



SNC • LAVALIN

Building what matters

Delivering on our commitments

2016 Annual Report



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.



Values that guide us

Our values keep us anchored and on track. They speak to how we run our business, how we express ourselves as a group, and how we engage with our stakeholders and inspire their trust.

Teamwork & excellence

We're innovative, collaborative, competent and visionary.

Customer focus

Our business exists to serve and add long-term value to our customers' organizations.

Strong investor return

We seek to reward our investors' trust by delivering competitive returns.

Health & safety, security and environment

We have a responsibility to protect everyone who comes into contact with our organization and the environment we work in.

Ethics & compliance

We're committed to ethical business.

Respect

Our actions consistently demonstrate respect toward our stakeholders.



Financial highlights

2016 revenues



44% Oil & Gas

30% Infrastructure

19% Power

4% Mining & Metallurgy

3% Capital



52% North America

22% Middle East & Africa

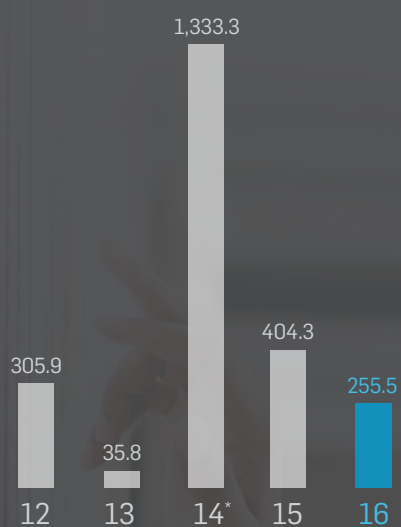
19% Asia-Pacific

5% Europe

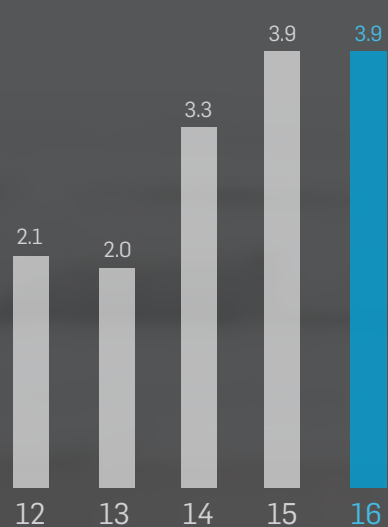
1% Latin America

1% Other regions

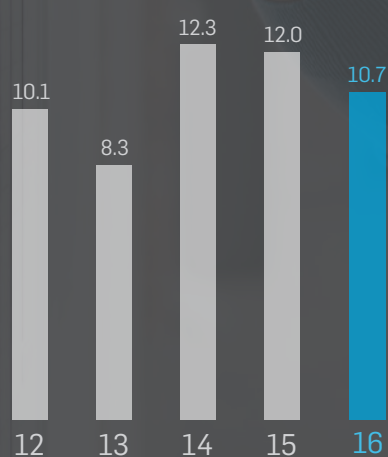
**Net income attributable to
SNC-Lavalin shareholders**
(IN MILLIONS CAS)



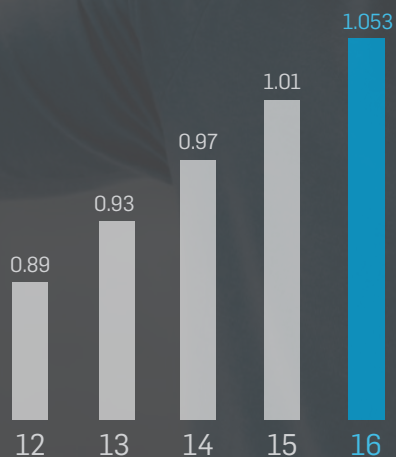
**Equity attributable to
SNC-Lavalin shareholders**
(IN BILLIONS CAS)



Revenue backlog
(IN BILLIONS CAS)



Dividends
(IN CAS)



* Includes a net gain on disposal of AltaLink.

Delivering on our commitments

In 2016, we proudly delivered on several key commitments. This included further reducing our operating costs, simplifying our structure and generating good returns despite challenging market conditions. We've become more efficient, agile and client focused. We're also better equipped than ever to consistently provide industry-leading global expertise locally and excellent end-to-end project delivery.

Strong, consistent financial performance

I'm pleased to report that, for the second year in a row, our skilled and dedicated employees have produced strong financial results in line with our 2016 guidance.

