	150,077
Diluted		**163,029**	150,279

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2017		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	**$ 382,035**	**$ 1,116**	**$ 383,151**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 24)	**(123,229)**	**55**	**(123,174)**
Available-for-sale financial assets (Note 24)	**12,234**	**–**	**12,234**
Cash flow hedges (Note 24)	**(8,553)**	**–**	**(8,553)**
Share of other comprehensive income of investments accounted for by the equity method (Note 24)	**57,678**	**–**	**57,678**
Income taxes (Note 24)	**(19,173)**	**–**	**(19,173)**
Total of items that will be reclassified subsequently to net income	**(81,043)**	**55**	**(80,988)**
Remeasurement on defined benefit plans (Note 24)	**21,844**	**–**	**21,844**
Income taxes (Note 24)	**(1,818)**	**–**	**(1,818)**
Total of items that will not be reclassified subsequently to net income	**20,026**	**–**	**20,026**
Total other comprehensive income (loss)	**(61,017)**	**55**	**(60,962)**
Total comprehensive income	**$ 321,018**	**$ 1,171**	**$ 322,189**

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2016		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	$ 255,533	$ 1,032	$ 256,565
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 24)	(79,718)	(3,336)	(83,054)
Available-for-sale financial assets (Note 24)	1,252	–	1,252
Cash flow hedges (Note 24)	(12,159)	–	(12,159)
Share of other comprehensive income of investments accounted for by the equity method (Note 24)	6,066	–	6,066
Income taxes (Note 24)	3,563	–	3,563
Total of items that will be reclassified subsequently to net income	(80,996)	(3,336)	(84,332)
Remeasurement on defined benefit plans (Note 24)	(40,501)	–	(40,501)
Income taxes (Note 24)	3,855	–	3,855
Total of items that will not be reclassified subsequently to net income	(36,646)	–	(36,646)
Total other comprehensive loss	(117,642)	(3,336)	(120,978)
Total comprehensive income (loss)	$ 137,891	$ (2,304)	$ 135,587

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	2017	2016
Operating activities			
Net income		**$ 383,151**	$ 256,565
Income taxes paid		**(23,874)**	(53,224)
Interest paid from E&C		**(115,364)**	(35,694)
Interest paid from Capital investments		**(21,626)**	(24,752)
Other reconciling items	29A	**182,950**	23,454
		405,237	166,349
Net change in non-cash working capital items	29B	**(641,093)**	(60,725)
Net cash generated from (used for) operating activities		**(235,856)**	105,624
Investing activities			
Acquisition of property and equipment		**(124,816)**	(151,339)
Proceeds from disposal of the head office building	14	**173,288**	–
Payments for Capital investments	5C	**–**	(11,687)
Costs associated to a foreign exchange option	6	**(54,134)**	–
Recovery associated to a foreign exchange option	6	**5,407**	–
Acquisition of businesses	6	**(3,176,722)**	–
Change in restricted cash position		**31,385**	(16,666)
Increase in receivables under service concession arrangements		**(214,380)**	(195,361)
Recovery of receivables under service concession arrangements		**109,852**	119,483
Decrease in short-term and long-term investments		**79,294**	81,456
Net cash inflow on disposals of Capital investments accounted for by the equity method	5A	**23,270**	101,851
Net cash inflow (outflow) on disposals of E&C businesses and of Capital investments accounted for by the consolidation method	5A, 7	**67,948**	(23,900)
Other		**15,857**	9,086
Net cash used for investing activities		**(3,063,751)**	(87,077)
Financing activities			
Increase in recourse debt	29D	**2,681,931**	4,876
Payment for recourse debt issue costs	29D	**(8,671)**	–
Repayment of recourse debt	29D	**(2,190,174)**	(4,876)
Increase in limited recourse debt	29E	**1,500,000**	–
Payment for limited recourse debt issue costs	29E	**(26,648)**	–
Increase in non-recourse debt from Capital investments	29E	**5,971**	940
Repayment of non-recourse debt from Capital investments	29E	**(5,969)**	(8,990)
Increase in advances under contract financing arrangements	29C	**–**	52,426
Repayment of advances under contract financing arrangements	29C	**–**	(448,125)
Proceeds from exercise of stock options		**9,727**	22,599
Dividends paid to SNC-Lavalin shareholders	23F	**(177,948)**	(156,104)
Dividends paid by subsidiaries to non-controlling interests		**(854)**	(10,002)
Proceeds from shares issued in exchange of subscription receipts	6	**1,220,790**	–
Amount paid for acquisition of non-controlling interest	25	**(59,499)**	–
Other	29E	**4,757**	9,027
Net cash generated from (used for) financing activities		**2,953,413**	(538,229)
Decrease from exchange differences on translating cash and cash equivalents		**(2,720)**	(6,668)
Net decrease in cash and cash equivalents		**(348,914)**	(526,350)
Cash and cash equivalents at beginning of year		**1,055,484**	1,581,834
Cash and cash equivalents at end of year		**$ 706,570**	$ 1,055,484
Presented on the statement of financial position as follows:			
Cash and cash equivalents		**$ 706,531**	$ 1,055,484
Assets of disposal group classified as held for sale and assets held for sale	39	**39**	–
		$ 706,570	$ 1,055,484

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 consulting, design, engineering, construction as well as sustaining capital 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 that are complementary to its other activities, which are referred to as "Capital investments" or "Capital" in these financial statements.

The Company reports its revenues as follows:

- **E&C** includes contracts generating revenues related to consulting, design, engineering, construction, sustaining capital and Operations & Maintenace ("O&M") activities. Such activities include, among others, Engineering, Procurement and Construction ("EPC"), Engineering, Procurement and Construction Management ("EPCM"), and O&M contracts.
- **Capital investments** include SNC-Lavalin's investments in infrastructure concessions for public services or in certain other long-term assets.

In these consolidated financial statements ("financial statements"), activities from consulting and advisory, engineering and construction, sustaining capital and operations and maintenance expertise are collectively referred to as "from E&C" or "excluding Capital investments" to distinguish them from activities related to the Capital investments.

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 for the year ended December 31, 2017, and are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

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

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

The Company's financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for share unit plans, which are measured at fair value; ii) the defined benefit liabilities, which are measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets; and iii) investments measured at fair value, which are held by SNC-Lavalin Infrastructure Partners LP, an investment entity accounted for by the equity method and for which SNC-Lavalin elected to retain the fair value measurement applied by that investment entity (see Note 5A). 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 February 21, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) CHANGE IN AN ACCOUNTING POLICY

In 2017, the Company updated its definition of the segment EBIT, which now excludes the gain on disposal of the head office building (see Note 14). This change in the definition was made to take into consideration a transaction that took place in 2017. This change in the definition 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*.

C) CHANGE IN PRESENTATION

In 2017, the Company combined the financial results of its Infrastructure & Construction and Operations & Maintenance sub-segments, which were previously presented separately as additional information of the Infrastructure segment. The combination mainly comes from the disposal of a significant portion of the Operations & Maintenance sub-segment in 2016, which decreased the level of activities of the Operations & Maintenance sub-segment. As a result of the combination, comparative figures have been adjusted, with no impact on the Infrastructure segmented results.

D) NEW ACCOUNTING POLICY ADOPTED IN 2017

As a result of the disposal of the Company's head office building in 2017, as detailed in Note 14, the Company adopted a new accounting policy applicable to sale and leaseback transactions, which is as follows:

A sale and leaseback transaction involves the sale of an asset by the Company and the leasing back of the same asset from the buyer.

Where a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognized as income by a seller-lessee. Instead, it is deferred and amortized over the lease term.

Where a leaseback transaction results in an operating lease:

- if the sale price of the asset is at fair value, the gain or loss from the sale is recognized immediately in the Company's income statement;
- if the sale price of the asset is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used; and
- if the sale price of the asset is below fair value, any gain or loss is recognized immediately in the Company's income statement except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used.

E) AMENDMENTS ADOPTED IN 2017

The following amendments to existing standards have been adopted by the Company on January 1, 2017:

- *Disclosure Initiative* (Amendments to IAS 7, *Statement of Cash Flows*) require disclosures of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IFRS 12, *Disclosure of Interests in Other Entities*, clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The adoption of the amendments listed above did not have any impact on the Company's financial statements, other than on its disclosures of the financial information related to the statement of cash flows (see Note 29E).

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

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

- IFRS 9, *Financial Instruments*, ("IFRS 9") 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. Refer to considerations for the implementation of IFRS 9 and IFRS 15 below for more information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") 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. Refer to considerations for the implementation of IFRS 9 and IFRS 15 below for more information.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The following standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2019 and thereafter, with an earlier application permitted for entities that have also adopted IFRS 15:

- IFRS 16, *Leases*, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede IAS 17, *Leases*, and its associated interpretative guidance.

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2019 and thereafter, with an earlier application permitted:

- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.
- Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

Considerations for the implementation of IFRS 9 and IFRS 15

IFRS 9 and IFRS 15 are applicable for annual reporting periods beginning on or after January 1, 2018.

IFRS 9

IFRS 9 is applicable retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to certain exemptions and exceptions. In general, the main changes introduced by IFRS 9 are related to the classification and measurement of financial assets, the introduction of a new impairment model based on expected credit losses (rather than incurred losses as per IAS 39, *Financial Instruments: Recognition and Measurement*) and hedge accounting. Although the methodology related to the classification of financial assets will change, the Company expects that most of its financial assets currently classified as "loans and receivables" and measured at amortized cost (approximately $2.1 billion as at December 31, 2017) will be classified as "financial assets subsequently measured at amortized cost". Excluding the potential impact from the change in the impairment model applicable to these financial assets, which is currently being analyzed (see below), the Company does not expect any significant impact on their measurement. Furthermore, the Company had $55.1 million of investments in equity instruments classified as "available-for-sale" as at December 31, 2017 which will be classified as financial assets subsequently measured at fair value through profit or loss or designated at fair value through other comprehensive income upon transition to IFRS 9. The Company does not expect any significant impact from the classification of its financial liabilities.

The Company is currently evaluating the impact of determining the amount of impairment of certain financial assets based on the expected credit loss model. While the Company had approximately $164 million of allowance for doubtful accounts on its trade receivables as at December 31, 2017, most of this allowance was related to commercial reasons, such as balances being disputed or subject to negotiation, rather than credit risk. The Company also has reserves on its contract in progress amounts, but most of these reserves are also due to commercial reasons rather than credit risk.

As permitted by IFRS 9, the Company will continue to apply the requirements contained in IAS 39 for hedge accounting.

Upon adoption of IFRS 9, the Company expects to apply the exemption from the requirement to restate comparative information. Therefore, differences between the previous carrying amounts and the carrying amounts at the date of initial application, if any, will be recognized in the opening balance of retained earnings or other components of equity, as appropriate, as at January 1, 2018.

The Company is currently assessing the impact of the change on its financial systems, internal controls and policies and procedures related to the adoption of IFRS 9.

IFRS 15

IFRS 15 introduces a 5-step model to revenue recognition on contracts with customers. Such model requires to: 1) identify the contract with the customer; 2) identify the performance obligations related to that contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations; and 5) recognize revenue when (or as) performance obligation is satisfied. In addition to recognition and measurement, IFRS 15 also provides new requirements on presentation and disclosures.

Transition considerations

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospectively with the cumulative effect of initially applying IFRS 15 recognized in opening retained earnings at the date of initial application (the "modified retrospective method"). The Company decided to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in retained earnings on the date of initial application (January 1, 2018), without restatement of comparative figures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15 provides for certain optional practical expedients, including upon the initial adoption of the standard. The Company intends to apply the following practical expedients upon adoption of IFRS 15 on January 1, 2018:

PRACTICAL EXPEDIENT	DESCRIPTION
Completed contract	The Company will apply IFRS 15 retrospectively only to contracts that are not completed contracts as at January 1, 2018.
Contract modifications	The Company will not apply IFRS 15 retrospectively to contract modifications that occurred before January 1, 2018.

Quantification of impact

The Company is currently finalizing the quantification of the impact of IFRS 15 on its consolidated financial statements. Although the Company has made progress in the implementation of IFRS 15 on its consolidated financial statements, the amounts disclosed below represent estimated impacts and actual results may differ from these estimates. As such, the following items represent the significant impact areas for the Company on transition to IFRS 15:

Change orders and claims

Change orders and claims, referred to as contract modifications, are currently recognized as per guidance provided in IAS 11, *Construction Contracts* (“IAS 11”). Under such guidance, revenue can be recognized on contract modifications only when certain conditions are met, including the fact that it is **probable** the customer will approve the modification and the amount of revenue arising from such contract modifications. IFRS 15 also provides guidance on the recognition of revenue from contract modifications, but such guidance is based, among other factors, on the fact that the contract modification is approved and it is **highly probable** that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, some revenue recognized under IAS 11 is expected to be reversed as at January 1, 2018 (reversal of approximately $200 million after taxes to be reflected in the Company’s opening retained earnings). Revenue from these contract modifications will be recognized when, and if, IFRS 15 guidance is met.

Measure of anticipated revenues and determination of progress

Under IFRS 15, the amount of anticipated revenue used when determining the amount of revenue to be recognized must be based on contracts with legally enforceable rights and obligations. As a result, certain contracts under which the Company anticipates some volume of work based on discussions with the customer or other indicators, but for which formal purchase orders or work orders need to be issued by the customer in order to formalize the exact scope of work, are being assessed to determine when the anticipated revenue should be included in the transaction price.

The Company estimates that the adoption of IFRS 15 for such contracts will result in a decrease of approximately $100 million after taxes in the Company’s 2018 opening retained earnings.

Furthermore, for projects having revenue recognized based on the stage of completion method using a cost input method, the Company currently accounts for its assurance-type warranty costs the same way as other project costs. As a result, the Company does not carry a provision for such expected warranty costs. Rather, it recognizes such costs as they are incurred, which in turn contribute to the progress of the project based on the stage of completion method and, as such, generates revenue.

Under IFRS 15, these assurance-type warranty costs are to be excluded from the measure of progress of projects for which revenue is recognized over time using a cost input method. Such costs will rather be recognized as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* based on the advancement of the projects, and the provision recognized will then either be used when costs are incurred or reversed if it is no longer needed.

In addition to these warranty-related costs, the Company reviewed its other project costs on contracts for which revenue is recognized over time to determine if each of these costs is contributing to the transfer of control of the goods or services to the customer. The exclusion of certain project costs from the determination of progress will either increase or decrease revenue being recognized on a project, without any impact on the total revenue and costs to be recognized over the life of the project. While the Company expects to increase its warranty provision as at January 1, 2018, no significant impact on its 2018 opening retained earnings is expected from the revised determination of progress.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation and disclosures

In accordance with IFRS 15, the Company will change its presentation of contract-related assets and liabilities. As such, the Company will present its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its accounts receivable. Contract assets and accounts receivable are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (accounts receivable) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the amount received by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

As previously mentioned, the Company will adopt IFRS 15 using the modified retrospective method, without restatement of the comparative figures. In addition to the new disclosure requirements under IFRS 15, the Company will also disclose the amount by which each financial statement line item is affected in the reporting period by the application of IFRS 15 as compared with the previous standards, as well as an explanation of the reasons for significant changes identified in IFRS 15.

Procedures and controls

The Company has updated and is finalizing the implementation of revised procedures and controls in order to meet the requirements of IFRS 15, notably the recording of the transition adjustment and the change in presentation to be reported in the Company's unaudited consolidated financial statements for the three-month period ended March 31, 2018, as well as additional disclosures to be provided in the Company's 2018 audited annual consolidated 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	Consolidation method
Joint venture	Joint control	Equity method
Joint operation	Joint control	SNC-Lavalin's share of interest
Associate	Significant influence	Equity method
Investment	Non-significant influence	Cost 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 other 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.

Business acquisitions

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

At the date of acquisition, the identifiable assets acquired and the liabilities assumed are recognized at fair value, except that:

- deferred income tax asset or liability, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes*, and IAS 19, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment*, at the date of acquisition; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with this standard.

Acquisition-related 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 is obtained.

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 appropriate 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 procedures described above, Canadian and foreign operations produce 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 appropriate 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 of foreign operations.

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 E&C

Revenues from E&C are recognized based on the nature of the contract, which are mainly as follows:

- 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 **unit-rate contracts** 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.

- The fixed-fee revenue portion from **cost reimbursable with fixed-fee contracts** for O&M activity 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For contracts using the stage of completion method to recognize revenue, 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. 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. Anticipated revenues on contracts may also include estimated volume of work, notably for unit-rate contracts. Revenues from performance incentives are recognized when specific indicators have been met and collection is reasonably assured.

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.

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 CAPITAL INVESTMENTS

Revenues from **Capital investments** include the following:

ACCOUNTING METHODS FOR THE COMPANY'S CAPITAL INVESTMENTS	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Consolidation	**Revenues** that are recognized and reported by the Capital investments
Equity method	SNC-Lavalin's **share of net results** of the Capital investments or **dividends** from its Capital investments for which the carrying amount is $nil but would otherwise be negative based on historical financial results and dividends if SNC-Lavalin had an obligation to fund the investment. Dividends are recognized when the Company's right to receive payment has been established
Cost method	**Dividends and distributions** from the Capital investments

SEPARATELY IDENTIFIABLE REVENUE COMPONENTS CONTRACTUAL ARRANGEMENTS

SNC-Lavalin may enter into contractual arrangements with a client to deliver services on one project which span more than one component, such as EPC or EPCM, O&M and/or Capital investments. 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 component is based on the fair value of each related activity and recognized according to the respective revenue recognition methods described above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<table>
<tr><th>CATEGORY</th><th>APPLICABLE TO</th><th>INITIAL MEASUREMENT</th><th>SUBSEQUENT MEASUREMENT</th><th>RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY</th></tr>
<tr><td>Fair value through profit or loss (“FVTPL”)</td><td>Financial assets and financial liabilities</td><td>Fair value</td><td>Fair value</td><td>All recognized in net income</td></tr>
<tr><td>Available-for-sale</td><td>Financial assets</td><td>Fair value including transaction costs</td><td>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.</td><td>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.</td></tr>
<tr><td>Loans and receivables</td><td>Financial assets</td><td>Fair value including transaction costs</td><td rowspan="2">Amortized cost using the effective interest method</td><td rowspan="2">All recognized in net income</td></tr>
<tr><td>Other financial liabilities</td><td>Financial liabilities</td><td>Fair value including transaction costs</td></tr>
</table>

HEDGING

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 market risk. 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.

CASH FLOW HEDGES

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.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges of an available-for-sale investment are recognized in net income immediately, together with any changes in the fair value of the hedged available-for-sale investment that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in net income in the same line item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under “Exchange differences on translating foreign operations” in the “Other components of equity”. The gain or loss relating to the ineffective portion is recognized immediately in net income, and is included in the “Financial expenses” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the “Exchange differences on translating foreign operations” are reclassified to net income on the disposal of the foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, 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. For available-for-sale equity instruments, 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. For available-for-sale debt securities, impairment losses are subsequently reversed through net income if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

K) SERVICE 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).

Revenues from service 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 2I).	The Company classifies these revenues as "from E&C" 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 "Capital investments" 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 2I).	The Company classifies these revenues as "from E&C" 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 "Capital investments" 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 2I).	The Company classifies these revenues as "from E&C" 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 "Capital investments" 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 "Capital investments" activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 “Capital investments” 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 “Other non-current financial assets” (Note 17). 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.

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.

Property and equipment used for E&C activities are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings	Straight-line, by component	10 to 50 years
Computer equipment	Straight-line	2 to 5 years
Office furniture	Diminishing balance	20%
Machinery	Straight-line	1 to 15 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 business combinations are primarily:

CATEGORY	AMORTIZATION METHOD	AMORTIZATION PERIOD
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 and 10 years
Trademarks	Straight-line	4 to 8 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 five 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.

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, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

Defined benefit pension plans, other long-term benefits 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 defined 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.

Share units

The 2017 Performance Share Unit plan ("2017 PSU plan"), 2014 Performance Share Unit plan ("2014 PSU plan"), Restricted Share Unit plan ("RSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share units". For share units granted to employees under the share unit plans, a liability is recognized and measured at the fair value of the liability, which is based on the Company's share price. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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 control over the 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.

DD) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Finance leases

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between financial expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expenses are recognized immediately in net income, unless they are directly attributable to qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, in which case they are capitalized to the cost of those assets. Contingent rentals, if any, are recognized as expenses in the periods in which they are incurred.

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, notably from estimated volume of work, 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 consulting, design, engineering and construction activities usually do not exceed 4 years, operations and maintenance 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 Capital investment 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 Capital investments 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 Capital investments.