In 2016, our net income attributable to SNC-Lavalin shareholders reached \$255.5 million, or \$1.70 per diluted share, compared to \$404.3 million in 2015, while our adjusted net income from engineering and construction (E&C)¹ grew by 12% to \$226.4 million, or \$1.51 per diluted share, compared to 2015. We maintained a solid balance sheet with cash and cash equivalents of \$1.1 billion and a stable diversified revenue backlog of \$10.7 billion at year-end.

We also returned approximately \$156 million to shareholders through dividends. In March 2017, our long-term outlook, cash position and diversified revenue backlog enabled us to raise our quarterly dividend by 5% and sustain a 16-year trend of increases.

Key achievements in 2016

I would like to thank all SNC-Lavalin leaders and employees for their rigour and the progress we made in 2016. These accomplishments have laid the foundation for us to achieve our 2017 targets.

Streamlined structure

Early in 2016, we launched Operational Excellence to improve the way we work, further align our activities with our core business strategy and help us build even closer relationships with our clients. Reviewing our activities through this lens

led us to divest our non-core Canadian real estate facilities management business and our underperforming operations in France and Monaco.

We also completed our IT outsourcing partnership with CGI. This partnership should reduce our annual IT operating costs by an average of 20%, allowing us to reinvest to boost our competitiveness and concentrate on delivering for our clients.

Focus on delivery

Last year, we improved execution on projects of all sizes, scopes and degrees of complexity. These improvements will help us more consistently meet or exceed client expectations, win repeat business and sustain a healthy backlog.

In March 2016, we launched our new Diversity & Inclusion Program to strengthen our talent pool. It sets a goal of increasing the number of women in engineering and management positions from our 13% to 20% by 2018. We also joined the 30% Club, a global organization dedicated to promoting a better gender balance at board and senior management levels.

A more performance-driven culture

Today's leading organizations always measure up against the best in ethics and compliance. In 2016, we pursued this goal by continuing to resolve issues of the past. We announced our participation in the Voluntary Reimbursement Program to reach a settlement with the Government of Quebec and the province's public agencies. We also reached a settlement agreement with the Ordre des ingénieurs du Québec and with the Commissioner of Canada Elections.

¹ The terms "Adjusted net income from E&C", "Adjusted diluted EPS from E&C" and "Segment EBIT" do not have any standardized meaning under IFRS. Therefore, they may not be comparable to similar measures presented by other issuers. Management uses these measures as a more meaningful way to compare our financial performance from period to period. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our company's performance. A reconciliation of these non-IFRS performance measures can be found in our 2016 Management's Discussion and Analysis.

“We’ve become more efficient, agile and client focused.”

A strong health & safety, security and environment (HSSE) performance is another prerequisite for industry leadership. In 2016, our hard work in HSSE once again paid off. We improved our lost-time injury frequency (LTIF) rate by more than 50% compared to 2015. To support our goal of zero incidents, we kicked off Perfect Days as a way to measure the number of days without HSSE incidents. We finished 2016 with 27 perfect days, free from all safety injuries, environmental releases and security incidents. Our target for 2017 is 30 perfect days, a 10% improvement on what we’ve achieved to date.

Growth in four strategic sectors

For the first time in four years, our Infrastructure & Construction business generated a positive Segment EBIT¹ margin. Among the accomplishments, we successfully delivered the Growing Up Healthy project at CHU Sainte-Justine, North America’s second largest pediatric centre. We were also shortlisted on several major projects, four of which have a combined potential value of over \$10 billion.

Our Nuclear team performed well too. We started 2016 with a \$2.75 billion joint-venture contract to execute the Darlington nuclear power station retube and feeder replacement project. We secured a multi-year contract for initial engineering and tooling to refurbish Bruce Power, the world’s largest operating nuclear facility and source of 30% of Ontario’s energy. And we won a pre-project contract from Nucleoeleétrica Argentina for a CANDU nuclear new-build project.

In addition, we signed an agreement in principle for a joint venture with China National Nuclear Corporation and Shanghai Electric. Together we’ll explore opportunities for our proprietary CANDU nuclear technology within China, the world’s largest nuclear market, as well as in other parts of the globe.



President's message

In Oil & Gas, we welcomed Martin Adler as the sector's new president following Christian Brown's appointment to the new position of corporate development officer. Among the several projects won were an \$800-million contract in the Middle East and a 10-year service contract worth approximately US\$100 million with Crestwood Equity Partners in the United States.

In Mining & Metallurgy, we were awarded a number of contracts with new clients and in new geographies. This includes the Norilsk Nickel project in Russia, one of world's largest dioxide mitigation projects, and two engineering, procurement and construction projects in Chile.

Our priorities in 2017

In 2017, we'll continue to build on our strong foundation and 2016 achievements, focusing on what we can control to meet client needs, improve our business and adapt to constantly evolving markets. We'll also seek to more fully leverage our diversified business model, broad capabilities, end-to-end solutions and leadership positions in highly attractive sectors. These include infrastructure and P3s in Canada, rail and transit, nuclear energy and sustaining capital services across our four sectors.

Four strategic priorities or commitments will guide our efforts throughout 2017. **We'll continue our progress in Operational Excellence**, driving improvements in every area. This year, several new initiatives should help us enhance our efficiency, delivery, competitiveness and, ultimately, shareholder returns.

Leadership team

From left to right:

Ian Edwards
President, Infrastructure

Alexander (Sandy) Taylor
President, Power

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

Marie Claude Dumas
Executive Vice-President,
Human Resources

Neil Bruce
President and
Chief Executive Officer

Sylvain Girard
Executive Vice-President
and Chief Financial Officer

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

Chantal Sorel
Managing Director, Capital

Christian Brown
Corporate Development Officer

José J. Suárez
President, Mining & Metallurgy

Martin Adler
President, Oil & Gas



Our growth depends on our clients and how well we service them. That's why we're determined to **become a more client-centric organization**, our second priority in 2017. By consistently delivering excellent work, we'll ensure our clients' satisfaction and repeat business.

Thirdly, we'll **continue building a performance-driven culture** that inspires people to go beyond contract expectations or business as usual and to improve every day. We're currently soliciting our employees' feedback on how to promote a culture that better fosters innovation, creativity and teamwork.

Finally, we'll remain focused on **growing our business organically and through acquisitions**. Organic growth will be largely driven by our Infrastructure sector in Canada and our nuclear, renewable energy and sustaining capital services across all four sectors.

Making good on these commitments is essential to our success as a global Canadian E&C champion that generates a consistently strong financial, ethical and HSSE performance with world-class execution at top-tier margins. With our employees, clients, partners and shareholders' valued support, we'll continue striving to build what matters in an ever-changing world and to always deliver as promised.



Neil Bruce
President and Chief Executive Officer



Chairman's message



It gives me great pleasure to report on SNC-Lavalin's continued upward momentum throughout 2016. The best evidence of this momentum is the company's improved financial and operational performance. We clearly have the right management team executing the right strategy, actively overseen by a renewed and energized Board of Directors.

Last year, clients once again selected us to deliver large-scale mandates worldwide. We continued to earn their trust by successfully completing multi-year milestone projects. We also divested non-core assets to concentrate on promising areas in line with our business strategy and competitive differentiators.

Our commitment to being an exemplary corporate citizen and global Canadian champion with a world-class ethics and compliance performance is unwavering. In addition to promptly dismissing all individuals implicated in past issues, we've placed a new leader in every position on the Executive Committee team over the last four years.

In 2016, we also took steps to reach a comprehensive, final and fair settlement at the Canadian and Quebec levels. At a time when other countries are assisting their national champions in competing at home and abroad, we encourage Canada to help level the international playing field for its own champions. This means adopting mechanisms used in other countries to allow companies that fuel national economies to continue winning at home and globally while they resolve past issues.

Your Board applauds and embraces SNC-Lavalin's new Diversity & Inclusion Program. We welcomed Catherine J. Hughes, former Executive Vice-President at Nexen Inc., to the Board in November 2016. Three exceptional individuals will also stand for election at this year's Annual Meeting of Shareholders. They are: Benita M. Warmbold, retiring Senior Managing Director and Chief Financial Officer at Canada Pension Plan Investment Board (CPPIB); Isabelle Courville, Chair of the Laurentian Bank of Canada; and The Honorable

Kevin G. Lynch, P.C., O.C., Ph.D., LL.D., a distinguished former Government of Canada public servant and current Vice-Chair of BMO Financial Group.