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 cash flows 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 an additional 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 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 2.5% in 2017 (2016: 2.5%). The discount rate is derived from the Company's post-tax weighted average cost of capital and is adjusted, where applicable, to take into account any specific risks. Discount rates ranging from 10.3% to 12.6% have been used for goodwill impairment calculations performed in 2017 (2016: from 9.7% to 12.9%). The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

As at October 31, 2017 and 2016, goodwill was not considered to be impaired.

In 2017, approximately 44% (2016: 90%) of the Company's goodwill balance is allocated to the Oil & Gas CGU. The recoverable amount of this CGU, based on a terminal growth rate of 2.5% in 2017 (2016: 2.5%) and a discount rate of 12.6% in 2017 (2016: 12.9%), exceeded its carrying amount by $309.4 million as at October 31, 2017 (2016: $253.0 million). Assuming all other assumptions remain the same, a 130-basis point decrease in 2017 (2016: a 130-basis point decrease) in the terminal growth rate or a 90-basis increase in 2017 (2016: a 260-basis point increase) in the discount rate would have caused the Oil & Gas CGU's carrying amount to be comparable to its recoverable amount as at that date. No reasonable change in the key assumptions used for the other CGU or group of CGU would have resulted in an impairment loss as at October 31, 2017 and 2016.

In 2017, approximately 51% of the Company's goodwill balance is allocated to the Atkins CGU, following the acquisition of Atkins in July 2017 and Data Transfer Solutions in October 2017.

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 if found to be impaired.

Measurement of retirement benefit obligations, other long-term benefit and other post-employment benefit obligations

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans, other long-term benefits 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 detail 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.

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

Measurement of share-based payment expenses

The Company offers the 2017 PSU plan and 2014 PSU plan 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 2017 performance share units and 2014 performance share units that will vest, which impacts the amount of associated liabilities and expenses.

Assessment of deferred income tax assets and liabilities

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

Measurement of financial instruments at fair value

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When data is not readily 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.

Assets and liabilities acquired in a business combination

Intangible assets and goodwill arising out of business combinations are accounted for by applying the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, the Company uses significant estimates and assumptions regarding cash flow projections, economic risk, and weighted average cost of capital.

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

Identification of functional currency

The functional currency for each subsidiary, joint operation, joint venture and associate, is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment and other entities may make different judgments based on similar facts. SNC-Lavalin reconsiders the functional currency of its businesses if there is a change in the underlying transactions, events or conditions which determine their primary economic environment.

The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortization of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement and in equity.

4. SEGMENT DISCLOSURES

SNC-Lavalin's reportable segments are i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; v) **Atkins**; and vi) **Capital**.

The description of each of the segments is as follows:

Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects.

4. SEGMENT DISCLOSURES (CONTINUED)

Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle, from front-end evaluation through decommissioning (operational and capital expenditures).

Power covers projects and services in hydro, nuclear and thermal power generation, renewable power generation, energy from waste, and electrical power delivery systems. It also has a wealth of expertise in clean and sustainable power technologies.

Infrastructure provides end-to-end services to a broad range of sectors, including 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, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects.

Atkins, acquired by the Company on July 3, 2017, has projects in the energy, transportation and infrastructure sectors. Atkins also includes the brands *Faithful+Gould*, a world leading integrated project and programme management consultancy, *Atkins Acuity*, an advisory business operating worldwide that offers seamless end-to-end advisory services in the infrastructure and energy sectors, and *Howard Humphreys*, a multidisciplinary engineering consultancy based in Kenya and Tanzania. Atkins also includes Data Transfer Solutions LLC, acquired by the Company on October 30, 2017.

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes capital investments in a variety of infrastructure assets such as bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants, for which further details are provided in Note 5.

As disclosed in Note 2B, the Company modified the definition of segment EBIT, its measure of profit or loss for its reportable segments, to exclude the gain on disposal of the head office building recognized in 2017. Also, as disclosed in Note 2C, the Company combined the financial results of its Infrastructure & Construction and Operations & Maintenance sub-segments, which were previously presented separately as additional information of the Infrastructure segment.

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 using **segment EBIT**, which consists, except for the Capital segment, of gross margin less i) directly related selling, general and administrative expenses; ii) corporate selling, general and administrative expenses that are directly related to projects or segments; and iii) non-controlling interests before income taxes. Corporate selling, general and administrative expenses that are not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, gains (losses) from disposal(s) of E&C businesses and gain on disposal of the head office building are not allocated to the Company's segments.

The Company evaluates the Capital 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 Capital investments for which the carrying amount is $nil, but would otherwise be negative based on historical financial results and dividends, for investments accounted for by the equity method; and iii) net result from investments accounted for by the consolidation method, less the portion attributable to non-controlling interests.

The Capital segment EBIT also reflects selling, general and administrative expenses, including corporate selling, general and administrative expenses that are related to the segment. Accordingly, the **segment EBIT from Capital** is reported net of selling, general and administrative expenses.

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the year ended December 31, 2017:

YEAR ENDED DECEMBER 31	2017			
		SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	$ 432,804	$ 20,477	$ –	$ 20,477
Oil & Gas	3,392,952	245,597	–	245,597
Power	1,334,554	66,418	–	66,418
Infrastructure	2,137,805	158,354	–	158,354
Atkins	1,798,600	204,995	–	204,995
Total E&C segments	9,096,715	695,841	–	695,841
Capital	238,003	–	213,990	213,990
	$ 9,334,718			909,831
Reversal of non-controlling interests before income taxes included above		1,116	–	1,116
Corporate selling, general and administrative expenses and others not allocated to the segments		(149,675)	(26,518)	(176,193)
Restructuring costs (Note 27)		(26,363)	–	(26,363)
Amortization of intangible assets related to business combinations (Note 16)		(138,892)	–	(138,892)
Acquisition-related costs and integration costs (Note 6)		(124,300)	–	(124,300)
Gain on disposals of Capital investments (Note 5A)		–	42,078	42,078
Gain from disposals of E&C businesses (Note 7)		999	–	999
Gain on disposal of the head office building (Note 14)		115,101	–	115,101
EBIT		373,827	229,550	603,377
Net financial expenses (Note 28)		107,830	10,014	117,844
Earnings before income taxes		265,997	219,536	485,533
Income taxes (Note 30)		88,886	13,496	102,382
Net income		$ 177,111	$ 206,040	$ 383,151
Net income attributable to:				
SNC-Lavalin shareholders				$ 382,035
Non-controlling interests				1,116
Net income				$ 383,151

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the year ended December 31, 2016:

YEAR ENDED DECEMBER 31	2016 [1]			
		SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	$ 355,944	$ 35,302	$ –	$ 35,302
Oil & Gas	3,735,456	186,273	–	186,273
Power	1,624,034	113,009	–	113,009
Infrastructure	2,507,651	131,008	–	131,008
Total E&C segments	8,223,085	465,592	–	465,592
Capital	247,748	–	201,942	201,942
	$ 8,470,833		–	667,534
Reversal of non-controlling interests before income taxes included above		1,050	–	1,050
Corporate selling, general and administrative expenses and others not allocated to segments		(162,317)	(24,284)	(186,601)
Restructuring costs (Note 27)		(115,405)	–	(115,405)
Amortization of intangible assets related to business combinations (Note 16)		(68,810)	–	(68,810)
Acquisition-related costs and integration costs		(4,409)	–	(4,409)
Gain on disposals of Capital investments (Note 5A)		–	55,875	55,875
Loss on disposals of E&C businesses (Note 7)		(37,133)	–	(37,133)
EBIT		78,568	233,533	312,101
Net financial expenses (Note 28)		27,926	14,191	42,117
Earnings before income taxes		50,642	219,342	269,984
Income taxes (Note 30)		3,265	10,154	13,419
Net income		$ 47,377	$ 209,188	$ 256,565
Net income attributable to:				
SNC-Lavalin shareholders				$ 255,533
Non-controlling interests				1,032
Net income				$ 256,565

[1] Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B) and a change in presentation (see Note 2C).

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

It should be noted that supplementary information provided in the following table does not reflect information related to the Company's segments, but is rather an allocation of net income attributable to SNC-Lavalin shareholders between various components.

YEAR ENDED DECEMBER 31	**2017**	2016
Supplementary information:		
Net gain (loss) from disposals of E&C businesses (Note 7)	**$ 850**	$ (44,582)
Net gain on disposal of the head office building (Note 14)	**101,531**	–
Excluding the items listed above	**73,614**	90,927
Net income attributable to SNC-Lavalin shareholders from E&C	**175,995**	46,345
Net gain on disposals of Capital investments (Note 5A)	**35,007**	48,381
Highway 407 ETR dividends	**141,718**	132,516
Excluding the items listed above	**29,315**	28,291
Net income attributable to SNC-Lavalin shareholders from Capital	**206,040**	209,188
Net income attributable to SNC-Lavalin shareholders	**$ 382,035**	$ 255,533

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 2017	DECEMBER 31 2016
Property, equipment, goodwill and intangible assets (1)		
Canada	**$ 331,049**	$ 313,115
Outside Canada	**7,496,365**	3,447,596
	$ 7,827,414	$ 3,760,711

(1) All related to E&C activities.

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

YEAR ENDED DECEMBER 31	2017		
Revenues by geographic area (2)	ENGINEERING AND CONSTRUCTION	CAPITAL INVESTMENTS	TOTAL
Americas:			
Canada	**$ 2,705,956**	**$ 232,749**	**$ 2,938,705**
United States	**1,550,756**	**2,628**	**1,553,384**
Latin America	**341,586**	**–**	**341,586**
Middle East and Africa:			
Saudi Arabia	**992,933**	**–**	**992,933**
Other Middle East countries	**638,827**	**–**	**638,827**
Africa	**450,829**	**2,626**	**453,455**
Asia Pacific:			
Australia	**1,173,529**	**–**	**1,173,529**
Other	**152,385**	**–**	**152,385**
Europe:			
United Kingdom	**885,106**	**–**	**885,106**
Other	**204,808**	**–**	**204,808**
	$ 9,096,715	**$ 238,003**	**$ 9,334,718**

YEAR ENDED DECEMBER 31	2016		
Revenues by geographic area (2)	ENGINEERING AND CONSTRUCTION	CAPITAL INVESTMENTS	TOTAL
Americas:			
Canada	$ 3,286,608	$ 207,563	$ 3,494,171
United States	897,982	2,570	900,552
Latin America	128,288	–	128,288
Middle East and Africa:			
Saudi Arabia	880,151	–	880,151
Other Middle East countries	589,563	–	589,563
Africa	369,590	23,939	393,529
Asia Pacific:			
Australia	1,597,101	–	1,597,101
Other	43,703	–	43,703
Europe:			
United Kingdom	78,368	–	78,368
Other	351,731	13,676	365,407
	$ 8,223,085	$ 247,748	$ 8,470,833

(2) In 2017 and 2016, Canada, Australia, United States and Saudi Arabia were the only countries where the Company derived more than 10% of its revenues.

5. CAPITAL INVESTMENTS

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

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. The Société d'Exploitation de l'Aéroport de Mayotte S.A.S. concession was accounted for under the bifurcated model and was disposed of in the fourth quarter of 2016, as described below. The Rayalseema Expressway Private Limited ("Rayalseema") concession was accounted for under the intangible asset model and was disposed of in the first quarter of 2016, as described below.

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN 2017

SNC-LAVALIN INFRASTRUCTURE PARTNERS LP

On June 30, 2017, SNC-Lavalin announced the launch of SNC-Lavalin Infrastructure Partners LP (the "Partnership"), established to efficiently redeploy capital back into development opportunities, and entered into a strategic agreement with a Canadian subsidiary of BBGI SICAV S.A. ("BBGI"). This Partnership holds 100% of SNC-Lavalin's interests in a selection of its mature Canadian infrastructure assets and their holding companies.

On September 28, 2017, BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of the following four assets: Okanagan Lake Concession Limited Partnership ("Okanagan"), InTransit BC Limited Partnership ("InTransit"), Chinook Roads Partnership ("Chinook") and Rainbow Hospital Partnership ("Rainbow") and contemporaneously SNC-Lavalin transferred to the Partnership all of its ownership in the four assets. A fifth asset, McGill Healthcare Infrastructure Group, G.P. ("MHIG"), is currently expected to be transferred to the Partnership in 2018 (see Note 39).

Net gain on partial disposal of the Partnership

YEAR ENDED DECEMBER 31		2017
Consideration received	$	98,774
Net assets disposed of		(48,682)
Cumulative share of other comprehensive loss of investments accounted for by the equity method reclassified from equity		(30,977)
Carrying amount of the investment retained in the Partnership		9,736
Gain attributable to measuring the investment retained in the Partnership at its fair value		14,957
Disposition-related costs		(7,133)
Gain on partial disposal of the Partnership		**36,675**
Income taxes		(10,206)
Net gain on partial disposal of the Partnership	**$**	**26,469**

On September 28, 2017, excluding the BBGI's subscription, major classes of assets and liabilities of the Partnership were as follows:

		SEPTEMBER 28 2017
Cash and cash equivalents	$	8,882
Restricted cash		3,347
Other current assets		11,104
Capital investments accounted for by the equity method		27,812
Other non-current assets		215,417
Assets disposed of		266,562
Current liabilities		44,622
Non-current liabilities		173,258
Liabilities disposed of		217,880
Net assets disposed of	**$**	**48,682**

5. CAPITAL INVESTMENTS (CONTINUED)

Net cash inflow on partial disposal of the Partnership

YEAR ENDED DECEMBER 31		2017
Consideration received in cash	$	98,774
Less: cash and cash equivalents balances disposed of		(8,882)
Net cash inflow on partial disposal of the Partnership	**$**	**89,892**

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

On June 30, 2017, the joint venture McGill Healthcare Infrastructure Group, in which SNC-Lavalin previously held a 60% ownership interest, issued equity instruments to the other investor in MHIG, which resulted in a dilution of SNC-Lavalin's ownership interest to 50%. In addition, the Company's subordinated loan receivable from MHIG of $109.3 million (the "Subordinated Loan") was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for a total cash consideration of $23.3 million.

Gain on equity transaction of MHIG

YEAR ENDED DECEMBER 31		2017
SNC-Lavalin's share of the contribution by the other investor in MHIG	$	5,052
Cost of deemed disposal of 10% ownership interest in MHIG		(2,480)
Gain before income taxes		**2,572**
Income taxes		–
Net gain on equity transaction of MHIG	**$**	**2,572**

Gain on Subordinated Loan transaction

YEAR ENDED DECEMBER 31		2017
Consideration received	$	23,270
Carrying amount of the Subordinated Loan sold to the other investor		(18,218)
Carrying amount of the reimbursed Subordinated Loan		(2,221)
Gain before income taxes		**2,831**
Income taxes		–
Net gain on Subordinated Loan transaction	**$**	**2,831**

For the year ended December 31, 2017, the gain on disposals of Capital investments is presented in the Company's consolidated income statement as follows:

YEAR ENDED DECEMBER 31	2017		
	BEFORE TAXES	INCOME TAXES	NET OF TAXES
Gain on equity transaction of MHIG	$ 2,572	$ –	$ 2,572
Gain on Subordinated Loan transaction	2,831	–	2,831
Gain on partial disposal of MHIG	5,403	–	5,403
Gain on partial disposal of the Partnership	36,675	(10,206)	26,469
Income tax recovery, net, related to disposals of certain Capital investments	–	3,135	3,135
Gain on disposals of Capital investments	**$ 42,078**	**$ (7,071)**	**$ 35,007**

II) IN 2016

MALTA INTERNATIONAL AIRPORT

On March 30, 2016, SNC-Lavalin announced that it has reached financial close on the sale of its indirect ownership interest in MML Holdings Malta Limited [formerly, SNC-Lavalin (Malta) Limited ("SNCL Malta")] to an affiliate of Flughafen Wien AG for total cash consideration of approximately €64 million (approximately CA$98.7 million). SNCL Malta was the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c.

5. CAPITAL INVESTMENTS (CONTINUED)

Net gain on disposal of SNCL Malta

YEAR ENDED DECEMBER 31	2016
Consideration received	$ 98,675
Carrying amount of the investment	(38,660)
Cumulative exchange gain on translating foreign operations reclassified from equity	1,074
Gain on disposal of SNCL Malta	61,089
Income taxes	(7,494)
Net gain on disposal of SNCL Malta	**$ 53,595**

Net cash inflow on disposal of SNCL Malta

YEAR ENDED DECEMBER 31	2016
Consideration received in cash	$ 98,675
Less: cash and cash equivalents balances disposed of	(4,865)
Net cash inflow on disposal of SNCL Malta	**$ 93,810**

RAYALSEEMA

In 2016, SNC-Lavalin completed the sale of its ownership interest of 36.9% in Rayalseema in exchange of total cash consideration of approximately US$6 million (approximately CA$8 million). The net loss on disposal of SNC-Lavalin's ownership interest in Rayalseema amounted to $2.6 million.

SOCIÉTÉ D'EXPLOITATION DE L'AÉROPORT DE MAYOTTE S.A.S.

On December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing activities in France and in Monaco to Ciclad and Impact Holding for a nominal amount, including its investment in Société d'Exploitation de l'Aéroport de Mayotte S.A.S. ("Mayotte Airport"). See Note 7 for further details.

Gain on disposals of Capital investments

The gain on disposals of SNCL Malta, Rayalseema and Mayotte Airport is presented as follows in the Company's consolidated income statement:

YEAR ENDED DECEMBER 31	2016		
	BEFORE TAXES	INCOME TAXES	NET OF TAXES
Gain on disposal of SNCL Malta	$ 61,089	$ (7,494)	$ 53,595
Loss on disposal of Rayalseema	(2,550)	–	(2,550)
Loss on disposal of Mayotte Airport (Note 7)	(2,664)	–	(2,664)
Gain on disposals of Capital investments	**$ 55,875**	**$ (7,494)**	**$ 48,381**

Net cash inflow on disposals of Capital investments

Following the disposal of SNCL Malta and Rayalseema in the year ended December 31, 2016, the net cash inflow on disposals of Capital investments accounted for by the equity method presented in the Company's consolidated statement of cash flows is as follows:

YEAR ENDED DECEMBER 31	2016
Net cash inflow on disposal of SNCL Malta	$ 93,810
Proceeds from disposal of Rayalseema	8,041
Net cash inflow on disposals of Capital investments accounted for by the equity method	**$ 101,851**

The cash impact from the disposal of Mayotte Airport is included in the "Net cash outflow on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method" in the Company's consolidated statement of cash flows.

5. CAPITAL INVESTMENTS (CONTINUED)

B) NET BOOK VALUE AND DESCRIPTIONS OF CAPITAL INVESTMENTS

The Company's consolidated statement of financial position includes the following net assets (liabilities) from its consolidated Capital investments and net book value from its Capital investments accounted for by the equity and cost methods.

	DECEMBER 31 2017	DECEMBER 31 2016
Net liabilities from Capital investments accounted for by the consolidation method	**$ (36,099)**	$ (31,231)
Net book value of Capital investments accounted for by the equity method (1), (2), (3)	**296,664**	399,425
Net book value of Capital investments accounted for by the cost method	**55,614**	48,325
Total net book value of Capital investments	**$ 316,179**	$ 416,519

(1) Includes the Company's investment in Highway 407 ETR, for which the net book value was $nil as at December 31, 2017 and 2016.

(2) Included the Company's subordinated loan receivable from a Capital investment of $109.3 million as at December 31, 2016 (see Note 5A), such loan being presented in the "Assets of disposal group classified as held for sale and assets held for sale" as at December 31, 2017.

(3) Excluded the Company's investment in MHIG as at December 31, 2017, which is included in the "Assets of disposal group classified as held for sale and assets held for sale" (2016: TC Dôme S.A.S.).

I) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE CONSOLIDATION METHOD

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

					OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2017	DECEMBER 31 2016
InPower BC General Partnership	John Hart Generating Replacement Facility (under construction)	Yes	2033	Canada	**100.0%**	100.0%
Okanagan Lake Concession Limited Partnership	1.1-km William R. Bennett Bridge under a 30-year concession agreement	Yes	2035	Canada	**–**	100.0%
Rainbow Hospital Partnership	Restigouche Hospital Center for psychiatric care	Yes	2044	Canada	**–**	100.0%

5. CAPITAL INVESTMENTS (CONTINUED)

II) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

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

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST DECEMBER 31 2017	OWNERSHIP INTEREST DECEMBER 31 2016
Joint ventures:						
407 East Development Group General Partnership ("407 EDGGP")	32-km toll Highway 407 East	Yes	2045	Canada	**50.0%**	50.0%
407 International Inc.[1] ("Highway 407 ETR")	108-km toll highway under a 99-year concession agreement	No	2098	Canada	**16.77%**	16.77%
Chinook Roads Partnership	25-km of six-lane road	Yes	2043	Canada	**–**	50.0%
Crosslinx Transit Solutions General Partnership	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	**25.0%**	25.0%
McGill Healthcare Infrastructure Group [2]	McGill University Health Centre – Glen Campus under a 34-year concession agreement	Yes	2044	Canada	**50.0%**	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%
Signature on the Saint-Laurent Group General Partnership ("SSL")	New Champlain Bridge Corridor (under construction)	Yes	2049	Canada	**50.0%**	50.0%
TC Dôme S.A.S.[2], [3] ("TC Dôme")	5.3-km electric cog railway	Yes	2043	France	**51.0%**	51.0%
Associates:						
InTransit BC Limited Partnership	19-km rapid transit line	Yes	2040	Canada	**–**	33.3%
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%
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%
SNC-Lavalin Infrastructure Partners LP	Holding interests in mature Capital investments	No	N/A	Canada	**20.0%**	–

(1) Although the Company holds less than 20% of the equity shares of Highway 407 ETR, the Company exercises joint control over this entity based on its contractual agreements.

(2) Although the Company's ownership interest TC Dôme is more than 50% (2016: MHIG and TC Dôme), the Company does not exercise control over these entities based on its contractual agreements.

(3) The Company's investment in TC Dôme was presented as an asset held for sale as at December 31, 2016 (see Note 39).

N/A: not applicable

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its Capital investment 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, 2017	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	**$ 1,267,673**	**$ 2,170,740**	**$ 3,438,413**
Interest income (at 100%)	**$ 15,693**	**$ 3,758**	**$ 19,451**
Interest expense (at 100%)	**$ 372,027**	**$ 150,939**	**$ 522,966**
Depreciation and amortization (at 100%)	**$ 105,854**	**$ 67**	**$ 105,921**
Income tax expense (at 100%)	**$ 169,456**	**$ 5**	**$ 169,461**

YEAR ENDED DECEMBER 31, 2016	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	$ 1,134,662	$ 1,945,432	$ 3,080,094
Interest income (at 100%)	$ 10,666	$ 15,084	$ 25,750
Interest expense (at 100%)	$ 383,484	$ 177,261	$ 560,745
Depreciation and amortization (at 100%)	$ 104,837	$ 136	$ 104,973
Income tax expense (at 100%)	$ 134,389	$ 4	$ 134,393

YEAR ENDED DECEMBER 31, 2017	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	**$ 470,153**	**$ 62,237**	**$ 532,390**
Other comprehensive income (loss) (at 100%)	**(733)**	**21,757**	**21,024**
Total comprehensive income (at 100%)	**$ 469,420**	**$ 83,994**	**$ 553,414**

YEAR ENDED DECEMBER 31, 2016	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	$ 372,935	$ 45,907	$ 418,842
Other comprehensive loss (at 100%)	(772)	(2,027)	(2,799)
Total comprehensive income (at 100%)	$ 372,163	$ 43,880	$ 416,043

YEAR ENDED DECEMBER 31	**2017**	2016
Company's share of net income of Capital investments based on its ownership interest (1)	**$ 104,367**	$ 82,951
Company's net income from Capital investments included in its income statement (1)	**$ 169,881**	$ 153,995

(1) See Note 1 on the following page.

5. CAPITAL INVESTMENTS (CONTINUED)

DECEMBER 31, 2017	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	**$ 763,144**	**$ 4,726**	**$ 767,870**
Other current assets (at 100%)	**455,874**	**122,459**	**578,333**
Non-current assets (at 100%)	**4,409,051**	**3,645,862**	**8,054,913**
Total assets (at 100%)	**5,628,069**	**3,773,047**	**9,401,116**
Trade payables (at 100%)	**85,917**	**35,474**	**121,391**
Other current financial liabilities (at 100%)	**523,922**	**243,761**	**767,683**
Other current non-financial liabilities (at 100%)	**88,200**	**2,580**	**90,780**
Other non-current financial liabilities (at 100%)	**7,855,082**	**3,313,623**	**11,168,705**
Other non-current non-financial liabilities (at 100%)	**509,793**	**1,713**	**511,506**
Total liabilities (at 100%)	**9,062,914**	**3,597,151**	**12,660,065**
Net assets (liabilities) (at 100%)	**$ (3,434,845)**	**$ 175,896**	**$ (3,258,949)**
Company's carrying value of Capital investments included in its statement of financial position (1)	**$ –**	**$ 163,017**	**$ 163,017**

DECEMBER 31, 2016	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	$ 557,629	$ 189,969	$ 747,598
Other current assets (at 100%)	409,900	129,235	539,135
Non-current assets (at 100%)	4,361,739	3,781,431	8,143,170
Total assets (at 100%)	5,329,268	4,100,635	9,429,903
Trade payables (at 100%)	86,030	163,961	249,991
Other current financial liabilities (at 100%)	992,545	231,941	1,224,486
Other non-current financial liabilities (at 100%)	6,814,017	3,577,239	10,391,256
Other non-current non-financial liabilities (at 100%)	495,942	–	495,942
Total liabilities (at 100%)	8,388,534	3,973,141	12,361,675
Net assets (liabilities) (at 100%)	$ (3,059,266)	$ 127,494	$ (2,931,772)
Company's carrying value of Capital investments included in its statement of financial position (1)	$ –	$ 273,633	$ 273,633

(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 declared 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 Capital investments based on its ownership, but rather recognizes the excess amount of dividends declared by a joint venture in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 ETR of $141.7 million in 2017 (2016: $132.5 million) and did not recognize its share of Highway 407 ETR's net income of $78.9 million (2016: $62.6 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was $nil at December 31, 2017 and 2016. The negative carrying value of the Company's investment in Highway 407 ETR, which is not recognized on the Company's statement of financial position, amounted to $577.9 million as at December 31, 2017 (2016: $514.3 million).

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of Capital investments classified as associates:

YEAR ENDED DECEMBER 31	2017	2016
Statements of comprehensive income		
Revenues (at 100%)	$ 280,838	$ 423,262
Expenses (at 100%)	226,533	313,089
Net income (at 100%)	54,305	110,173
Other comprehensive income (loss) (at 100%)	(3,727)	7,581
Total comprehensive income (at 100%)	$ 50,578	$ 117,754
Company's share of net income of Capital investments based on its ownership interest	$ 14,938	$ 28,849
Company's share of net income from Capital investments included in its income statement	$ 14,938	$ 28,849

	DECEMBER 31 2017	DECEMBER 31 2016
Statements of financial position		
Current assets (at 100%)	$ 362,290	$ 474,854
Non-current assets (at 100%)	626,411	1,251,631
Total assets (at 100%)	988,701	1,726,485
Current liabilities (at 100%)	154,580	104,713
Non-current liabilities (at 100%)	369,618	1,136,120
Total liabilities (at 100%)	524,198	1,240,833
Net assets (at 100%)	$ 464,503	$ 485,652
Company's carrying value of Capital investments included in its statement of financial position	$ 133,647	$ 125,792

III) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE COST METHOD

The main Capital investments accounted for by the cost method are listed below:

				OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2017	DECEMBER 31 2016
Astoria Project Partners II LLC	550 MW natural-gas power plant	N/A	U.S.A.	6.2%	6.2%
Highway Concessions One 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, 2017 and 2016, the Company's consolidated income includes revenues of $2.6 million and $2.6 million, respectively, from these investments.

5. CAPITAL INVESTMENTS (CONTINUED)

C) PAYMENTS AND REMAINING COMMITMENTS IN CAPITAL INVESTMENTS

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 Capital investments accounted for by the equity or cost methods as at December 31, 2017 and 2016:

		2017		2016
Commitments to invest in Capital investments – January 1	**$**	**98,050**	$	113,942
Decrease in commitments to invest in Capital investments		**–**		(4,205)
Payments for Capital investments during the year		**–**		(11,687)
Commitments to invest in Capital investments – December 31	**$**	**98,050**	$	98,050

At December 31, 2017, the commitments to invest in Capital investments were related to contributions for Rideau, SSL and Eglinton Crosstown (2016: Rideau, 407 EDGGP, SSL and Eglinton Crosstown) and were presented as "Other current financial liabilities" (see Note 19) since they are either expected to be paid in the following year or are callable on demand.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects related to energy, power and other natural resources that include a significant amount of greenfield development, construction or other capital expenditures programs. As at December 31, 2017 and 2016, no liability was recorded in relation to this agreement as the conditions have not been met yet.

6. BUSINESS COMBINATIONS

A) WS ATKINS PLC

On April 20, 2017, SNC-Lavalin announced that it reached an agreement with WS Atkins Limited (previously WS Atkins plc) ("Atkins"), approved by the boards of directors of both companies, on the terms of a cash acquisition by which SNC-Lavalin would acquire the entire issued and to be issued share capital of Atkins (the "Acquisition"). Headquartered in the United Kingdom, Atkins is a global design, engineering and project management consultancy, with a position across the infrastructure, transportation and energy sectors. The primary reasons for the Acquisition were to bring to SNC-Lavalin new and complementary capabilities in its existing activities, with minimal overlap in its service offering, and to broaden the Company's presence in Europe, the U.K., Scandinavia, the U.S., the Middle East and Asia.

In July 2017, SNC-Lavalin announced that it completed its Acquisition of Atkins. The aggregate cash consideration for the Acquisition was £20.80 per Atkins share for a total consideration of approximately $3.5 billion and was financed, including the acquisition-related costs, using the net proceeds from an $880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters; a $400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec; a $1.5 billion loan from CDPQ Revenu Fixe Inc. (the "CDPQ RF") to SNC-Lavalin Highway Holdings Inc. ("Highway Holdings"), a draw of £300 million (CA$498 million) under the Term Facility, as well as a draw of US$185 million (CA$238 million) and £56 million (CA$93 million) under the Revolving Facility (see Note 21).

On July 3, 2017, each subscription receipt entitled the holder to automatically receive, without payment of additional consideration or further action, one common share of the Company together with an amount equal to the per share dividends the Company declared on its common shares for record dates that occurred between April 27, 2017 and July 3, 2017, for a total of $6.8 million (the "Dividend-equivalent amount").

6. BUSINESS COMBINATIONS (CONTINUED)

In July 2017, common shares issued in exchange of subscription receipts were as follows:

	PUBLIC OFFERING	PRIVATE PLACEMENT	TOTAL
Number of common shares issued in exchange of subscription receipts	17,105,000	7,775,000	24,880,000
Price per subscription receipt (in $)	$ 51.45	$ 51.45	$ 51.45
Gross proceeds	$ 880,052	$ 400,024	$ 1,280,076
Less: Dividend-equivalent amount			(6,792)
Less: Common share issue costs			(52,494)
Plus: Income taxes related to common share issue costs			13,942
Carrying amount of shares issued in exchange of subscription receipts			**$ 1,234,732**
Less: Non-cash income taxes related to common share issue costs			(13,942)
Proceeds from shares issued in exchange of subscription receipts			**$ 1,220,790**

I) PRELIMINARY ALLOCATION OF PURCHASE PRICE

The acquisition of Atkins has been accounted for using the acquisition method and Atkins has been consolidated from the effective date of acquisition with the Company acquiring 100% of the voting shares of Atkins.

The purchase price for this business acquisition was $3.5 billion. The preliminary allocation of purchase price and the total cash consideration paid are shown below. During the three-month period ended December 31, 2017, the Company modified the preliminary allocation of purchase prise and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

AT JULY 3, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE	NOTE	ADJUSTMENTS	REVISED PRELIMINARY ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	**$ 388,280**		**$ –**	**$ 388,280**
Trade receivables [(1)]	**584,319**	A	**(57,018)**	**527,301**
Contracts in progress	**337,230**	A	**(30,286)**	**306,944**
Other current assets	**131,760**	A	**1,079**	**132,839**
Other non-current assets	**240,068**	A	**13,591**	**253,659**
Intangible assets related to Atkins acquisition (Note 16)	**721,756**		**317,283**	**1,039,039**
Trade payables and other current liabilities	**(1,018,962)**	B	**(75,458)**	**(1,094,420)**
Short-term debt and long-term debt [(2)]	**(517,759)**		**–**	**(517,759)**
Non-current liabilities and non-controlling interests	**(578,400)**	C	**(119,516)**	**(697,916)**
Net identifiable assets of business acquired	**288,292**		**49,675**	**337,967**
Goodwill (Note 15) [(3), (4)]	**3,219,402**		**(49,675)**	**3,169,727**
Total purchase price	**$ 3,507,694**		**$ –**	**$ 3,507,694**

(1) The gross contractual amounts receivable are $640.7 million of which $56.4 million is the estimated amount at the acquisition date of the contractual cash flows not expected to be collected.

(2) Include senior notes with a face value of US$75 million issued by Atkins in the US private placement market. These senior notes were due May 31, 2019, were repayable in full at maturity, bore interest at a rate of 4.38% (as adjusted, from time to time, by reference to a pension deficit ratio) and were unsecured and subject to affirmative and negative covenants.

(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 $118.8 million.

(4) In relation with the agreement to acquire Atkins, SNC-Lavalin entered into forward foreign exchange contracts under which SNC-Lavalin sold Canadian dollars and bought British pounds. Forward foreign exchange contracts having a notional value of £1,500 million were classified as derivatives used for cash flow hedges until the payment date, which occurred in July 2017. The effective portion of the loss arising from these hedging instruments, which amounted to $2.7 million before income taxes ($2.7 million after income taxes), was initially recognized in "Cash flow hedges" in the Company's consolidated statement of comprehensive income and was subsequently recognized as a reclassification adjustment to goodwill on the date of acquisition of Atkins (see Note 24).

6. BUSINESS COMBINATIONS (CONTINUED)

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 Atkins, it is not practical to definitively allocate the purchase price as at December 31, 2017. 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 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.

B. 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.

C. 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.

The total purchase price related to the acquisition of Atkins, net of cash and cash equivalents at acquisition, is as follows:

YEAR ENDED DECEMBER 31	2017
Total purchase price as per above	$ 3,507,694
Less: Cash and cash equivalents at acquisition as per above	388,280
Total purchase price, net of cash and cash equivalents at acquisition	**$ 3,119,414**

II) GOODWILL ARISING ON THE BUSINESS COMBINATION

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.

III) ACQUSITION-RELATED COSTS AND INTEGRATION COSTS

Acquisition-related costs and integration costs amounted to $124.3 million in year ended December 31, 2017, of which $76.3 million related solely to the acquisition-related costs, and included the following costs, among others:

- a loss of $48.7 million from remeasurement of a foreign exchange option; and
- a net foreign exchange gain of $9.7 million due to the timing difference between the date of acquisition and the date of payment for such acquisition.

6. BUSINESS COMBINATIONS (CONTINUED)

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

SNC-Lavalin's consolidated revenues and net income attributable to SNC-Lavalin shareholders for the year ended December 31, 2017 included approximately $1.8 billion and $136 million, respectively, from the business acquisition of Atkins completed by SNC-Lavalin on July 3, 2017. Had the acquisition of Atkins and related acquisition-related costs and financing occurred on January 1, 2017, SNC-Lavalin pro forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately $10.8 billion and $310 million, respectively. These pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin's acquisition date adjusted to reflect hypothetical additional financing costs and amortization expense of intangible assets since January 1, 2017 and should not be viewed as indicative of SNC-Lavalin's consolidated future performance.

B) DATA TRANSFER SOLUTIONS LLC

On October 31, 2017, SNC-Lavalin announced the acquisition of Data Transfer Solutions LLC ("Data Transfer Solutions") for US$45 million (approximately CA$59 million). Completed on October 30, 2017, the acquisition added to the capabilities of SNC-Lavalin's Atkins segment and enhanced service offerings in digital asset management for clients.

The acquisition of Data Transfer Solutions has been accounted for using the acquisition method and Data Transfer Solutions has been consolidated from the effective date of acquisition with the Company acquiring 100% of the voting shares of Data Transfer Solutions.

The preliminary allocation of purchase price and the total cash consideration paid are shown below.

AT OCTOBER 30, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	**$ 1,619**
Trade receivables [1]	**5,492**
Contracts in progress	**3,865**
Other current assets	**172**
Other non-current assets	**1,995**
Trade payables and other current liabilities	**(4,209)**
Net identifiable assets of business acquired	**8,934**
Goodwill (Note 21) [2]	**49,993**
Total purchase price	**$ 58,927**

(1) The gross contractual amounts receivable are $5.5 million of which $nil is the estimated amount at the acquisition date of the contractual cash flows not expected to be collected.

(2) 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 $50.0 million.

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 Data Transfer Solutions, it is not practical to definitively allocate the purchase price as at December 31, 2017. 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 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.

6. BUSINESS COMBINATIONS (CONTINUED)

The total purchase price related to the acquisition of Data Transfer Solutions, net of cash and cash equivalents at acquisition, is as follows:

YEAR ENDED DECEMBER 31		2017
Total purchase price as per above	$	58,927
Less: Cash and cash equivalents at acquisition as per above		1,619
Total purchase price, net of cash and cash equivalents at acquisition	**$**	**57,308**

The total purchase price related to the acquisitions of Atkins and Data Transfer Solutions included in the consolidated statement of cash flows is as follows:

YEAR ENDED DECEMBER 31		2017
Atkins	$	3,119,414
Data Transfer Solutions		57,308
Total purchase price, net of cash and cash equivalents at acquisition	**$**	**3,176,722**

7. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT

A) IN 2017

On October 13, 2017, SNC-Lavalin completed the sale of its ownership interest of 100% in Equinox CA Europe Ltd. ("Equinox") in exchange for total cash consideration of €6.8 million (CA$10.1 million).

Net gain on disposal of Equinox

YEAR ENDED DECEMBER 31		2017
Consideration received	$	10,120
Net assets disposed of [1]		(8,961)
Disposition-related costs		(715)
Gain on disposal of Equinox		**444**
Income taxes		–
Net gain on disposal of Equinox	**$**	**444**

[1] On October 13, 2017, net assets disposed of included cash and cash equivalents of $32.1 million, other current assets of $0.2 million and current liabilities of $23.3 million.

Net cash outflow on disposal of Equinox

YEAR ENDED DECEMBER 31		2017
Consideration received in cash	$	10,120
Less: cash and cash equivalents balances disposed of		(32,064)
Net cash outflow on disposal of Equinox	**$**	**(21,944)**

In 2016, the Company disposed of its ongoing local activities in France and in Monaco and of its non-core Real Estate Facilities Management business in Canada. The consideration receivable (payable) from these transactions is subject to certain adjustments. While the adjustments have not been finalized yet as at December 31, 2017, certain assumptions used to estimate such adjustments have been revised, resulting in a gain of $0.6 million before income taxes ($0.4 million net of taxes) in 2017.

B) IN 2016

On December 31, 2016, SNC-Lavalin completed the sale of its non-core Real Estate Facilities Management business in Canada, included in the Operations & Maintenance sub-segment of the Infrastructure segment, to Brookfield Global Integrated Solutions, as detailed below.

In addition, on December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing activities in France and in Monaco, including its investment in Société d'Exploitation de l'Aéroport de Mayotte (see Note 5A), to Ciclad and Impact Holding for a nominal amount, as detailed below. These activities were presented in the Infrastructure & Construction and Operations & Maintenance sub-segments of the Infrastructure segment and in the Capital segment.

7. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT (CONTINUED)

YEAR ENDED DECEMBER 31	2016		
	REAL ESTATE FACILITIES MANAGEMENT	LOCAL FRENCH OPERATIONS AND MAYOTTE AIRPORT	TOTAL
Consideration received	$ 42,667	$ –	$ 42,667
Consideration receivable (payable)	11,604	(14,700)	(3,096)
Net assets disposed of	(1,168)	(55,030)	(56,198)
Cumulative loss on cash flow hedges reclassified from equity	–	(9,241)	(9,241)
Cumulative exchange loss on translating foreign operations reclassified from equity	–	(5,712)	(5,712)
Disposition-related costs and other	(3,017)	(5,200)	(8,217)
Gain (loss) on disposals	50,086	(89,883)	(39,797)
Income taxes	(7,449)	–	(7,449)
Net gain (loss) on disposals	**$ 42,637**	**$ (89,883)**	**$ (47,246)**
Allocated as follows:			
Gain (loss) on disposals before taxes - E&C	$ 50,086	$ (87,219)	$ (37,133)
Loss on disposals before taxes - Capital	–	(2,664)	(2,664)
Total gain (loss) on disposals before taxes	**$ 50,086**	**$ (89,883)**	**$ (39,797)**
Allocated as follows:			
Gain (loss) on disposals after taxes - E&C	$ 42,637	$ (87,219)	$ (44,582)
Loss on disposals after taxes - Capital	–	(2,664)	(2,664)
Total gain (loss) on disposals after taxes	**$ 42,637**	**$ (89,883)**	**$ (47,246)**

Upon disposal, the major classes of assets and liabilities of E&C businesses and Mayotte Airport disposed of were as follows:

	REAL ESTATE FACILITIES MANAGEMENT	LOCAL FRENCH OPERATIONS AND MAYOTTE AIRPORT	TOTAL
Cash and cash equivalents	$ 22,627	$ 43,940	$ 66,567
Other current assets	42,255	70,371	112,626
Non-current assets	13,716	78,375	92,091
Assets disposed of	78,598	192,686	271,284
Current liabilities	77,287	92,251	169,538
Non-current liabilities	143	45,405	45,548
Liabilities disposed of	77,430	137,656	215,086
Net assets disposed of	**$ 1,168**	**$ 55,030**	**$ 56,198**
Allocated as follows:			
Net assets disposed of – E&C	**$ 1,168**	**$ 43,423**	**$ 44,591**
Net assets disposed of – Capital	**$ –**	**$ 11,607**	**$ 11,607**

Net cash inflow (outflow) on disposals

YEAR ENDED DECEMBER 31	2016		
	REAL ESTATE FACILITIES MANAGEMENT	LOCAL FRENCH OPERATIONS AND MAYOTTE AIRPORT	TOTAL
Consideration received in cash	$ 42,667	$ –	$ 42,667
Less: cash and cash equivalents balances disposed of	(22,627)	(43,940)	(66,567)
Net cash inflow (outflow) on disposals	**$ 20,040**	**$ (43,940)**	**$ (23,900)**

8. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS

	DECEMBER 31 2017	DECEMBER 31 2016
Bank balances, bank term deposits and bankers' acceptances	$ 706,531	$ 1,055,484
Cash and cash equivalents	$ 706,531	$ 1,055,484

B) RESTRICTED CASH

	DECEMBER 31 2017	DECEMBER 31 2016
Bank balances, bank term deposits and bankers' acceptances	$ 20,932	$ 62,516
Restricted cash – current and non-current	$ 20,932	$ 62,516
Presented on the statement of financial position as follows:		
Current assets – "Restricted cash"	$ 20,932	$ 55,577
Non-current assets – included in "Other non-current financial assets" (Note 17)	$ –	$ 6,939

9. 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 a reconciliation to the net carrying amount:

	DECEMBER 31 2017	DECEMBER 31 2016
Trade receivables:		
Within normal terms of payment	$ 1,234,395	$ 723,911
Past due	375,449	334,046
Total trade receivables	1,609,844	1,057,957
Allowance for doubtful accounts	(163,985)	(121,974)
Trade receivables, net of allowance for doubtful accounts	$ 1,445,859	$ 935,983

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. Trade receivables are usually not externally quoted. However, 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	2017	2016
Balance at beginning of year	$ 121,974	$ 270,473
Change in allowance, other than write-offs and recoveries	136,534	(61,260)
Write-offs of trade receivables	(73,175)	(63,645)
Recoveries	(21,348)	(17,644)
Disposals of E&C businesses	–	(5,950)
Balance at end of year	$ 163,985	$ 121,974

10. INVENTORIES

	DECEMBER 31 2017	DECEMBER 31 2016
Raw materials	$ 37,825	$ 56,575
Work in progress	43,162	44,837
Finished goods	29,250	37,383
Inventories	$ 110,237	$ 138,795

The cost of inventories recognized by the Company as an expense during the year ended December 31, 2017 was $269.7 million (2016: $99.3 million).

11. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2017	DECEMBER 31 2016
Retentions on client contracts	**$ 277,675**	$ 303,147
Advances to suppliers, subcontractors and employees and deposits on contracts	**40,748**	56,625
Derivative financial instruments used for hedges – favourable fair value	**37,967**	2,373
Current portion of receivables under service concession arrangements	**–**	13,346
Current portion of deposit notes	**–**	37,810
Consideration receivable related to the disposal of Real Estate Facilities Management business (Note 7)	**–**	11,604
Financial assets at FVTPL [(1)]	**5,271**	–
Other	**80,839**	67,820
Other current financial assets	**$ 442,500**	$ 492,725

(1) The Company's financial assets that are measured at fair value through profit or loss ("FVTPL") include life insurance policies, which arose from the consolidation of Atkins following its acquisition by the Company. For the period from July 3, 2017 to December 31, 2017, the gain on remeasurement of these financial assets at FVTPL amounted to $0.3 million.

12. OTHER CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2017	DECEMBER 31 2016
Income taxes and other taxes receivable	**$ 329,711**	$ 260,385
Prepaid expenses and other	**121,166**	55,462
Other current non-financial assets	**$ 450,877**	$ 315,847

13. PROPERTY AND EQUIPMENT

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2017	**$ 131,644**	**$ 325,518**	**$ 142,009**	**$ 105,128**	**$ 125,544**	**$ 829,843**
Additions	**11,773**	**37,565**	**8,878**	**15,739**	**66,395**	**140,350**
Additions through business combinations	**16,765**	**39,721**	**11,177**	**–**	**26,787**	**94,450**
Effect of foreign currency exchange differences	**(3,099)**	**(3,643)**	**(1,179)**	**(1,535)**	**(3,256)**	**(12,712)**
Disposals / retirements / salvage	**(67,444)**	**(24,340)**	**(10,705)**	**(35,346)**	**(6,216)**	**(144,051)**
Balance as at December 31, 2017	**$ 89,639**	**$ 374,821**	**$ 150,180**	**$ 83,986**	**$ 209,254**	**$ 907,880**
Accumulated depreciation						
Balance as at January 1, 2017	**55,101**	**272,757**	**104,633**	**31,641**	**67,378**	**531,510**
Depreciation expense	**8,248**	**28,354**	**13,614**	**15,519**	**10,930**	**76,665**
Effect of foreign currency exchange differences	**(2,174)**	**(3,019)**	**(616)**	**76**	**(795)**	**(6,528)**
Disposals / retirements / salvage	**(34,921)**	**(23,814)**	**(9,644)**	**(34,603)**	**(4,923)**	**(107,905)**
Balance as at December 31, 2017	**$ 26,254**	**$ 274,278**	**$ 107,987**	**$ 12,633**	**$ 72,590**	**$ 493,742**

13. PROPERTY AND EQUIPMENT (CONTINUED)

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2016	$ 101,988	$ 342,755	$ 144,665	$ 86,737	$ 133,342	$ 809,487
Additions	43,903	23,130	17,286	46,572	30,056	160,947
Effect of foreign currency exchange differences	(1,422)	(114)	(1,492)	(11,958)	(1,784)	(16,770)
Disposals / retirements / salvage	(12,825)	(40,253)	(18,450)	(16,223)	(36,070)	(123,821)
Balance as at December 31, 2016	$ 131,644	$ 325,518	$ 142,009	$ 105,128	$ 125,544	$ 829,843
Accumulated depreciation						
Balance as at January 1, 2016	46,002	293,754	106,365	27,618	70,671	544,410
Depreciation expense	11,877	17,452	13,161	15,786	12,046	70,322
Effect of foreign currency exchange differences	(501)	338	(594)	(5,641)	(447)	(6,845)
Disposals / retirements / salvage	(2,277)	(38,787)	(14,299)	(6,122)	(14,892)	(76,377)
Balance as at December 31, 2016	$ 55,101	$ 272,757	$ 104,633	$ 31,641	$ 67,378	$ 531,510
Net book value:						
As at December 31, 2017	**$ 63,385**	**$ 100,543**	**$ 42,193**	**$ 71,353**	**$ 136,664**	**$ 414,138**
As at December 31, 2016	$ 76,543	$ 52,761	$ 37,376	$ 73,487	$ 58,166	$ 298,333

An amount of $31.5 million as at December 31, 2017 (2016: $17.2 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash additions of property and equipment amounted to $15.7 million in the year ended December 31, 2017 (2016: $9.6 million).

14. DISPOSAL OF THE HEAD OFFICE BUILDING

On June 22, 2017, SNC-Lavalin announced that it completed the sale of its Montreal head office building and land located on René-Lévesque Boulevard West for $173.3 million to GWL Realty Advisors on behalf of institutional clients. Concurrently, SNC-Lavalin entered into a 20 year lease for the building.

Net gain on disposal of the head office building

YEAR ENDED DECEMBER 31	2017
Consideration received	$ 173,288
Carrying amount of the head office building and land	(22,781)
Deferred tenant allowance	(31,017)
Deferred gain on disposal of the head office building	(2,905)
Disposition-related costs	(1,484)
Gain on disposal of the head office building	**115,101**
Income taxes	(13,570)
Net gain on disposal of the head office building	**$ 101,531**

15. GOODWILL

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

Balance at January 1, 2016	$ 3,386,849
Net foreign currency exchange differences	(102,957)
Goodwill derecognized on disposals of E&C businesses	(15,678)
Balance at December 31, 2016	3,268,214
Net foreign currency exchange differences	**(164,494)**
Goodwill arising from the acquisition of Atkins completed in the year (Note 6A)	**3,169,727**
Goodwill arising from the acquisition of Data Transfer Solutions completed in the year (Note 6B)	**49,993**
Balance at December 31, 2017	**$ 6,323,440**

15. GOODWILL (CONTINUED)

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, 2017 and 2016, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	**DECEMBER 31 2017**	DECEMBER 31 2016
Mining & Metallurgy	**$ 96,257**	$ 100,297
Oil & Gas	**2,754,393**	2,941,263
Power	**66,760**	66,751
Infrastructure & Construction	**106,867**	109,496
O&M	**53,134**	50,407
Atkins [(1)]	**3,246,029**	–
	$ 6,323,440	$ 3,268,214

(1) Also includes goodwill that arose on the acquisition of Data Transfer Solutions LLC.

As at October 31, 2017 and 2016, goodwill was not considered to be impaired.

16. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

In 2014, SNC-Lavalin completed its acquisitions of Kentz Corporation Limited ("Kentz") and, in 2017, SNC-Lavalin completed its acquisitions of Atkins and Data Transfer Solutions, which resulted in recognition of intangible assets by the Company.

The following tables detail a reconciliation of the carrying amount of intangible assets related to business combinations:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2017	**$ 137,666**	**$ 238,001**	**$ 29,936**	**$ 405,603**
Additions through a business combination (Note 6A)	**194,073**	**740,440**	**104,526**	**1,039,039**
Effect of foreign currency exchange differences	**(7,032)**	**(8,478)**	**(2,915)**	**(18,425)**
Balance as at December 31, 2017	**$ 324,707**	**$ 969,963**	**$ 131,547**	**$ 1,426,217**
Accumulated depreciation				
Balance as at January 1, 2017	**117,113**	**80,203**	**14,123**	**211,439**
Amortization expense	**54,203**	**64,954**	**19,735**	**138,892**
Effect of foreign currency exchange differences	**(7,270)**	**(5,640)**	**(1,041)**	**(13,951)**
Balance as at December 31, 2017	**$ 164,046**	**$ 139,517**	**$ 32,817**	**$ 336,380**

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2016	$ 142,301	$ 246,012	$ 30,944	$ 419,257
Effect of foreign currency exchange differences	(4,635)	(8,011)	(1,008)	(13,654)
Balance as at December 31, 2016	$ 137,666	$ 238,001	$ 29,936	$ 405,603
Accumulated depreciation				
Balance as at January 1, 2016	90,438	47,759	8,410	146,607
Amortization expense	29,281	33,611	5,918	68,810
Effect of foreign currency exchange differences	(2,606)	(1,167)	(205)	(3,978)
Balance as at December 31, 2016	$ 117,113	$ 80,203	$ 14,123	$ 211,439

Net book value:				
As at December 31, 2017	**$ 160,661**	**$ 830,446**	**$ 98,730**	**$ 1,089,837**
As at December 31, 2016	$ 20,553	$ 157,798	$ 15,813	$ 194,164

17. OTHER NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2017	DECEMBER 31 2016
From E&C		
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	**$ 12,700**	$ 31,248
Other derivative financial instruments – favourable fair value	**9,454**	–
Other	**22,167**	20,336
From Capital investments		
Restricted cash	**–**	6,939
Other non-current financial assets	**$ 44,321**	$ 58,523

18. OTHER NON-CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2017	DECEMBER 31 2016
From E&C		
Post-employment benefit assets (Note 33)	**$ 24,171**	$ –
Other	**80,639**	62,998
Other non-current non-financial assets	**$ 104,810**	$ 62,998

19. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2017	DECEMBER 31 2016
Commitments to invest in Capital investments accounted for by the equity and cost methods (Note 5C)	**$ 98,050**	$ 98,050
Retentions on supplier contracts	**128,240**	150,127
Balance of purchase price payable relating to acquisition of businesses	**1,867**	1,882
Derivative financial instruments used for hedges – unfavourable fair value	**20,775**	39,216
Consideration payable related to the disposal of local French operations and Mayotte Airport (Note 7)	**15,150**	14,700
Other	**642**	–
Other current financial liabilities	**$ 264,724**	$ 303,975

20. OTHER CURRENT NON-FINANCIAL LIABILITIES

	DECEMBER 31 2017	DECEMBER 31 2016
Income taxes and other taxes payable	**$ 467,312**	$ 267,146
Share unit plans' liabilities (Note 23C)	**101,316**	92,469
Other	**15,474**	38,175
Other current non-financial liabilities	**$ 584,102**	$ 397,790

21. SHORT-TERM DEBT AND LONG-TERM DEBT

A) REVOLVING FACILITY, TERM FACILITY, BILATERAL LETTERS OF CREDIT, CDPQ LOAN AND DEBENTURE

I) CHANGES IN 2017

On April 20, 2017, SNC-Lavalin announced that it reached an agreement with Atkins to acquire the entire issued and to be issued share capital of Atkins (see Note 6). This acquisition was funded through a combination of equity and debt issuance, including a £300 million term facility (the "Term Facility") and a $1,500 million loan (the "CDPQ Loan") made by CDPQ Revenu Fixe Inc. (the "CDPQ RF") to SNC-Lavalin Highway Holdings Inc. ("Highway Holdings").

On May 15, 2017, the Company amended its existing revolving credit facility (the "Revolving Facility") and merged the Revolving Facility with the Term Facility into one single agreement (the "Credit Agreement").

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

On October 19, 2017, SNC-Lavalin repaid in full senior notes due in May 2019 with a face value of US$75 million (approximately CA$94 million) issued by Atkins in the US private placement market (see Note 6A) resulting in a cash outflow of $98.9 million, including the accrued interest, and a loss of $3.5 million before income taxes ($2.9 million after income taxes) resulting from a prepayment penalty. The loss of $3.5 million before income taxes on repayment of these senior notes, which were measured at amortized cost, is included in "Acquisition-related costs and integration costs" in the consolidated income statement for the year ended December 31, 2017.

On November 24, 2017, the Company issued new unsecured debentures of $300 million aggregate principal amount that bears interest at a fixed annual rate of 2.689%, payable in equal semi-annual instalment over a 3-year term. The net proceeds were used by the Company to repay certain indebtedness outstanding under the Term Facility and the Revolving Facility and for general corporate purposes.

As at December 31, 2017, the cash draws and letters of credit outstanding under the Company's Revolving Facility were as follows:

AT DECEMBER 31, 2017	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Revolving Facility	**$ 2,750,000**	**$ 327,103**	**$ 73,657** (1)	**$ 2,349,240**

(1) Includes $4.8 million of financial letters of credit.

In addition, the Credit Agreement permits the issuance of bilateral letters of credit on a non-committed basis. As at December 31, 2017, $1,833.3 million of bilateral letters of credit were outstanding, of which $275.4 million related to financial letters of credit.

REVOLVING FACILITY

The Revolving Facility is comprised of two tranches: i) tranche A is for an amount of $2,000 million; and ii) tranche B is for an amount of $750 million. The Revolving Facility maturity date is May 15, 2021 or such other date as may be agreed pursuant to extension provisions of the Credit Agreement. Borrowings under tranche A may be obtained in the form of: i) prime rate loans; ii) acceptances; iii) US base rate loans; iv) Libor loans in US dollars, Euros and British pounds; and v) non-financial, financial and documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non-financial or documentary letters of credit.

TERM FACILITY

The Term Facility is comprised of three tranches: i) tranche 1 is for an amount of £75 million; ii) tranche 2 is for an amount of £75 million; and iii) tranche 3 is for an amount of £150 million. Tranches 1, 2 and 3 maturity dates are respectively on the third, the fourth and the fifth anniversaries of the disbursement of the Term Facility. The Term Facility is not revolving and amounts repaid or prepaid may not be reborrowed. Borrowings were obtained in the form of Libor loans in British pounds. In November 2017, borrowings under tranche 1 were repaid.

BILATERAL LETTERS OF CREDIT

Any lender party to the Credit Agreement may, in its sole discretion, issue bilateral letters of credit (outside the Credit Agreement) requested by the Company in any currency agreed to by such issuing lender. The Company must ensure that the aggregate outstanding amount of all outstanding bilateral letters of credit under the Credit Agreement does not at any time exceed $2,500 million. The Company has also access to other bilateral letters of credit capacity outside of the Credit Agreement.

CDPQ LOAN

The CDPQ Loan is a limited recourse debt comprised of two tranches: i) tranche A which is a non-revolving term loan in an aggregate amount of $1,000 million; and ii) tranche B which is a non-revolving term loan in an aggregate amount of $500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of Highway Holdings, an indirect wholly-owned subsidiary of the Company holding shares of 407 International Inc. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. The maturity date of the CDPQ Loan is on the seventh anniversary of the funding date. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: i) the CDOR rate; and ii) 0.9%, plus an applicable margin.

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

II) CHANGES IN 2016

The Company had an unsecured revolving credit facility (the "Facility") totalling $4,250 million which the Company was able to use for the issuance of performance and financial letters of credit, subject to limits described below, as well as cash draws. In 2016, the Company amended its Facility to: i) extend its maturity from August 2018 to August 2019; and ii) increase its limit applicable to financial letters of credit and cash draws from $1,800 million to $2,000 million.

As at December 31, 2016, the cash draws and letters of credit outstanding under the Company's Facility were as follows:

AT DECEMBER 31, 2016	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Credit facility	$ 4,250,000	$ –	$ 2,022,429 (1)	$ 2,227,571

(1) Includes $246.7 million of financial letters of credit.

In addition, the Facility permitted the issuance of bilateral letters of credit on a non-committed basis. As at December 31, 2016, $168.3 million of bilateral letters of credit were outstanding.