These nominations bring the percentage of female corporate directors to 25%, enabling us to already surpass our 2018 gender diversity target of 20%. After 18 years on the Board, I plan to step down as Chairman at the end of 2017. When I do, the average tenure of directors will be 2.4 years. Only six of the top 100 Canadian companies have average tenures of three years or less¹. These changes add fresh energy, knowledge and perspectives to your Board.

I would like to thank our two outgoing directors Chakib Sbiti and Patricia A. Hammick for their tireless commitment and valuable contributions over the past four and ten years respectively.

As Chairman, I am delighted to be part of this Canadian icon that, for decades, has consistently competed globally. When I joined the Board in 1999, SNC-Lavalin's revenues were \$1.3 billion and the stock price was just under \$4. Now our revenues are \$8.5 billion and the stock price is approximately \$55. SNC-Lavalin was then, and still is today, one of Canada's outstanding international competitors. I am proud that customers, employees, shareholders and communities alike continue to benefit from this resilient company's solid performance.

Lawrence N. Stevenson
Chairman of the Board

¹ Canadian Spencer Stuart Board Index 2016.

Board of directors



From left to right:

Lawrence N. Stevenson

Chairman of the Board

Neil Bruce

President and Chief Executive Officer

Jacques Bougie, O.C.

Chair of the Governance and Ethics Committee;
Member of the Human Resources Committee;
Member of the Safety, Workplace and Project Risk Committee

Patricia A. Hammick, Ph.D.

Chair of the Audit Committee;
Member of the Governance and Ethics Committee;
Member of the Human Resources Committee

Steven L. Newman

Member of the Human Resources Committee;
Member of the Safety, Workplace and Project Risk Committee

Jean Raby

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

Alain Rhéaume

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

Chakib Sbity

Member of the Audit Committee;
Member of the Safety, Workplace and Project Risk Committee

Eric D. Siegel, ICD.D

Chair of the Safety, Workplace and Project Risk Committee;
Member of the Audit Committee;
Member of the Governance and Ethics Committee

Catherine J. Hughes, ICD.D

Zin Smati, Ph.D.

Member of the Safety, Workplace and Project Risk Committee

Delivering on our growth strategy

Become a
recognized Tier-1
diversified, global
E&C player

SHORT-TERM – Reduced cost base:

Reduced general and administrative expenses by 20.7%

FROM \$667.2 M TO \$529.3 M

Strong, consistent
financial
performance

MEDIUM-TERM – Operational Excellence:

Implement initiatives to improve project delivery
and financial performance

12.7 %

INCREASE IN
ADJUSTED DILUTED
EPS FROM E&C

63 %

DECREASE IN NUMBER OF
LOST-TIME INCIDENTS IN
2016 COMPARED WITH 2015

World-class
execution at
top-tier margins

LONG-TERM – Continuous improvement
and increasing agility:

Focus on agility, continuous improvement and efficiency
in operations to create a superior

CLIENT EXPERIENCE

- > Exited non-core businesses – sold real estate facilities management and ongoing businesses in France, Monaco and the Malta airport
- > Signed an IT outsourcing agreement
- > Streamlined our operating structure and corporate centre to strengthen our business focus and accountability

COMPLETED



- > Implement activities aimed at simplifying operating and governance structure
- > Achieving 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 and Europe
- > Reached an agreement in principle for a new joint venture with China National Nuclear Corporation and Shanghai Electric Group Company Ltd. to develop market and build the Advanced Fuel CANDU Reactor
- > Evaluate potential M&A growth opportunities with a focus on Infrastructure and Power
- > Strengthen our One-Company approach through increased cross-selling and further implementation of our Key Account Management Program

UNDERWAY



- > Create a performance-driven culture
- > Implement systems improvements
- > Simplify financial models
- > Continue talent development, retention and engagement
- > Attract top-tier talent for a top-tier firm

PLANNING



2016 highlights

Delivering on our commitments

An unwavering focus on key
priorities enabled us to deliver on
numerous commitments in 2016.

We ended the year with lower operating costs, a streamlined structure and a solid performance in our four sectors. 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.