B) RECOURSE DEBT

	DECEMBER 31 2017	DECEMBER 31 2016
Recourse (to the general credit of the Company)		
Revolving Facility	**$ 318,757**	$ –
Debentures, 6.19%, due in July 2019 with a face value of $350.0 million repayable in full at maturity The 2019 Debentures are unsecured and subject to negative pledge clauses.	**349,609**	349,369
Debentures, 2.689%, due in November 2020 with a face value of $300.0 million repayable in full at maturity The 2020 Debentures are unsecured and subject to negative pledge clauses.	**298,787**	–
Term Facility	**378,386**	–
Total recourse short-term debt and long-term debt	**1,345,539**	349,369
Less: recourse short-term debt	**318,757**	–
Recourse long-term debt	**$ 1,026,782**	$ 349,369

C) LIMITED RECOURSE DEBT

	DECEMBER 31 2017	DECEMBER 31 2016
CDPQ Loan		
Loan in two tranches, maturing in 2024 and bearing interest at a base rate, which is the greater of: i) the CDOR rate; and ii) 0.9%, plus an applicable margin	**$ 1,475,177**	$ –
Limited recourse long-term debt	**$ 1,475,177**	$ –

D) NON-RECOURSE DEBT FROM CAPITAL INVESTMENTS (UNSECURED OR SECURED ONLY BY CAPITAL INVESTMENT'S SPECIFIC ASSETS)

	DECEMBER 31 2017	DECEMBER 31 2016
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.	**$ –**	$ 121,477
Rainbow Hospital Partnership		
Long-term bonds, due in 2044 and bearing interest at a fixed rate of 4.994% The long-term bonds are secured by all assets of Rainbow Hospital Partnership.	**–**	65,861
InPower BC General Partnership		
Senior bonds, due in 2033 and bearing interest at a fixed rate of 4.471% The senior bonds are secured by all assets of InPower BC General Partnership.	**292,179**	291,584
4.15% credit facility, due in 2019, secured by all assets of InPower BC General Partnership	**5,219**	–
Other	**15,566**	14,660
Total non-recourse short-term debt and long-term debt from Capital investments	**312,964**	493,582
Less: non-recourse short-term debt from Capital investments	**15,566**	21,011
Non-recourse long-term debt from Capital investments	**$ 297,398**	$ 472,571

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

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

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

AT DECEMBER 31, 2017	Recourse	Limited recourse	Non-recourse from Capital investments	Total
2018	$ 327,103	$ –	$ 15,566	$ 342,669
2019	350,000	–	7,421	357,421
2020	300,000	–	16,495	316,495
2021	126,690	–	17,239	143,929
2022	253,380	–	18,037	271,417
Thereafter	–	1,500,000	246,062	1,746,062
Total	$ 1,357,173	$ 1,500,000	$ 320,820	$ 3,177,993
Net unamortized deferred financing costs and unamortized discounts	(11,634)	(24,823)	(7,856)	(44,313)
Net carrying amount of short-term debt and long-term debt	$ 1,345,539	$ 1,475,177	$ 312,964	$ 3,133,680

22. PROVISIONS

	Pension and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other (1)	Total
Balance at January 1, 2017	$ 150,460	$ 85,995	$ 103,791	$ 222,749	$ 562,995
Additional provisions recognized in the year (2)	539,897	29,547	26,363	88,206	684,013
Amounts used during the year	(70,756)	(33,539)	(85,513)	(33,997)	(223,805)
Unused amounts reversed during the year	–	(31,970)	–	(19,356)	(51,326)
Remeasurement recognized in equity	(21,844)	–	–	–	(21,844)
Disposal of Equinox (Note 7A)	–	–	–	(23,189)	(23,189)
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	10,246	(1,367)	7,878	(2,178)	14,579
Post-employment benefit assets (Note 18)	24,171	–	–	–	24,171
Balance at December 31, 2017	**$ 632,174**	**$ 48,666**	**$ 52,519**	**$ 232,235**	**$ 965,594**
Presented on the statement of financial position as follows:					
Current portion of provisions					**$ 174,534**
Non-current portion of provisions					**$ 791,060**

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

(2) Includes additional provisions from the acquisitions of Atkins and Data Transfer Solutions.

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 expenditures are expected to take place within the next 5 years; and v) most of the other provisions are expected to be resolved over the next 10 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. 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, 2017 are summarized below:

	2013 AND 2011 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 stock option plan
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.

The table below presents the changes in the number of options outstanding in 2017 and 2016:

	2017		2016	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	**617,564**	**$ 39.81**	1,935,285	$ 44.47
Exercised [(1)]	**(251,402)**	**$ 38.69**	(585,428)	$ 38.60
Expired	**(31,266)**	**$ 37.04**	(668,263)	$ 54.07
Forfeited	**(8,133)**	**$ 38.07**	(64,030)	$ 42.90
Options outstanding at end of year	**326,763**	**$ 40.98**	617,564	$ 39.81

(1) The weighted average market price of the Company's common shares upon the exercise of stock options was $54.93 in 2017 ($40.52 in 2016).

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2017.

	OPTIONS OUTSTANDING					OPTIONS EXERCISABLE	
EXERCISE PRICE	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)
$40.98	2013	2013	326,763	16	$ 40.98	326,763	$ 40.98

As at December 31, 2017, 2,526,997 stock options remained available for future grants under the 2013 stock option plan (2016: 3,200,000 stock options), while no stock options remain available for future grants under the 2011 stock option plan.

The stock option compensation cost recorded in the year ended December 31, 2017 was $0.1 million (2016: $0.7 million).

23. SHARE CAPITAL (CONTINUED)

C) SHARE UNIT PLANS

As at December 31, 2017, the Company had four share unit compensation plans for executives, namely the 2017 PSU plan, the 2014 PSU plan, the 2009 DSU plan, and the RSU plan (2016: the 2014 PSU plan, the 2009 DSU plan, and the RSU plan), and a share unit compensation plan, the DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc.

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

	2009 DSU PLAN	RSU PLAN	2017 PSU PLAN AND 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
Number of units	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 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 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 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
Other provisions	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.

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, 2017 and 2016:

	2017		2016	
	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)
2017 PSU plan	**406,668**	**$ 54.59**	–	$ –
2014 PSU plan	**–**	**$ –**	394,115	$ 47.24
2009 DSU plan	**–**	**$ –**	15,848	$ 46.94
RSU plan	**356,557**	**$ 54.59**	559,665	$ 47.40
DSU plan	**32,988**	**$ 55.50**	30,845	$ 48.34

In 2015, the Company entered into derivative financial instruments with investment grade financial institutions to limit the Company's exposure to the variability of the units caused by fluctuations in its share price. The derivative financial instruments, the fair value of which fluctuates in accordance with the movement in the Company's share price, are required to be classified as FVTPL. As such, they are measured at fair value on the consolidated statement of financial position under "Other non-current financial assets" (see Note 17) if the fair value of a derivative financial instrument is favourable or under "Other non-current financial liabilities" if the fair value of a derivative financial instrument is unfavourable.

The compensation expense related to the share unit plans was $41.9 million for the year ended December 31, 2017 (2016: $29.9 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was $42.5 million as at December 31, 2017 (2016: $33.2 million), while the share unit plans' liabilities amounted to $101.3 million as at December 31, 2017 (2016: $92.5 million).

D) REDEMPTION OF SHARES

In 2017, the Company announced that it had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2017. In the notice, SNC-Lavalin stated that a maximum of 1,500,000 common shares may be purchased for cancellation on the open market. Purchases may commence on June 6, 2017 and will terminate no later than June 5, 2018. For the period from June 6, 2016 to June 5, 2017, the number of common shares subject to the issuer bid was 3,000,000 common shares.

There were no redemptions of shares in 2017 and 2016.

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

The weighted average number of outstanding shares in 2017 and 2016 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	**2017**	2016
Weighted average number of outstanding shares – basic	**162,910**	150,077
Dilutive effect of stock options	**119**	202
Weighted average number of outstanding shares – diluted	**163,029**	150,279

In 2017 and 2016, all outstanding stock options have been included in the computation of diluted earnings per share.

F) DIVIDENDS

During the year ended December 31, 2017, the Company recognized as distributions to its equity shareholders dividends of $177.9 million or $1.092 per share (2016: $156.1 million or $1.04 per share).

24. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2017 and 2016:

	DECEMBER 31 2017	DECEMBER 31 2016
Exchange differences on translating foreign operations	**$ 266,497**	$ 389,726
Available-for-sale financial assets	**8,874**	2,384
Cash flow hedges	**(566)**	6,695
Share of other comprehensive income (loss) of investments accounted for by the equity method	**3,169**	(39,788)
Other components of equity	**$ 277,974**	$ 359,017
Presented on the statement of financial position as follows:		
Other components of equity	**$ 277,974**	$ 360,845
Other components of equity of asset held for sale (Note 39)	**$ –**	$ (1,828)

- 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. Exchange differences also include gains and losses on hedging instruments, if any, relating to the effective portion of hedges of net investments of foreign operations, which are reclassified to net income on the disposal of the foreign operation.
- 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.

24. 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, 2017 and 2016:

YEAR ENDED DECEMBER 31	**2017**	2016
Exchange differences on translating foreign operations:		
Balance at beginning of year	**$ 389,726**	$ 472,355
Current year losses	**(112,979)**	(102,422)
Reclassification to net income	**(3,309)**	11,488
Net investment hedge – current year gains (losses)	**(6,941)**	11,216
Income taxes relating to current year gains	**–**	(2,911)
Balance at end of year	**266,497**	389,726
Available-for-sale financial assets:		
Balance at beginning of year	**2,384**	1,768
Current year gains (losses) [(1)]	**9,574**	(22)
Income taxes relating to current year gains (losses)	**(5,744)**	(636)
Reclassification to net income [(1)]	**2,660**	1,274
Balance at end of year	**8,874**	2,384
Cash flow hedges:		
Balance at beginning of year	**6,695**	10,036
Current year gains	**4,575**	21,874
Income taxes relating to current year gains	**(429)**	(339)
Reclassification to net income	**(15,819)**	(34,033)
Income taxes relating to amounts reclassified to net income	**1,721**	9,157
Reclassification to goodwill (Note 6A)	**2,691**	–
Balance at end of year	**(566)**	6,695
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of year	**(39,788)**	(44,146)
Current year share	**4,214**	(2,464)
Income taxes relating to current year share	**(1,040)**	468
Reclassification to net income	**53,464**	8,530
Income taxes relating to amounts reclassified to net income	**(13,681)**	(2,176)
Balance at end of year	**3,169**	(39,788)
Other components of equity	**$ 277,974**	$ 359,017
Presented on the statement of financial position as follows:		
Other components of equity	**$ 277,974**	$ 360,845
Other components of equity of asset held for sale (Note 39)	**$ –**	$ (1,828)

(1) In 2017, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to $2.7 million (2016: $1.3 million) and the loss arising on adjustments for the hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to $2.7 million (2016: $1.3 million).

REMEASURMENT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following table provides changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the years ended December 31, 2017 and 2016:

YEAR ENDED DECEMBER 31	**2017**			2016		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ (74,020)**	**$ 10,096**	**$ (63,924)**	$ (33,519)	$ 6,241	$ (27,278)
Remeasurement recognized during the year:						
Defined benefit pension plans	**21,807**	**(3,345)**	**18,462**	(26,311)	942	(25,369)
Other post-employment benefits	**37**	**1,527**	**1,564**	(14,190)	2,913	(11,277)
	21,844	**(1,818)**	**20,026**	(40,501)	3,855	(36,646)
Cumulative amount at December 31	**$ (52,176)**	**$ 8,278**	**$ (43,898)**	$ (74,020)	$ 10,096	$ (63,924)

25. ACQUISITION OF NON-CONTROLLING INTEREST

In 2017, SNC-Lavalin signed an agreement to acquire the non-controlling interest of Saudi Arabia Kentz Co. LLC for total cash consideration of US$45.8 million (CA$59.5 million) and to introduce a new shareholder for this entity, ultimately increasing SNC-Lavalin's ownership interest in this subsidiary from 49% to 75%.

Excess of the consideration paid over the carrying amount

YEAR ENDED DECEMBER 31		**2017**
Consideration paid	$	59,499
Carrying amount of the acquired non-controlling interest		(23,740)
Excess of the consideration paid over the carrying amount before income taxes		**35,759**
Income taxes		–
Excess of the consideration paid over the carrying amount net of income taxes	**$**	**35,759**

The excess of the consideration paid over the carrying amount of the acquired non-controlling interest of $35.8 million is included in "Retained earnings" in the Company's consolidated statement of changes in equity for the year ended December 31, 2017.

The acquisition of the prior shareholder's shareholdings in Saudi Arabia Kentz Co. LLC resulted in the derecognition of non-controlling interest in the Company's subsidiary. Based on the contractual agreements with the new shareholder, the Company consolidates the results of this entity in full from the date of such transaction.

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31		**2017**		2016
Selling expenses	**$**	**264,558**	$	194,837
General and administrative expenses		**894,120**		529,278
Selling, general and administrative expenses	**$**	**1,158,678**	$	724,115

27. RESTRUCTURING COSTS

In 2017, the Company continued its restructuring efforts related to the "STEP Change" program. This program was designed to make the Company more agile, customer-focused and allow the Company to further improve operational efficiency, including a realignment of its corporate and operating organization.

Also, in 2017, the Company continued its efforts under the "Operational Excellence" program, which is a long-term, structured approach that focuses on improving every aspect of the Company's business.

The Company incurred $26.4 million of restructuring costs in 2017 (2016: $115.4 million).

The restructuring costs recognized in 2017 and 2016 were mainly for severances.

28. NET FINANCIAL EXPENSES

YEAR ENDED DECEMBER 31	2017			2016		
	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL
Interest on debt:						
Recourse	**$ 41,496**	**$ –**	**$ 41,496**	$ 21,901	$ –	$ 21,901
Limited recourse	**48,993**	**–**	**48,993**	–	–	–
Non-recourse	**–**	**20,567**	**20,567**	–	27,123	27,123
Other	**12,022**	**16**	**12,038**	11,595	191	11,786
Financial expenses	**102,511**	**20,583**	**123,094**	33,496	27,314	60,810
Financial income	**(10,938)**	**(10,350)**	**(21,288)**	(9,363)	(13,123)	(22,486)
Net foreign exchange losses (gains)	**16,257**	**(219)**	**16,038**	3,793	–	3,793
Financial income and net foreign exchange losses (gains)	**5,319**	**(10,569)**	**(5,250)**	(5,570)	(13,123)	(18,693)
Net financial expenses	**$ 107,830**	**$ 10,014**	**$ 117,844**	$ 27,926	$ 14,191	$ 42,117

29. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

The following table presents the items to reconcile net income to cash flows from operating activities presented in the statements of cash flows, for the year ended December 31:

	2017	2016
Depreciation of property and equipment and amortization of other non-current non-financial assets:		
From E&C	**$ 215,557**	$ 140,566
From Capital	**–**	2,533
Income taxes recognized in net income (Note 30)	**102,382**	13,419
Net financial expenses recognized in net income (Note 28)	**117,844**	42,117
Share-based expense (Note 23)	**42,069**	30,541
Income from Capital investments accounted for by the equity method	**(184,819)**	(182,844)
Dividends and distributions received from Capital investments accounted for by the equity method	**156,876**	162,389
Net change in provisions related to forecasted losses on certain contracts	**(51,640)**	(125,043)
Gain on disposals of Capital investments (Note 5A)	**(42,078)**	(55,875)
Remeasurement of a foreign exchange option (Note 6)	**48,727**	–
Restructuring costs recognized in net income (Note 27)	**26,363**	115,405
Restructuring costs paid	**(85,893)**	(109,051)
(Gain) loss from disposals of E&C businesses (Note 7)	**(999)**	37,133
Gain on disposal of the head office building (Note 14)	**(115,101)**	–
Other	**(46,338)**	(47,836)
Other reconciling items	**$ 182,950**	$ 23,454

29. STATEMENTS OF CASH FLOWS (CONTINUED)

B) 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:

	2017	2016
Decrease (increase) in trade receivables	**$ (30,035)**	$ 178,219
Decrease (increase) in contracts in progress	**125,217**	(246,719)
Decrease (increase) in inventories	**11,571**	(1,298)
Decrease in other current financial assets	**110,408**	357,339
Increase in other current non-financial assets	**(121,563)**	(104,661)
Decrease in trade payables	**(248,364)**	(226,718)
Increase (decrease) in downpayments on contracts	**(109,719)**	89,403
Decrease in deferred revenues	**(334,319)**	(150,186)
Decrease in other current financial liabilities	**(20,591)**	(19,748)
Increase (decrease) in other current non-financial liabilities	**(23,698)**	63,644
Net change in non-cash working capital items	**$ (641,093)**	$ (60,725)

C) ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

In 2016, the Company had non-recourse advances under financing arrangements secured by the projects' specific assets. SNC-Lavalin entered into these credit facilities with financial institutions for the financing of the EPC contracts related to Sainte-Justine University Hospital Centre and Evergreen Line rapid transit projects.

In 2016, the Company repaid in full the balance outstanding under these non-recourse credit facilities and such facilities were terminated according to the terms of the credit agreements.

D) CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT

YEAR ENDED DECEMBER 31	2017		
RECOURSE DEBT	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Revolving Facility	$ 1,884,621	$ (1,691,843)	$ (5,552)
Term Facility	498,060	–	(2,615)
Credit facility and senior notes of Atkins	–	(498,331)	–
2020 Debentures	299,250	–	(504)
Total	**$ 2,681,931**	**$ (2,190,174)**	**$ (8,671)**

29. STATEMENTS OF CASH FLOWS (CONTINUED)

E) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Recourse debt [(1)]	Limited recourse debt	Non-recourse debt from Capital investments [(2)]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [(3)]	Other non-current non-financial liabilities [(3)]
Balance at January 1, 2017	$ 349,369	$ –	$ 493,582	$ –	$ 5,928	$ 15,846
Changes arising from cash flows:						
Increase	2,681,931	1,500,000	5,971	–	2,008	10,853
Repayment	(2,198,845)	(26,648)	(5,969)	(177,948)	(5,679)	(2,832)
Total – changes arising from cash flows	(483,086)	1,473,352	2	(177,948)	(3,671)	8,021
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	177,948	–	–
Effect of foreign currency exchange differences	(3,092)	–	906	–	(260)	34
Amortization of deferred financing costs and discounts	6,545	1,825	15	–	–	–
Reclassification of deferred financing costs and discounts previously included in "Other current non-financial assets"	(8,128)	–	–	–	–	–
Non-current portion of deferred tenant allowance related to the disposal of the head office building	–	–	–	–	–	29,466
Additions through a business combination	517,759	–	–	–	13,428	–
Disposal of a Capital investment accounted for by the consolidation method	–	–	(181,541)	–	–	–
Balance at December 31, 2017	**$ 1,345,539**	**$ 1,475,177**	**$ 312,964**	**$ –**	**$ 15,425**	**$53,367**

(1) Recourse short-term debt and recourse long-term debt were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2017	JANUARY 1 2017
Recourse short-term debt	$ 318,757	$ –
Recourse long-term debt	1,026,782	349,369
Total	**$ 1,345,539**	**$ 349,369**

(2) Non-recourse short-term debt and long-term debt from Capital investments were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2017	JANUARY 1 2017
Non-recourse short-term debt from Capital investments	$ 15,566	$ 21,011
Non-recourse long-term debt from Capital investments	297,398	472,571
Total	**$ 312,964**	**$ 493,582**

(3) Change arising from cash flows of other non-current financial liabilities and other non-current non-financial liabilities was presented in the financing activities in the Company's consolidated statement of cash flows as follows:

YEAR ENDED DECEMBER 31	2017
Other non-current financial liabilities	$ (3,671)
Other non-current non-financial liabilities	8,021
Other	407
Total	**$ 4,757**

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 2017	Recognized in other comprehensive income	Recognized upon business combinations	Derecognized upon disposals of businesses and investments	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2017
Current:							
Retentions on client contracts	$ (47,927)	$ –	$ –	$ –	$ 15,575	$ –	$ (32,352)
Contracts in progress	(8,448)	–	(2,533)	–	877	(45)	(10,149)
Retentions on supplier contracts	33,104	–	–	–	(14,531)	–	18,573
Accrued employee compensation	13,477	–	31,493	–	(17,529)	671	28,112
Current liabilities	102,962	–	10,923	–	(30,476)	(1,908)	81,501
Other	232	–	(10,270)	–	19,420	(414)	8,968
Non-current:							
Property and equipment, and goodwill	(63,277)	–	(179,028)	–	36,424	2,445	(203,436)
Other non-current financial assets	(27,044)	–	–	11,431	(10,247)	–	(25,860)
Provisions	14,432	–	3,926	–	(19,213)	802	(53)
Capital investments accounted for by the equity or cost methods[(1)]	(157,800)	(20,465)	–	26,019	(14,859)	60,299	(106,806)
Pension plans and other post-employment benefits	15,519	(1,818)	84,212	–	(2,231)	6,151	101,833
Other	1,938	1,292	16,305	–	(1,139)	13,971	32,367
Unused tax losses	274,575	–	2,953	(1,563)	3,676	(4,013)	275,628
Deferred income tax asset, net	$ 151,743	$ (20,991)	$ (42,019)	$ 35,887	$ (34,253)	$ 77,959	$ 168,326
Presented on the statement of financial position as follows:							
Deferred income tax asset	$ 421,461	–	–	–	–	–	$ 545,551
Deferred income tax liability	$ 269,718	–	–	–	–	–	$ 377,225

(1) In 2017, exchange differences and other charges of $60.3 million include $59.3 million of deferred taxes related to diposal group classified as held for sale.

30. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period of 2016 can be summarized as follows:

	JANUARY 1 2016	Recognized in other comprehensive income	Derecognized upon disposals of businesses and investments	Recognized in net income	Exchange differences and other charges	DECEMBER 31 201 6
Current:						
Retentions on client contracts	$ (171,920)	$ –	$ –	$ 123,993	$ –	$ (47,927)
Contracts in progress	(9,469)	–	–	1,014	7	(8,448)
Retentions on supplier contracts	68,741	–	–	(35,637)	–	33,104
Accrued employee compensation	9,286	–	(428)	4,619	–	13,477
Current liabilities	118,053	–	(1,003)	(13,607)	(481)	102,962
Other	(418)	–	(4)	634	20	232
Non-current:						
Property and equipment, and goodwill	(56,939)	–	77	(4,273)	(2,142)	(63,277)
Other non-current financial assets	(20,213)	–	–	(6,831)	–	(27,044)
Provisions	(30,721)	–	–	45,717	(564)	14,432
Capital investments accounted for by the equity or cost methods	(147,414)	(1,708)	–	(8,960)	282	(157,800)
Pension plans and other post-employment benefits	14,003	3,855	143	(1,132)	(1,350)	15,519
Other	(10,868)	5,271	–	7,505	30	1,938
Unused tax losses	401,172	–	(772)	(126,614)	789	274,575
Deferred income tax asset, net	$ 163,293	$ 7,418	$ (1,987)	$ (13,572)	$ (3,409)	$ 151,743
Presented on the statement of financial position as follows:						
Deferred income tax asset	$ 436,817	–	–	–	–	$ 421,461
Deferred income tax liability	$ 273,524	–	–	–	–	$ 269,718

As at December 31, 2017, the Company had $1,875.2 million (2016: $1,725.4 million) of non-capital tax losses carried-forward of which $1,213.0 million will expire in varying amounts from 2018 to 2038 (2016: $1,251.0 million expiring from 2017 to 2037). As at December 31, 2017, a deferred income tax asset of $275.6 million (2016: $274.6 million) has been recognized on $1,110.7 million (2016: $1,086.7 million) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized. As at December 31, 2017, the Company had $218.6 million of the unrecognized non-capital tax losses that will expire in varying amounts from 2018 to 2038 (2016: $161.2 million expiring in varying amounts from 2017 to 2037).

As at December 31, 2017, the Company had $100.7 million (2016: $56.5 million) of capital tax losses carried-forward on which no deferred income tax asset has been recognized of which $25.1 million will expire in 2031 and 2032 (2016: $25.1 million expiring in 2031 and 2032), while the remaining capital tax losses have no expiry date.

As at December 31, 2017, a deferred income tax liability has not been recognized on taxable temporary differences of $848.1 million (2016: $978.3 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 the Canadian effective tax rate of SNC-Lavalin at 26.6% (2016: 26.6%) and the reported income taxes in net income can be reconciled as follows:

YEAR ENDED DECEMBER 31	**2017**		2016	
	AMOUNT	%	AMOUNT	%
Income before income taxes	**$ 485,533**		$ 269,984	
Canadian tax rate for SNC-Lavalin		**26.6**		26.6
Expected income taxes	**$ 129,297**		$ 71,899	
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	**(27,449)**	**(5.7)**	(26,857)	(9.9)
Effect of Canadian provincial tax rate differences	**(1,503)**	**(0.3)**	(1,269)	(0.4)
Effect of adjustments to deferred tax attributable to changes related to the U.S. Tax Reform	**42,453**	**8.7**	–	–
Net income and losses not affected by tax	**3,818**	**0.8**	22,237	8.2
Effect of benefit from a previous unrecognized tax loss used to reduce current tax expense	**–**	**–**	(11,208)	(4.2)
Effect of differences between accounting gain and taxable gain realized on disposal of the head office building	**(17,282)**	**(3.6)**	–	–
Effect of differences between accounting gain and taxable gain realized on disposal of SNCL Malta	**–**	**–**	(8,829)	(3.3)
Effect of differences between accounting gain and taxable gain realized from disposals of E&C businesses and Mayotte Airport	**(135)**	**–**	15,458	5.7
Effect of differences between accounting gain and taxable gain realized on disposals of Capital investments	**(8,778)**	**(1.8)**	–	–
Effect of reversal of a previous write-down of deferred income tax asset	**–**	**–**	(5,709)	(2.1)
Effect of write-down of previously recognized deferred income tax asset (liability)	**6,533**	**1.3**	2,870	1.1
Non-taxable income from certain Capital investments accounted for by the equity or cost methods	**(41,806)**	**(8.6)**	(38,945)	(14.4)
Other permanent differences for tax purposes	**2,420**	**0.5**	(508)	(0.2)
Other	**14,814**	**3.2**	(5,720)	(2.1)
Income taxes at effective tax rate	**$ 102,382**	**21.1**	$ 13,419	5.0

SNC-Lavalin's income taxes were comprised of the following:

YEAR ENDED DECEMBER 31	**2017**	2016
Current income taxes	**$ 68,129**	$ (153)
Deferred income taxes	**34,253**	13,572
Income taxes	**$ 102,382**	$ 13,419

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, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2017					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [(1)]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 706,531**	**$ –**	**$ –**	**$ –**	**$ 706,531**	**$ 706,531**
Restricted cash	**20,932**	**–**	**–**	**–**	**20,932**	**20,932**
Trade receivables	**–**	**–**	**1,445,859**	**–**	**1,445,859**	**1,445,859**
Other current financial assets:						
Derivative financial instruments	**–**	**–**	**–**	**37,967**	**37,967**	**37,967**
Financial assets at FVTPL	**5,271**	**–**	**–**	**–**	**5,271**	**5,271**
Other current financial assets	**–**	**–**	**399,262**	**–**	**399,262**	**399,262**
Capital investments accounted for by the cost method:						
At fair value [(2)]	**–**	**52,708**	**–**	**–**	**52,708**	**52,708**
At cost [(2)]	**–**	**2,350**	**–**	**–**	**2,350**	**See [(2)]**
At amortized cost	**–**	**–**	**556**	**–**	**556**	**556**
Non-current portion of receivables under service concession arrangements [(3)]	**–**	**–**	**273,340**	**–**	**273,340**	**291,238**
Other non-current financial assets:						
Derivative financial instruments [(4)]	**7,602**	**–**	**–**	**14,552**	**22,154**	**22,154**
Other:						
At cost/amortized cost [(3)]	**–**	**–**	**22,167**	**–**	**22,167**	**22,167**
Total	**$ 740,336**	**$ 55,058**	**$ 2,141,184**	**$ 52,519**	**$ 2,989,097**	

AT DECEMBER 31	2016					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [(1)]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,055,484	$ –	$ –	$ –	$ 1,055,484	$ 1,055,484
Restricted cash	55,577	–	–	–	55,577	55,577
Trade receivables	–	–	935,983	–	935,983	935,983
Other current financial assets:						
Derivative financial instruments	–	–	–	2,373	2,373	2,373
Other current financial assets	–	–	490,352	–	490,352	491,292
Capital investments accounted for by the equity method:						
At amortized cost	–	–	109,306	–	109,306	109,306
Capital investments accounted for by the cost method:						
At fair value [(2)]	–	43,098	–	–	43,098	43,098
At cost [(2)]	–	4,634	–	–	4,634	See [(2)]
At amortized cost	–	–	593	–	593	593
Non-current portion of receivables under service concession arrangements [(3)]	–	–	356,847	–	356,847	397,271
Other non-current financial assets:						
Restricted cash	6,939	–	–	–	6,939	6,939
Derivative financial instruments	31,248	–	–	–	31,248	31,248
Other:						
At cost/amortized cost [(3)]	–	–	20,336	–	20,336	20,336
Total	$ 1,149,248	$ 47,732	$ 1,913,417	$ 2,373	$ 3,112,770	

(1) Fair value through profit or loss (“FVTPL”), comprised of financial assets classified as held for trading.

(2) These available-for-sale financial assets represent mainly equity instruments that do not have a quoted market price in an active market.

(3) For non-current portion of receivables under service concession arrangements and most of the other non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

(4) In 2017, the net loss on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company’s share unit plans amounted to \$3.8 million (2016: net gain of \$38.1 million), while the net gain on corresponding share unit plans’ liabilities amounted to \$8.4 million (2016: net loss of \$23.5 million).

31. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities at December 31, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2017			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,176,947	$ 2,176,947	$ 2,176,947
Downpayments on contracts	–	149,388	149,388	149,388
Other current financial liabilities:				
Derivative financial instruments	20,775	–	20,775	20,775
Other current financial liabilities	–	243,949	243,949	243,949
Provisions	–	52,519	52,519	5,519
Short-term debt and long-term debt [1]:				
Recourse	–	1,345,539	1,345,539	1,366,320
Limited recourse	–	1,475,177	1,475,177	1,475,177
Non-recourse from Capital investments	–	312,964	312,964	336,574
Other non-current financial liabilities	1,303	14,122	15,425	15,425
Total	$ 22,078	$ 5,770,605	$ 5,792,683	

AT DECEMBER 31	2016			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 1,888,242	$ 1,888,242	$ 1,888,242
Downpayments on contracts	–	263,382	263,382	263,382
Other current financial liabilities:				
Derivative financial instruments	39,216	–	39,216	39,216
Other current financial liabilities	–	264,759	264,759	264,759
Provisions	–	103,791	103,791	103,791
Short-term debt and long-term debt [1]:				
Recourse	–	349,369	349,369	383,579
Non-recourse from Capital investments	–	493,582	493,582	541,637
Other non-current financial liabilities	–	5,928	5,928	5,928
Total	$ 39,216	$ 3,369,053	$ 3,408,269	

[1] 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 Capital investments, depending on which entity has issued the debt instrument, for debt with the similar 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	None
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 and life insurance policies, which are included in "Other current financial assets"
Level 3	Inputs for the asset or liability that are not based on observable market data	Available-for-sale equity investment, which is the Company's interest in Astoria Project Partners II LLC included in "Capital investments accounted for by the cost method"

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 Capital investments accounted for by the equity or cost method), receivables under service concession arrangements, trade payables, downpayments on contracts, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, other 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

For the years ended December 31, 2017 and 2016, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

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, as presented in Note 31A.
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 with a favourable fair value, 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 9. 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. When assessing the credit risk associated with its trade receivables, the Company also considers the other financial and non-financial assets and liabilities recognized with the same client or within the same project to provide additional indications on the Company's exposure to credit risk. As such, in addition to the age of its trade receivables, the Company also considers the age of its contracts in progress, as well as the existence of any deferred revenue or downpayments on contracts on the same project or with the same client.

31. FINANCIAL INSTRUMENTS (CONTINUED)

iv) Other current financial assets, as detailed in Note 11, and other non-current financial assets, as detailed in Note 17. The current and non-current portions of receivables under service concession arrangements are within normal terms of payment and there were no significant amounts that were past due as at December 31, 2017 and 2016.

v) The financial asset classified as "Loans and Receivables" included in "Capital investments accounted for by the equity method", which consisted of a subordinated loan receivable from a Capital investment as at December 31, 2016 (Note 5). The subordinated loan receivable from a Capital investment was within normal terms of payment and there were no significant amounts that were past due as at December 31, 2016.

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.

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. Due to the nature of the Company's activities, the fact that its operations are conducted through multiple entities and joint operations and that it operates in many countries, the Company's cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various pooling agreements with financial institutions, may transfer cash balances between subsidiaries, joint arrangements or investees and use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

SNC-Lavalin's consolidated statement of financial position included $328.9 million at December 31, 2017 (2016: $515.3 million) of liabilities from Capital investments that are accounted for by the consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the Capital investments and are secured by the respective concession's assets, including $292.0 million of financial assets at December 31, 2017 (2016: $482.2 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 Capital investments accounted for by the 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 21.

I) MATURITY ANALYSIS OF FINANCIAL LETTERS OF CREDIT

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. The following table presents a maturity analysis for the financial letters of credit outstanding as at December 31, 2017 and December 31, 2016:

MATURITY	**DECEMBER 31 2017**	DECEMBER 31 2016
Not later than 1 year	**$ 257,064**	$ 221,147
Later than 1 year and not later than 5 years	**22,249**	25,015
Later than 5 years	**919**	523
	$ 280,232	$ 246,685

II) MATURITY ANALYSIS OF TRADE PAYABLES

As at December 31, 2017, 99% (2016: 96%) of the outstanding balance of "Trade payables" of $2,176.9 million (2016: $1,888.2 million) had a maturity of not later than 1 year.

III) MATURITY ANALYSIS OF OTHER FINANCIAL LIABILITIES

The "Downpayments on contracts" are contractually agreed advance payments made by clients that are deducted from future billings to such clients as work is performed and do not usually have a fixed contractual maturity. This liability is reversed based on the stage of completion method over the duration of a contract.

The "Retentions on supplier contracts" included in "Other current financial liabilities" (Note 19) are short-term liabilities the settlement of which is usually determined by the achievement of contractual milestones on projects and usually do not have a fixed contractual maturity.

31. FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

I) CURRENCY RISK

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets (liabilities) 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 revenue-generating projects 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, 2017			AT DECEMBER 31, 2016		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA$1,923,190	**US$ 1,509,872**	**2018-2022**	CA$ 657,469	US$ 514,896	2017-2021
CA$ 33,690	**€ 21,939**	**2018-2022**	CA$ 47,819	€ 32,936	2017-2021
US$ 609,937	**CA$ 779,347**	**2018-2021**	US$ 114,339	CA$ 154,206	2017-2021
€ 94,165	**CA$ 141,758**	**2018-2021**	€ 110,324	CA$ 162,155	2017-2021
CA$ 164,638	**£ 96,953**	**2018**	CA$ 672	£ 400	2017
AU$ 184,500	**CA$ 179,834**	**2018**	AU$ 64,000	CA$ 62,783	2017
£ 74,266	**CA$ 127,430**	**2018**	£ 859	CA$ 1,738	2018
€ 73,515	**US$ 88,064**	**2018-2019**	€ 2,325	US$ 2,444	2017

As at December 31, 2017, the forward foreign exchange contracts used for hedging purposes by the Company had a net favourable fair value of $25.3 million (2016: unfavourable fair value of $36.8 million). The majority of the forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar.

CURRENCY SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2017 has been calculated from the Company's net assets (liabilities) denominated in US dollars, Saudi Arabian riyals and British pounds, from derivative financial instruments used to hedge the exposure to US dollars, Saudi Arabian riyals and British pounds and from investments made in foreign operations.

		IMPACT ON EQUITY		
		CA$/US$ (2), (3)	CA$/SAR (2), (4)	CA$/GBP (2), (5)
Increase (decrease)	10% appreciation in the Canadian dollar (1)	**$ (232,050)**	**$ (45,135)**	**$ (61,913)**
Increase (decrease)	10% depreciation in the Canadian dollar (1)	**$ 232,050**	**$ 45,135**	**$ 61,913**

(1) Assuming all other variables remain the same.
(2) The Company's exposure to other currencies is not significant.
(3) Includes mainly $255.0 million of change in exchange differences on translating foreign operations.
(4) Includes mainly $43.9 million of change in exchange differences on translating foreign operations.
(5) Includes mainly $73.2 million of change in exchange differences on translating foreign operations.

As at December 31, 2017, the 10% appreciation in the Canadian dollar comparing to: i) the US dollar would increase the Company's net income by $8.2 million (10% depreciation in the Canadian dollar comparing to the US dollar would decrease the Company's net income by $8.2 million); ii) the Saudi Arabian riyal would decrease the Company's net income by $1.2 million (10% depreciation in the Canadian dollar comparing to the Saudi Arabian riyal would increase the Company's net income by $1.2 million); and iii) the British pound would decrease the Company's net income by $1.3 million (10% depreciation in the Canadian dollar comparing to the British pound would increase the Company's net income by $1.3 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 LONG-TERM DEBT FROM CAPITAL INVESTMENTS

Unlike E&C activities, Capital investments are often capital intensive due to the ownership of 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 Capital investments stable and predictable financing cash outflows, which are usually structured to match the expected timing of their cash inflows.

LIMITED RECOURSE DEBT

SNC-Lavalin's limited recourse debt bears interest at a variable rate which exposes the Company to the interest rate risk.

RECOURSE SHORT-TERM DEBT EXCLUDING CAPITAL INVESTMENTS

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 CAPITAL INVESTMENTS

SNC-Lavalin's debentures bear interest at a fixed rate and are measured at amortized cost, therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

SNC-Lavalin's Term Facility bears interest at a variable rate which exposes the Company to interest rate risk.

INTEREST RATE SENSITIVTY ANALYSIS

For floating rate debt, the analysis is prepared assuming the amount of the debt outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower of the base rate and all other variables were held constant, the Company's net income for the year ended December 31, 2017 would decrease/increase by $16.2 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has increased during the current year mainly due to increase in variable rate debt instruments.

III) EQUITY PRICE RISK

SNC-Lavalin limits its exposure arising from the share unit plans caused by fluctuations in its share price, through financial arrangements with investment high-grade financial institutions described in Note 23C.

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, 2017, SNC-Lavalin had outstanding letters of credit of $1,907.0 million (2016: $2,190.7 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 translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the other components of equity are not representative of the Company's financial position.

The Company does not consider non-recourse and limited recourse debt when monitoring its capital because such debt results from the consolidation of certain Capital investments or holding entities 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 Capital investments or investment in Capital investments they finance. The Company's investments and underlying assets in its Capital investments accounted for by the consolidation or equity methods may be at risk, however, if such investments or holding entities were unable to repay their long-term debt.

The Company's objective is to maintain a recourse debt-to-capital ratio below a ratio of 30:70. The Company's recourse debt-to-capital ratio for the years ended December 31, 2017 and 2016 was as follows:

	DECEMBER 31 2017	DECEMBER 31 2016
Recourse debt	**$ 1,345,539**	$ 349,369
Equity attributable to SNC-Lavalin shareholders	**$ 5,225,131**	$ 3,873,222
Less: Other components of equity	**277,974**	359,017
Plus: Recourse debt	**1,345,539**	349,369
Total amount of capital	**$ 6,292,696**	$ 3,863,574
Recourse debt-to-capital ratio	**21:79**	9:91

The Company has paid quarterly dividends for 28 consecutive years and has increased its yearly dividend paid per share over each of the past 17 years. Dividend policy is determined by the Board of Directors of the Company.

COVENANTS

The Company's unsecured recourse 2020 debentures (the "2020 debentures") and 2019 debentures (the "2019 debentures") are committed and subject to affirmative and negative covenants, as defined in the debentures agreements.

The Company's Credit Facility is 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 to earnings before interest, taxes, depreciation and amortization ratio, as defined in the Credit Agreement, not exceeding a certain limit.

The term "net recourse debt to earnings before interest, taxes, depreciation and amortization ratio" is defined in the Credit Agreement and does not correspond to the Company's metrics as presented above and/or to the specific terms used in the Management's Discussion and Analysis for the year ended December 31, 2017.

The CDPQ Loan is subject to affirmative and negative covenants, as well as financial covenants, notably not to exceed, on a rolling twelve-month and consolidated basis, a maximum net recourse debt to EBITDA ratio, as defined under the CDPQ Loan agreement, on two consecutive quarters, starting six full quarters after the initial funding date.

In case of an event of default, the 2020 debenture, the 2019 debentures, the Revolving Facility, the Term Facility and the CDPQ Loan are subject to customary accelerated repayment terms.

In 2017, the Company complied with all of the covenants related to its 2020 debentures, 2019 debentures, its Credit Facility and its CDPQ Loan.

33. PENSION PLANS, OTHER LONG-TERM BENEFITS 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 $125.6 million in 2017 (2016: $60.2 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 $86.9 million in 2017 (2016: $53.3 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are mostly closed to new entrants, and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed every year for two plans and at least every three years for the remaining plans. The measurement date used for the benefit obligation and plan assets is December 31 of each year. All SNC-Lavalin's defined benefit pension plans are partly funded, except for two plans, of which one plan is unfunded and one plan is secured by a letter of credit.

The defined benefit plans are administrated by committees composed of a number of representatives from employer's representatives, active employees, inactive employees and independent members. Members of the committees are required by law and by their articles of association to act in the best interest of the pension plans and all their relevant stakeholders, i.e. active employees, inactive employees, retirees and employers. The pension plan committees are responsible for the investment policy with regard to the assets of the pension plans, which are held by a trustee legally separated from SNC-Lavalin.

SNC-Lavalin's defined benefit pension plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, compensation risk and longevity 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 the plans' 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 the plans' participants.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plans' participants both during and after their employment. An increase in the life expectancy of the plans' participants will increase the plans' liability.

The two main defined benefit schemes of the Company are the Atkins Pension Plan and the U.K. Railways Pension Scheme (the "Railways Pension Scheme"), both of which are funded final salary schemes in the U.K. The latest actuarial valuations were performed on March 31, 2016 for the Atkins Pension Plan and on December 31, 2013 for the Railways Pension Scheme.