Ethics and compliance

ENGAGED

99.6%

OF OUR EMPLOYEES

in our Code of Ethics and Business Conduct certification process

Confirmed our participation in the
QUEBEC GOVERNMENT'S
VOLUNTARY
REIMBURSEMENT PROGRAM

CONCLUDED A
SETTLEMENT AGREEMENT
with the Ordre des
ingénieurs du Québec

REACHED AN
AGREEMENT
with the Commissioner of
Canada Elections

Health & safety, security and environment (HSSE)

IMPROVED

our lost time injury rate for the third year in a row and maintained a very strong performance in our total recordable incident rate

KICKED OFF

Perfect Days to support our goal of zero incidents

New Diversity & Inclusion Program

TARGET

ENSURE FOR
WOMEN ACCOUNT 20%
OF OUR MANAGERS,
including senior managers and
engineers by 2018



New major projects

INFRASTRUCTURE

Two Rail & Transit engineering contracts in the United States:

- > Southeastern Pennsylvania Transportation Authority Philadelphia (United States)
- > Purple Line Transit Partners Washington DC (United States)

Two-year extension contract for in-service-support to the Royal Canadian Navy's minor warships and auxiliary vessels
Government of Canada (Canada)

MINING & METALLURGY

Two EPC contracts for the Chuquicamata Copper Smelter Complex
Codelco (Chile)

Sulphur dioxide mitigation project
Norilsk Nickel (Russia)

OIL & GAS

\$800-million EPC contract
Middle East

10-year Build-Own-Operate (BOO) EPC contract
Crestwood Equity Partners LP (United States)

POWER

Bruce Power nuclear facility master services agreement
Bruce Power (Canada)

Darlington nuclear facility refurbishment – execution phase
Ontario Power Generation (Canada)

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



Key milestones

LAUNCHED **OPERATIONAL EXCELLENCE**

to better align our activities with our core business strategy

DELIVERED A MAJOR MULTI-YEAR PROJECT AT MONTREAL'S

CHU SAINTE-JUSTINE,
North America's second largest
pediatric centre

COMPLETED
BRITISH COLUMBIA'S

EVERGREEN LIGHT
RAIL TRANSIT LINE
EXTENSION

Signed an agreement in principle for a JV with Chinese
partners to develop, market and build the

ADVANCED FUEL **CANDU** REACTOR

REACHED FULL OUTPUT
AT THE NEW

JIMMIE CREEK
HYDROELECTRIC
POWER PLANT

CELEBRATED
50 YEARS

of sustaining capital services at
Baytown ExxonMobil in Texas

**Canadian Society of Safety
Engineering Award – National
Outstanding Achievement**

FOR OUR HAND SAFETY PROGRAM
AT THE MINERA ANTUCOYA
COPPER PLANT IN CHILE

**Canadian Consulting
Engineering Award –
Project Management**

FOR THE ELEONORE GOLD
PROJECT IN CANADA

P3 BULLETIN **AWARDS**

Silver award for Best Transit
and Aviation Project
EGLINTON CROSSTOWN LIGHT
RAIL TRANSIT IN CANADA

Gold award for Best Road/
Bridge/Tunnel Project in America
NEW CHAMPLAIN BRIDGE
CORRIDOR PROJECT IN CANADA