33. PENSION PLANS, OTHER LONG-TERM BENEFITS 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 for the year ended December 31, 2017:

AT DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	$ –	$ 141,399	$ 180,637	$ 322,036
Acquisition of Atkins	2,970,511	520,950	124,797	3,616,258
Current service cost	167	3,154	423	3,744
Interest cost	35,932	10,605	6,357	52,894
Past service cost resulting from a plan amendment	–	–	(12,023)	(12,023)
Benefits paid	(106,630)	(10,856)	(12,472)	(129,958)
Contributions by plan participants	–	1,652	–	1,652
Remeasurement:				
Actuarial (gains) losses arising from changes in demographic assumptions	59,054	(12,415)	(2,164)	44,475
Actuarial losses arising from changes in financial assumptions	52,899	9,619	214	62,732
Actuarial losses arising from experience adjustments	13,475	10,863	1,866	26,204
Effect of foreign currency exchange differences	28,155	8,757	6,804	43,716
Pension benefit obligation at end of year	$ 3,053,563	$ 683,728	$ 294,439	$ 4,031,730
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	$ –	$ 89,841	$ 135,541	$ 225,382
Acqusition of Atkins	2,603,742	391,176	139,007	3,133,925
Interest income	32,938	7,453	5,489	45,880
Remeasurement:				
Return on plan assets (excluding interest income)	135,908	14,915	2,921	153,744
Administration costs	–	(424)	(328)	(752)
Benefits paid	(106,630)	(10,856)	(12,472)	(129,958)
Contributions by the employer	28,779	3,548	6,356	38,683
Contributions by plan participants	–	1,652	–	1,652
Effect of foreign currency exchange differences	25,581	6,232	5,016	36,829
Fair value of pension plan assets at end of year	$ 2,720,318	$ 503,537	$ 281,530	$ 3,505,385

AT DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	$ 3,053,563	$ 683,728	$ 294,439	$ 4,031,730
Fair value of pension plan assets	2,720,318	503,537	281,530	3,505,385
Funded status	333,245	180,191	12,909	526,345
Additional liability due to minimum funding requirements	–	–	2,773	2,773
Net accrued pension benefit liability	$ 333,245	$ 180,191	$ 15,682	$ 529,118
Presented on the statement of fianancial position as follows:				
Other non-current non-financial assets (Note 18)				$ 24,171
Non-current portion of provisions				$ 553,289

33. PENSION PLANS, OTHER LONG-TERM BENEFITS 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 for the year ended December 31, 2016:

AT DECEMBER 31	2016
Change in pension benefit obligation:	
Pension benefit obligation at beginning of year	$ 318,636
Current service cost	1,119
Interest cost	10,270
Benefits paid	(16,042)
Contributions by plan participants	787
Remeasurement:	
Actuarial (gains) losses arising from changes in financial assumptions	44,278
Actuarial (gains) losses arising from experience adjustments	(3,106)
Effect of foreign currency exchange differences	(33,906)
Pension benefit obligation at end of year	$ 322,036
Change in pension plan assets:	
Fair value of pension plan assets at beginning of year	$ 238,412
Interest income	7,806
Remeasurement:	
Return on plans assets (excluding interest income)	11,281
Administration costs	(594)
Benefits paid	(16,042)
Contributions by the employer	6,886
Contributions by plan participants	787
Effect of foreign currency exchange differences	(23,154)
Fair value of pension plans assets at end of year	$ 225,382

AT DECEMBER 31	2016
Funded status reflected in the statement of financial position:	
Present value of the pension benefit obligation	$ 322,036
Fair value of pension plan assets	225,382
Funded status	96,654
Effect of the asset ceiling from remeasurement [1]	570
Additional liability due to minimum funding requirements	3,533
Net accrued pension benefit liability	$ 100,757

(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 pension obligation.

SNC-Lavalin's net defined benefit pension costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	**$ 167**	**$ 3,154**	**$ 423**	**$ 3,744**
Net interest expense	**2,994**	**3,152**	**1,012**	**7,158**
Administration costs	**–**	**424**	**328**	**752**
Past service cost resulting from a plan amendment	**–**	**–**	**(12,023)**	**(12,023)**
Components of (reversal of) benefit pension costs recognized in net income	**$ 3,161**	**$ 6,730**	**$ (10,260)**	**$ (369)**

YEAR ENDED DECEMBER 31, 2016	TOTAL
Current service cost	$ 1,119
Net interest expense	2,731
Administration costs	594
Components of benefit pension costs recognized in net income	$ 4,444

33. PENSION PLANS, OTHER LONG-TERM BENEFITS 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, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	**$ (135,908)**	**$ (14,915)**	**$ (2,921)**	**$ (153,744)**
Actuarial (gains) losses arising from changes in demographic assumptions	**59,054**	**(12,415)**	**(2,164)**	**44,475**
Actuarial losses arising from changes in financial assumptions	**52,899**	**9,619**	**214**	**62,732**
Actuarial losses arising from experience adjustments	**13,475**	**10,863**	**1,866**	**26,204**
Effect of the asset ceiling from remeasurement	**–**	**–**	**(590)**	**(590)**
Variation in liability due to minimum funding requirements	**–**	**–**	**(884)**	**(884)**
Components of reversal of benefit pension costs recognized in other comprehensive income	**$ (10,480)**	**$ (6,848)**	**$ (4,479)**	**$ (21,807)**

YEAR ENDED DECEMBER 31, 2016	TOTAL
Remeasurement on the net defined benefit liability:	
Return on plan assets (excluding interest income)	$ (11,281)
Actuarial losses arising from changes in demographic assumptions	–
Actuarial losses arising from changes in financial assumptions	44,278
Actuarial gains arising from experience adjustments	(3,106)
Effect of the asset ceiling from remeasurement	(3,423)
Variation in liability due to minimum funding requirements	(157)
Components of benefit pension costs recognized in other comprehensive income	$ 26,311

SNC-Lavalin expects to make contributions of $84.9 million in 2018 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:

	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	**DECEMBER 31 2017**	DECEMBER 31 2016
Asset category					
Equity securities	**$ 737,336**	**$ 245,536**	**$ 27,763**	**$ 1,010,635**	$ 85,179
Debt securities	**1,597,251**	**175,388**	**246,319**	**2,018,958**	140,203
Other [(1)]	**385,731**	**82,613**	**7,448**	**475,792**	–
Total	**$ 2,720,318**	**$ 503,537**	**$ 281,530**	**$ 3,505,385**	$ 225,382

(1) As at December 31, 2017, the asset category "Other" includes mainly property and cash.

The fair values of the above equity and debt instruments are mainly 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 as at December 31, 2017:

	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
Accrued pension benefit obligation			
Discount rate	**2.40%**	**2.44%**	**2.54%**
Rate of compensation increase [(2)]	**3.10%**	**3.10%**	**1.87%**
Inflation [(3)]	**3.10%**	**3.10%**	**2.25%**
Longevity at age 65 for current pensioners			
Men	**23.3 years**	**23.1 years**	**23.3 years**
Women	**24.5 years**	**24.5 years**	**25.2 years**
Longevity at age 65 for future pensioners (current age 45)			
Men	**24.7 years**	**24.5 years**	**24.7 years**
Women	**26.0 years**	**26.0 years**	**26.6 years**

(2) The weighted average rate of compensation increase excluding pension plans for which benefits are not linked to future salary levels represented 2.85% as at December 31, 2017.

(3) The inflation assumption shown for Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.10%.

33. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2016:

	DECEMBER 31 2016
Accrued pension benefit obligation	
Discount rate	2.82%
Rate of compensation increase [(1)]	2.36%

(1) The weighted average rate of compensation increase excluding a pension plan for which benefits are not linked to future salary levels represented 3.26% as at December 31, 2016.

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2017, while holding all other assumptions constant.

If the discount rate is 1% higher (lower), the defined benefit pension obligation would decrease by an estimated amount of $736.4 million (increase by an estimated amount of $749.0 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of $20.4 million (decrease by an estimated amount of $20.1 million).

If the inflation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of $517.7 million (decrease by an estimated amount of $510.4 million).

If the longevity increases by 1 year, the defined benefit pension obligation would increase by an estimated amount of $141.9 million.

The sensitivity analyses 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 analyses, 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, 2017 was 20.0 years for Atkins Pension Plan, 16.6 years for Railways Pension Scheme and 17.7 years for the other plans (2016: 16.7 years for other plans).

B) OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

SNC-Lavalin has a number of other long-term benefit and other post-employment benefit plans, which are all defined benefit plans and include mainly termination indemnities, medical and dental care benefits, and life insurance benefits. SNC-Lavalin's other long-term benefit and other post-employment benefit plans are unfunded plans.

The following table sets forth the change in obligation of SNC-Lavalin's other long-term benefit and other post-employment benefit plans:

AT DECEMBER 31	2017	2016
Change in obligation:		
Obligation at beginning of year	**$ 49,703**	$ 49,362
Acquisition of Atkins	**37,449**	–
Current service cost	**12,852**	12,537
Past service cost	**(177)**	1,854
Interest cost	**3,189**	2,931
Net gain arising from settlements	**–**	(13)
Remeasurement [(2)]	**135**	(497)
Benefits paid	**(20,150)**	(13,048)
Actuarial (gains) losses (Note 24)	**(37)**	14,190
Effect of foreign currency exchange differences	**(4,079)**	(8,976)
Disposals of E&C businesses	**–**	(8,637)
Obligation at end of year	**$ 78,885**	$ 49,703

(2) Remeasurement relates to two other long-term employee benefit plans of SNC-Lavalin for which remeasurement is not recognized in other comprehensive income, but rather in the income statement.

33. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SNC-Lavalin's net defined other long-term benefit and other post-employment benefit costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31	2017	2016
Current service cost	**$ 12,852**	$ 12,537
Past service cost	**(177)**	1,854
Interest cost	**3,189**	2,931
Net gain arising from settlements	**–**	(13)
Remeasurement [(1)]	**135**	(497)
Components of other long-term benefit and other post-employment benefit costs recognized in net income	**$ 15,999**	$ 16,812

(1) Remeasurement relates to two other long-term employee benefit plans of SNC-Lavalin for which remeasurement is not recognized in other comprehensive income, but rather in the income statement.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued other long-term benefit and other post-employment benefit obligation:

	DECEMBER 31 2017	DECEMBER 31 2016
Accrued other long-term benefit and other post-employment benefit obligation		
Discount rate	**4.90%**	5.00%
Rate of compensation increase [(2)]	**3.75%**	5.00%

(2) Rate of compensation increase applies only to termination indemnities.

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.

Charges and RCMP investigation

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 (Canada) (the "Criminal Code") and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (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 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 preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018. 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.

34. CONTINGENT LIABILITIES (CONTINUED)

The Charges 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 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) could 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 Act Respecting Contracting by Public Bodies

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").

Certain subsidiaries of the Company require certification from the AMF, subject to periodic renewal, to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. If 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 or not renew 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. Those subsidiaries of the Company that need to be certified by the AMF have obtained that certification.

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 a project in Bangladesh and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully. According to the terms of the World Bank Settlement, the Company and certain of its 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 has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

African Development Bank Settlement

On October 1, 2015, the Company announced a settlement with the African Development Bank relating to allegations of corruption in two African countries (the "African Development Bank Settlement"). The African Development Bank Settlement requires that the Company cooperate with the African Development Bank on various compliance matters in the future.

Canada's Integrity Regime

The Canadian government announced the Integrity Regime for procurement and real property transactions on July 3, 2015. The scope of offences which may cause a supplier to be deemed ineligible to carry on business with the federal government are broad and encompass offences under the Criminal Code, the Competition Act, and the CFPOA, among others. Some of the offences qualifying for ineligibility include: bribery, fraud, money laundering, falsification of books and documents, extortion, and offences related to drug trafficking. A determination of ineligibility to participate in federal government procurement projects may apply for 10 years for listed offences. However, the Integrity Regime permits the ineligibility period to be reduced by up to five years if a supplier can establish that it has cooperated with law enforcement authorities or addressed the causes of misconduct.

34. CONTINGENT LIABILITIES (CONTINUED)

If a supplier is charged with a listed offence (as is presently the case with the Company), it may under the Integrity Regime be ineligible to do business with the Canadian government while legal proceedings are ongoing.

If a supplier applies for a reduced ineligibility period, or if a supplier charged with a listed offence is notified that it could be ineligible to do business with the Canadian government, as a condition of granting the reduced ineligibility period or not suspending the supplier an administrative agreement may be imposed to monitor the supplier. Administrative agreements include conditions and compliance measures that the supplier must meet to remain eligible to contract with the federal government.

The Company has signed an administrative agreement with Public Services and Procurement (PSP) of the Government of Canada under the Integrity Regime.

Failure of the Company to abide by the terms of any of its certification from the AMF, the World Bank Settlement, the African Development Bank Settlement and/or the PSP Administrative Agreement could result in serious consequences for the Company, including new sanctions, legal actions and/or suspension from eligibility to carry on business with the government or agency involved or to work on projects funded by them. The Company is taking steps that are expected to mitigate this risk.

Quebec's Voluntary Reimbursement Program (the "Program")

The Company participated in the Voluntary Reimbursement Program ("Bill 26") which was put into force by the Government of Quebec on November 2, 2015. The Program provided for a period of time within which the Government of Quebec and various municipalities, governmental agencies and others could assess whether settlement proposals by program participants should cover a governmental or municipal entity. The Company settled all issues that it notified under the Program, or which the Program brought to its attention, on a timely and substantiated basis.

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 Aïssa, 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 Aïssa 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 Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and was awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA$17.2 million translated using the exchange rates as at October 1, 2014 (representing the equivalent of 12.9 million CHF and US$2.0 million) plus interest. As at December 31, 2017, the Company has received all amounts due under this award.

The Company is currently unable to determine when any of the above investigations will be completed or 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 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 may affect the course of the class action lawsuits (described below).

34. CONTINGENT LIABILITIES (CONTINUED)

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 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

The Company is subject to class actions in Quebec and Ontario commenced in 2012 on behalf of security holders (collectively, the "Actions"). The Actions are brought pursuant to the secondary market civil liability provisions in the various Canadian provincial and territorial securities statutes. The Actions allege the agent payments that were the subject of the Independent Review were bribes to public officials and that bribes were also offered in relation to the project in Bangladesh that forms part of the World Bank Settlement. Consequently, it is alleged that various of the Company's public disclosure documents issued between November 2009 and November 2011 included misrepresentations. The Actions seek damages, on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012, based on the decline in market value of SNC-Lavalin shares following the Company's February 28, 2012 news release and other public announcements.

The Ontario Action is presently completing the oral discovery stage. The Quebec Action is presently in abeyance while the Ontario Action proceeds.

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.

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of 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 then-known defendants, on an *in solidum* basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the 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 (such insurance coverage is itself subject to litigation). In addition to the appeal of the decision, recourses in warranty were filed against another party, which may result in reduction of SNC-Lavalin's share of the damages. The appeal hearing has started in October 2017 and will be completed in April 2018.

In parallel to the appeal and warranty recourses for Wave 1 claims, additional potential claims were notified and continue to be notified against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims are currently undergoing discovery stage and it is still premature to evaluate SNC-Lavalin's total liability exposure in respect of same, if any. It is currently estimated that a significant portion of the damages claimed are in respect of buildings for which the concrete foundations were poured outside of SNC-Lavalin's liability period, as determined in the Wave 1 judgement. SNC-Lavalin expects some insurance coverage for claims filed up to March 31, 2015. In addition, SNC-Lavalin has undertaken warranty recourse against another party with respect to Wave 2 claims.

34. CONTINGENT LIABILITIES (CONTINUED)

Legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings, including the general cautionary language relating to the risks inherent to all litigation and proceedings against SNC-Lavalin, which is equally applicable to the legal proceedings described below.

While SNC-Lavalin cannot predict with certainty the final outcome or timing of the legal proceedings described below, based on the information currently available (which in some cases remains incomplete), SNC-Lavalin believes that it has strong defences to these claims and intends to vigorously defend its position.

SNC-Lavalin Inc. has initiated court proceedings against a Canadian client stemming from engineering, procurement, and construction management services that SNC-Lavalin Inc. provided in relation to the client's expansion of an ore-processing facility. SNC-Lavalin claimed from the client certain amounts due under the project contract. The client has counterclaimed alleging that SNC-Lavalin defaulted under the project contracts and seeking damages.

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

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, 2017 and 2016:

	DECEMBER 31 2017	DECEMBER 31 2016
Not later than 1 year	**$ 157,145**	$ 92,633
Later than 1 year and not later than 5 years	**340,747**	195,007
Later than 5 years	**301,264**	92,400
	$ 799,156	$ 380,040

SNC-Lavalin's payments under operating lease arrangements recognized as an expense in net income amounted to $184.4 million for the year ended December 31, 2017 (2016: $137.9 million).

As at December 31, 2017, future minimum sublease payments expected to be received under non-cancellable subleases totalled $48.0 million and were as follows: $14.0 million – not later than 1 year, $28.8 million – later than 1 year and not later than 5 years, and $5.2 million – later than 5 years. As at December 31, 2016, future minimum sublease payments expected to be received under non-cancellable subleases totalled $210.9 million and were as follows: $41.7 million – not later than 1 year, $138.8 million – later than 1 year and not later than 5 years, and $30.4 million – later than 5 years.

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	**2017**	2016
Short-term benefits [(1)]	**$ 3,920,493**	$ 3,579,804
Share-based payments	**42,069**	30,541
Defined contribution pension plans	**86,900**	53,297
Defined benefit pension plans, other long-term benefits and other post-employment benefits	**15,630**	21,256
	$ 4,065,092	$ 3,684,898

(1) Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses, non-monetary benefits and termination benefits that are expected to be settled within twelve months after the end of the annual reporting period.

B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

The Company's key management include all employees that are classified at the executive levels, corresponding mainly to the vice-presidents and above, and all members of the Company's Board of Directors.

The number of individuals included as key management was 141 people in 2017 (2016: 147 people).

Expenses recognized for key management remuneration and directors' fees, even if the services were provided only for a portion of the year, are detailed as follows:

YEAR ENDED DECEMBER 31	**2017**	2016
Short-term benefits [(2)]	**$ 82,013**	$ 83,129
Share-based payments	**34,793**	27,900
Termination benefits	**8,201**	5,136
Defined benefit and defined contribution pension plans, other long-term benefits and other post-employment benefits	**2,798**	3,761
	$ 127,805	$ 119,926

(2) Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits.

37. RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its associates and joint ventures, mainly its Capital investments. 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 investments accounted for by the equity or consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the investment. Profits generated from transactions with investments accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

INVESTMENT	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
Capital investments accounted for under IFRIC 12	Consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the Capital investment 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 Capital investment through the contractual agreement with its client.
Others	Equity method	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.
	Cost method	Not eliminated, in accordance with IFRS.

For the year ended December 31, 2017, SNC-Lavalin recognized E&C revenues of $1,098.3 million (2016: $755.8 million) from contracts with investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from Capital investments accounted for by the equity method of $184.8 million for the year ended December 31, 2017 (2016: $182.8 million).

SNC-Lavalin's trade receivables from investments accounted for by the equity method amounted to $77.6 million as at December 31, 2017 (2016: $90.2 million). SNC-Lavalin's other current financial assets receivable from these investments accounted for by the equity method amounted to $103.6 million as at December 31, 2017 (2016: $83.0 million). SNC-Lavalin's remaining commitment to invest in its Capital investments accounted for by the equity method was $98.0 million as at December 31, 2017 (2016: $98.0 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, 2017 and 2016, 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	2017 %	2016 %	COUNTRY
Atkins Limited	**100.0**	–	United Kingdom
Candu Energy Inc.	**100.0**	100.0	Canada
Evergreen Rapid Transit Holdings Inc.	**100.0**	100.0	Canada
Faithful+Gould Limited	**100.0**	–	United Kingdom
Infrastructure Famille Santé Inc.	**100.0**	100.0	Canada
InPower BC General Partnership	**100.0**	100.0	Canada
Kentz Corporation Limited	**100.0**	100.0	Channel Islands
Kentz Pty Ltd.	**100.0**	100.0	Australia
Okanagan Lake Concession Limited Partnership	**–**	100.0	Canada
P.T. SNC-Lavalin TPS	**95.0**	95.0	Indonesia
Rainbow Hospital Partnership	**–**	100.0	Canada
SNC-Lavalin	**100.0**	100.0	Belgium
Saudi Arabia Kentz Co. LLC [(1)]	**75.0**	49.0	Saudi Arabia
SNC-Lavalin Colombia S.A.S. (previously Itansuca Proyectos de Ingenieria S.A.S.)	**100.0**	100.0	Colombia
SNC-Lavalin (GB) Holdings Limited	**100.0**	–	United Kingdom
SNC-Lavalin (GB) Limited	**100.0**	100.0	United Kingdom
SNC-Lavalin (Malaysia) Sdn. Bhd.	**100.0**	100.0	Malaysia
SNC-Lavalin (Proprietary) Limited	**100.0**	100.0	South Africa
SNC-Lavalin Algérie EURL	**100.0**	100.0	Algeria
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 GEM Ontario Inc.	**100.0**	100.0	Canada
SNC-Lavalin GEM Québec Inc.	**100.0**	100.0	Canada
SNC-Lavalin Highway Holdings Inc.	**100.0**	–	Canada
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.	**100.0**	100.0	Canada
SNC-Lavalin Nuclear Inc.	**100.0**	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	**100.0**	100.0	Canada

(1) Although the Company's ownership interest in Saudi Arabia Kentz Co. LLC was less than 50% in 2016, the Company did exercise control over this entity based on its contractual agreements.

38. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

SUBSIDIARIES	2017 %	2016 %	COUNTRY
SNC-Lavalin Peru S.A.	**100.0**	100.0	Peru
SNC-Lavalin Polska Sp. Z o.o.	**100.0**	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	**100.0**	100.0	Brazil
SNC-Lavalin Rail & Transit Limited (previously Interfleet Technology Limited)	**100.0**	100.0	United Kingdom
SNC-Lavalin Romania S.A.	**100.0**	100.0	Romania
SNC-Lavalin Stavibel Inc.	**100.0**	100.0	Canada
SNC-Lavalin UK Limited	**100.0**	100.0	United Kingdom
The Atkins North America Holdings Corporation	**100.0**	–	United States
The SNC-Lavalin Corporation	**100.0**	100.0	United States
Valerus Field Solutions Holdings LLC	**100.0**	100.0	United States
WS Atkins Limited (previously WS Atkins plc)	**100.0**	–	United Kingdom

JOINT VENTURES	2017 %	2016 %	COUNTRY
Capital 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	Canada
Crosslinx Transit Solutions General Partnership	**25.0**	25.0	Canada
McGill Healthcare Infrastructure Group, G.P. (2)	**50.0**	60.0	Canada
Rideau Transit Group General Partnership	**40.0**	40.0	Canada
Signature on the Saint-Laurent Group General Partnership	**50.0**	50.0	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	2017 %	2016 %	COUNTRY
407 East Construction General Partnership	**50.0**	50.0	Canada
Crosslinx Transit Solutions Constructors G.P.	**25.0**	25.0	Canada
Signature on the Saint Lawrence Construction General Partnership	**45.0**	45.0	Canada
SLN-Aecon JV	**50.0**	50.0	Canada
SNC-Dragados-Pennecon G.P.	**40.0**	–	Canada
UGL Kentz Joint Venture	**50.0**	50.0	Australia

ASSOCIATES	2017 %	2016 %	COUNTRY
Capital investments			
InTransit BC Limited Partnership	**–**	33.3	Canada
Myah Tipaza S.p.A.	**25.5**	25.5	Algeria
Shariket Kahraba Hadjret En Nouss S.p.A.	**26.0**	26.0	Algeria
SNC-Lavalin Infrastructure Partners LP	**20.0**	–	Canada

(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 TC Dôme S.A.S. is more than 50% (McGill Healthcare Infrastructure Group, G.P. in 2016), the Company does not exercise control over these entities based on its contractual agreements.

39. DISPOSAL GROUP AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at December 31, 2017, the disposal group and non-current assets classified as held for sale included: i) a Capital investment accounted for by the equity method, namely MHIG, and its holding company (see Note 5A); and ii) other non-current assets, mainly project equipment, included in the Oil & Gas segment.

The major classes of assets and liabilities of the disposal group and assets held for sale as at December 31, 2017 were as follows:

AT DECEMBER 31, 2017	MHIG	OTHER NON-CURRENT ASSETS	TOTAL
Cash and cash equivalents	$ 39	$ –	$ 39
Other current assets	1,428	–	1,428
Capital investments accounted for by the equity method	106,321	–	106,321
Other non-current assets	–	206	206
Assets of disposal group classified as held for sale and assets held for sale	107,788	206	107,994
Current liabilities	1,182	–	1,182
Non-current liabilities	59,258	–	59,258
Liabilities of disposal group classified as held for sale	60,440	–	60,440
Net assets of disposal group classified as held for sale and assets held for sale	**$ 47,348**	**$ 206**	**$ 47,554**

As at December 31, 2016, assets held for sale of $6.7 million included in the Company's consolidated statement of financial position included: i) the net book value of $1.9 million related to a Capital investment in France accounted for by the equity method, namely TC Dôme S.A.S.; and ii) the net book value of $4.8 million of other non-current assets, mainly project equipment, included in the Oil & Gas segment.

As at December 31, 2016, "Other components of equity of asset held for sale" of $1.8 million presented in the Company's consolidated statement of financial position related solely to TC Dôme S.A.S.

Glossary

Adjusted diluted earnings per share from E&C

Non-IFRS financial measure defined by the Company as the adjusted net income from E&C, divided by the diluted weighted average number of outstanding shares for the period.

Adjusted EBITDA

Non-IFRS financial measure defined by the Company as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes charges related to restructuring, right-sizing and other, the acquisition-related costs and integration costs, as well as the gains (losses) on disposals of E&C businesses, Capital investments and the head office building.

Adjusted net income from E&C

Non-IFRS financial measure defined by the Company as net income attributable to SNC-Lavalin shareholders from E&C, excluding charges related to restructuring, right-sizing and other, acquisition-related costs and integration costs, as well as amortization of intangible assets related to business combinations, the gains (losses) on disposals of E&C businesses and the head office building, and also the impact of U.S. corporate tax reform.

Atkins services contracts

Type of contract of Atkins which enters into a number of different forms of contracts with clients, the most common being time and materials contracts based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks.

Booking-to-revenue ratio

Ratio obtained by dividing the contract bookings by the revenues, for a given period.

Capital

Refers to the investment, financing and asset management arm of the Company, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure: such as bridges, highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

EBIT

Earnings before net financial expenses (income) and income taxes.

EBITDA

Earnings before net financial expenses (income), income taxes, depreciation and amortization.

Engineering & Construction (“E&C”)

Refers to the activities in which the Company provides consulting and advisory services, engineering, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, sustaining capital and commissioning. Certain contracts also include materials and/or multi-disciplinary construction services, namely provision of structural mechanical, electrical, instrumentation and piping services. The Company might also be responsible for not only rendering professional and technical services, but also to undertake the responsibility for supplying materials and providing or fabricating equipment, and could also include construction activities. In addition, the Company offers O&M services for many infrastructures, such as highways, buildings, light rail transit systems and power plants, and logistics solutions for construction camps and the military.

Glossary (continued)

EPC

Type of agreement whereby the Company provides Engineering, Procurement and Construction.

EPCM

Type of agreement whereby the Company provides services related to Engineering, Procurement, and Construction Management activities.

Fixed-Price Contract

Type of contract for which the Company completes the work required for the project at a lump-sum price.

IFRS

International financial reporting standards.

Infrastructure

Part of E&C activities, Infrastructure provides end-to-end services to a broad range of sectors, including 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, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects.

Mining & Metallurgy

Part of E&C activities, Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminum, gold, copper, iron ore, nickel, fertilizers, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects.

Net recourse debt (or Cash Net of Recourse Debt)

Cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt.

Oil & Gas

Part of E&C activities, Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle from front-end evaluation through decommissioning (operational and capital expenditures).

Power

Part of E&C activities, Power covers projects and services in hydro, nuclear and thermal power generation, renewable power generation, energy from waste, and electrical power delivery systems. It also has a wealth of expertise in clean and sustainable power technologies.

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.

Reimbursable contract

Type of contract for which the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap.

Revenue Backlog

Forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that are considered firm. Management could be required to make estimates regarding the revenue to be generated for long-term firm reimbursable contracts. In order to provide information that is comparable to the revenue backlog of other categories of activities, the Company limits the O&M activities revenue backlog, which can cover a period of up to 40 years, to the earlier of: i) the contract term awarded; and ii) the next five years.

ROASE

Return on Average Shareholders' Equity, corresponding to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

Segment EBIT

Consists of gross margin less i) directly related selling, general and administrative expenses, ii) corporate selling, general and administrative expenses that are directly related to projects or segments; and iii) non-controlling interests before taxes. Expenses that are not allocated to the Company's segments include: Corporate selling, general and administrative expenses that are not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs and integration costs, and amortization of intangible assets related to business combinations, as well as gains (losses) on disposals of E&C businesses, Capital investments and the head office building.

Ten-year statistical summary

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS								CANADIAN GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
From E&C	9,096.7	8,223.1	9,363.5	7,334.7	7,149.3	7,525.9	6,708.5	5,521.6	5,721.5	6,759.9
From Capital	238.0	247.7	223.4	904.1	763.8	565.1	501.4	442.7	380.2	347.0
	9,334.7	8,470.8	9,587.0	8,238.8	7,913.2	8,091.0	7,209.9	5,964.3	6,101.7	7,106.9
Gross margin	1,893.4	1,206.1	1,432.8	1,340.8	1,115.8	1,355.0	1,252.1	1,271.4	1,151.1	1,012.9
Selling, general and administrative expenses	1,158.7	724.1	855.6	841.4	836.6	855.5	656.6	583.2	545.6	515.2
Restructuring costs and goodwill impairment	26.4	115.4	116.4	109.9	123.5	–	–	–	–	–
Impairment of investments	–	–	–	28.5	–	–	–	–	–	–
Acquisition-related costs and integration costs	124.3	4.4	19.6	62.5	–	–	–	–	–	–
Amortization of intangible assets related to business combinations	138.9	68.8	94.0	36.5	–	–	–	–	–	–
(Gain) loss from disposal of Capital investments	(42.1)	(55.9)	(174.4)	(1,615.4)	(73.0)	–	–	(29.6)	–	–
(Gain) loss on disposals of E&C businesses	(1.0)	37.1	–	–	–	–	–	–	–	–
Gain on disposal of the head office building	(115.1)	–	–	–	–	–	–	–	–	–
EBIT[1]	603.4	312.1	521.6	1,877.4	228.8	499.5	595.6	717.8	605.5	497.7
Net financial expenses:										
From E&C	107.8	27.9	(7.7)	38.9	19.5	13.7	15.5	26.0	16.0	(13.7)
From Capital	10.0	14.2	8.0	180.9	131.2	112.5	99.7	85.1	112.2	108.2
Earnings before income taxes	485.5	270.0	521.3	1,657.6	78.1	373.4	480.3	606.7	477.3	403.2
Income taxes	102.4	13.4	83.7	323.0	41.7	67.0	94.4	120.4	108.2	85.1
Non-controlling interests	–	–	–	–	–	–	–	–	9.7	5.6
Net income	383.2	256.6	437.5	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5
Net income attributable to:										
SNC-Lavalin shareholders	382.0	255.5	404.3	1,333.3	35.8	305.9	377.4	475.5	359.4	312.5
Non-controlling interests	1.1	1.0	33.2	1.2	0.6	0.4	8.5	10.7	–	–
Net income	383.2	256.6	437.5	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5
Return on average shareholders' equity[2]	9.5%	7.1%	12.0%	58.7%	1.6%	14.6%	19.1%	28.2%	27.3%	29.1%
Acquisition of property and equipment:										
From E&C	124.8	151.4	116.0	70.2	55.5	96.2	67.2	46.0	32.4	46.3
From Capital	–	–	–	1,522.4	1,545.9	849.2	545.8	402.0	274.1	193.5
	124.8	151.4	116.0	1,592.5	1,601.5	945.4	613.0	448.0	306.5	239.8
Depreciation of property and equipment and amortization of other non-current assets:										
From E&C	215.6	140.6	162.4	113.7	67.9	61.6	45.4	39.6	43.5	41.9
From Capital	–	2.5	–	53.5	133.1	99.2	93.1	86.9	86.6	88.1
	215.6	143.1	162.4	167.2	201.0	160.8	138.5	126.5	130.1	130.0
EBITDA[1]:										
From E&C	589.4	219.1	333.7	(160.0)	(131.6)	273.1	389.9	513.7	482.7	388.9
From Capital	229.6	236.1	350.3	2,233.1	617.8	387.2	344.1	330.6	252.9	238.8
	818.9	455.2	684.0	2,073.1	486.2	660.3	734.0	844.3	735.6	627.7

[1] EBIT, a non-IFRS financial measure, is defined 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. 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$, UNLESS OTHERWISE INDICATED)	IFRS								CANADIAN GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Supplementary information:										
Net income attributable to SNC-Lavalin shareholders from E&C	176.0	46.3	95.8	(300.5)	(245.8)	149.0	246.2	340.6	322.5	275.3
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407 ETR	141.7	132.5	125.8	122.5	114.1	100.6	77.2	50.3	9.8	20.0
From AltaLink	–	–	–	175.6	91.8	54.5	33.8	22.9	20.7	11.4
From other Capital investments	64.3	76.7	182.7	1,335.9	75.7	1.8	20.2	61.7	6.4	5.8
Net income attributable to SNC-Lavalin shareholders	382.0	255.5	404.3	1,333.3	35.8	305.9	377.4	475.5	359.4	312.5
Earnings per share ($):										
Basic	2.35	1.70	2.68	8.76	0.24	2.03	2.50	3.15	2.38	2.07
Diluted	2.34	1.70	2.68	8.74	0.24	2.02	2.48	3.12	2.36	2.05
Weighted average number of outstanding shares (in thousands):										
Basic	162,910	150,077	150,918	152,218	151,497	151,058	150,897	151,020	151,042	150,925
Diluted	163,029	150,279	150,988	152,605	151,814	151,304	151,940	152,277	151,992	152,265
Annual dividends declared per share ($)	1.106	1.053	1.01	0.97	0.93	0.89	0.85	0.72	0.62	0.51

AT DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS								CANADIAN GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Number of employees	52,448	34,952	36,754	42,003	29,714	33,909	28,100	23,923	21,948	21,260
Revenue backlog	10,406.4	10,677.4	11,991.9	12,325.5	8,287.8	10,133.4	10,088.0	9,715.9	8,258.5	7,249.5
Cash and cash equivalents	706.5	1,055.5	1,581.8	1,702.2	1,108.7	1,174.9	1,231.0	1,235.1	1,218.2	988.2
Working capital	111.9	227.9	108.1	(365.4)	(527.0)	(267.9)	32.0	679.9	544.1	276.4
Property and equipment:										
From E&C	414.1	298.3	265.1	246.1	180.4	193.1	159.9	115.2	114.0	123.4
From Capital	–	–	–	–	5,132.0	3,470.0	2,637.7	2,072.8	2,217.0	1,750.7
	414.1	298.3	265.1	246.1	5,312.4	3,663.1	2,797.6	2,188.0	2,331.0	1,874.1
Recourse long-term debt	1,026.8	349.4	349.1	348.9	348.7	348.5	348.4	348.2	452.9	104.7
Limited recourse long-term debt	1,475.2	–	–	–	–	–	–	–	–	–
Non-recourse long-term debt from Capital	297.4	472.6	525.8	530.7	3,536.9	2,000.7	1,561.4	1,529.0	2,005.5	2,003.3
Equity attributable to SNC-Lavalin shareholders	5,225.1	3,873.2	3,868.2	3,313.8	2,036.7	2,075.4	1,883.1	1,816.8	1,434.7	1,089.2
Book value per share ($)	29.77	25.76	25.83	21.73	13.42	13.74	12.47	12.03	9.50	7.21
Number of outstanding common shares (in thousands)	175,488	150,357	149,772	152,465	151,807	151,069	151,034	151,034	151,033	151,033
Closing market price per share ($)	57.05	57.79	41.12	44.31	47.79	40.32	51.08	59.77	53.99	39.69
Market capitalization	10,011.6	8,689.1	6,158.6	6,755.7	7,254.8	6,091.1	7,714.8	9,027.3	8,154.3	5,994.5

Information for shareholders

Common Share Information

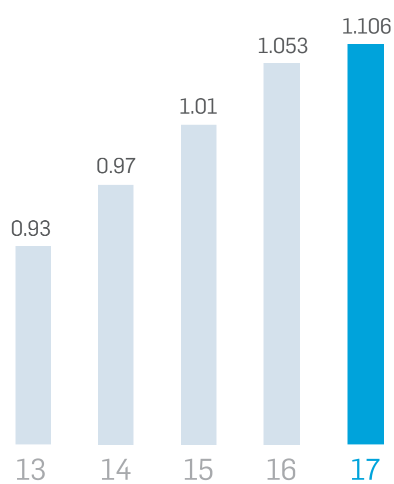
LISTED: Toronto Stock Exchange
SYMBOL: SNC
SHARES OUTSTANDING: 175.5 million (December 31, 2017)
MARKET CAPITALIZATION: $10,012 million (December 31, 2017)

Trading Activity and Market Capitalization

	VOLUME (M)	HIGH ($)	LOW ($)	CLOSE ($)	MARKET CAPITALIZATION AT DECEMBER 31 (M$)
2017	137.5	59.38	50.28	57.05	10,012
2016	138.1	59.63	36.47	57.79	8,689
2015	178.1	47.40	35.89	41.12	6,159
2014	166.3	59.63	38.70	44.31	6,756
2013	168.0	49.85	39.47	47.79	7,255

Dividends

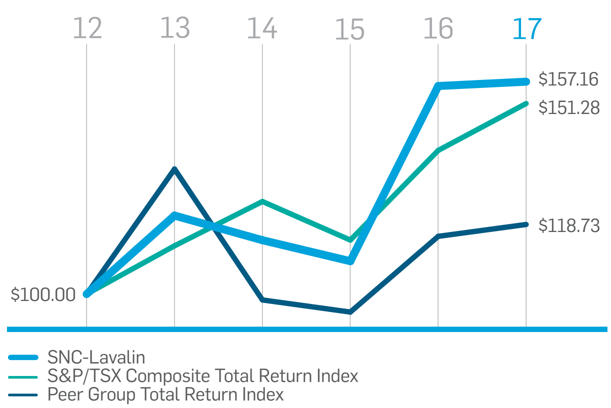
Dividends Declared for the Last Five Years
(IN CA$)



Performance Graph

The following performance graph illustrates the five-year cumulative total return assuming $100 was invested on December 31, 2012, in common shares of SNC-Lavalin, in the S&P/TSX Composite Total Return Index, and in an index composed of a peer group of Engineering and Construction Companies.

Five-Year Cumulative Total Return on $100 Invested
(ASSUMES DIVIDENDS ARE REINVESTED)



Outstanding Debentures

$350 million principal amount of debentures, 6.19%, due July 2019.
$300 million principal amount of debentures, 2.689%, due November 2020.

Credit Ratings

RATING AGENCY	RATING AND OUTLOOK
Standard & Poor's Ratings Services	BBB / stable
DBRS	BBB / stable

Annual Meeting

The Annual Shareholders' Meeting will be held at 11:00 a.m. Eastern Daylight Time on Thursday, May 3, 2018, at Palais des congrès, 1001 Place Jean-Paul-Riopelle.

Key Dates for 2018

	EARNINGS ANNOUNCEMENT	DIVIDEND RECORD	DIVIDEND PAYMENT
Q1	May 3	May 17	May 31
Q2	August 2	August 16	August 30
Q3	November 1	November 15	November 29

Note: Dividends are subject to approval by the Board of Directors. These dates may change without prior notice.

Normal Course Issuer Bid

The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

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
Website: 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. To learn more, go to www.snclavalin.com and click on About Us.

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 on our Code of Ethics and Business Conduct, go to www.snclavalin.com/en/code-of-ethics.

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.

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 Annual 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.

82 TREES SAVED
(enough to cover 5 tennis courts)

3,671 kg
REDUCTION IN SOLID WASTE
(or 75 waste containers)

299,466 L
OF WATER SAVED
(or 856 days of water consumption)

16 kg NOx REDUCTION
IN ATMOSPHERIC EMISSIONS
(or emissions of 1 truck for 48 days)

12,062 kg CO_2
REDUCTION IN
ATMOSPHERIC EMISSIONS
(or emissions of 4 cars per year)

72 GJ
NET ENERGY SAVED
(or 332,797 60W light bulbs for one hour)

snclavalin.com

About the production of our annual report

At SNC-Lavalin, we recognize the importance of helping protect the 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 annual 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.

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We invite you to visit our website at www.snclavalin.com for a list of our offices and to learn more about SNC-Lavalin.

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