MAINTAINED OUR
PUBLIC-PRIVATE
PARTNERSHIP (P3)
LEADERSHIP

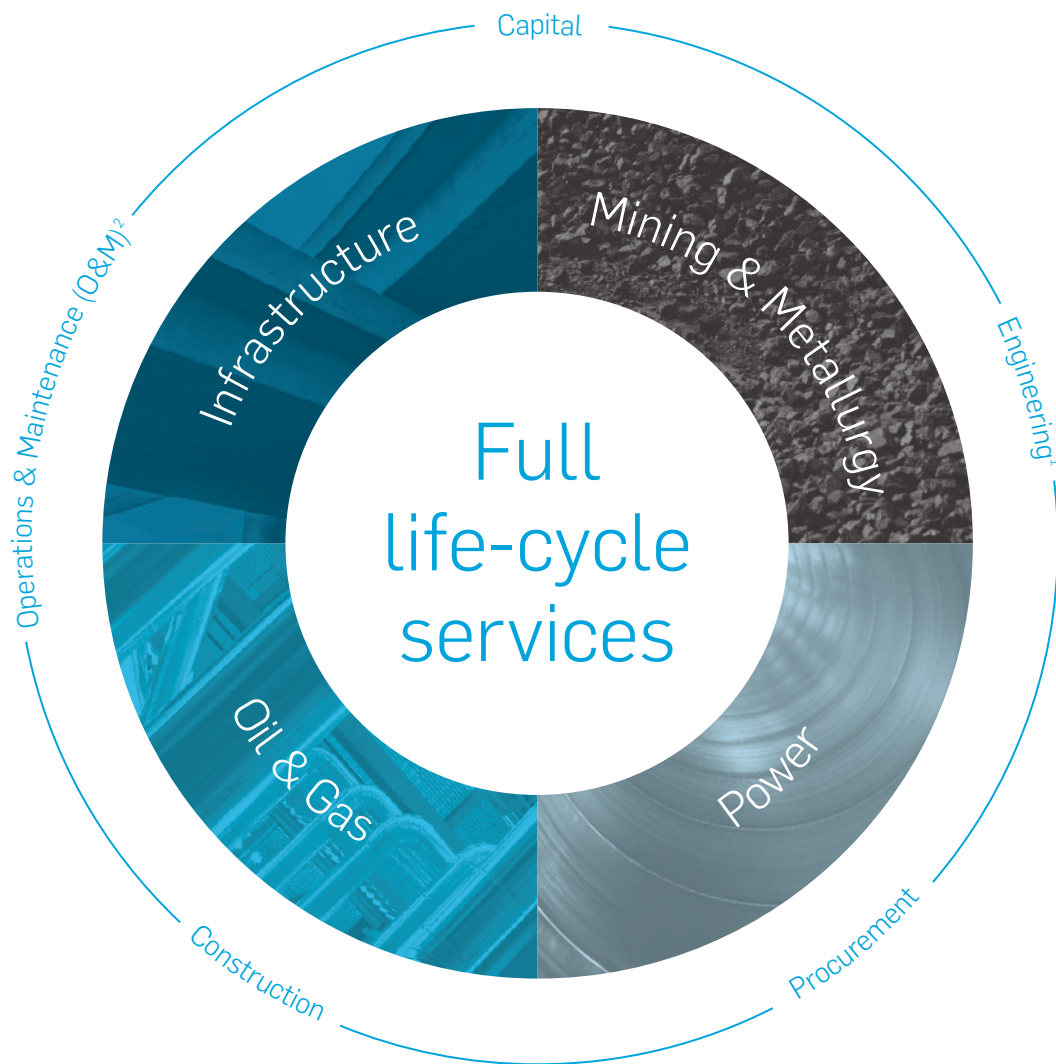
in Canadian infrastructure
projects

DIVESTED TWO ASSETS:

MALTA
INTERNATIONAL
AIRPORT AND
MAYOTTE AIRPORT

Discover our sectors and services

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

In the Infrastructure sector, our key differentiator is our ability to address the full project life cycle. We make equity investments and arrange financing as well as provide engineering, construction and operations and maintenance services. Offered separately or grouped together into one fully integrated, value-added package, these top-tier services allow us to deliver outstanding modern infrastructure or expertly rehabilitate aging facilities.



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 in the aluminum, gold, copper, iron ore, nickel, fertilizer and sulphur product sectors, among others. We offer a full range of activities and services in studies, sustaining capital and consulting, and major projects.



Oil & Gas

Our Oil & Gas sector includes projects in the upstream, midstream, downstream and supporting infrastructure markets for major oil and gas and resources companies. We support our clients across the asset life cycle, from front-end evaluations, to engineering, procurement, construction and commissioning, to maintaining and enhancing these assets. We increasingly provide equity to build and operate facilities through new commercial and engineering models such as Build-Own-Operate (BOO).



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.

End-to-end services

We're one of very few firms with world-class expertise at scale in financing and asset management, engineering, procurement, construction, training, and operations and maintenance. This is a key differentiator in our industry and a powerful vehicle for delivering outstanding value to our stakeholders.

¹ Engineering services include, among others: commissioning, decommissioning, environmental impact studies, project management and training.

² O&M services include, among others: maintenance and rehabilitation.



Capital

Through Capital, our global investment and asset management arm, we develop projects, arrange financing, invest equity, undertake complex financial modelling and manage our investments for optimal returns. We're also a highly experienced asset manager with a solid track record of monetizing and maximizing the value of our mature assets.

- > Four-billion-dollar portfolio of infrastructure investments in five countries
- > Integrated, proactive asset developer and manager
- > Complete end-to-end capital investment solutions
- > Leadership in developing and delivering large-scale, complex public-private partnership (P3) infrastructure projects
- > Equity investment and development funding for projects developed on a Build-Own-Operate (BOO) basis

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

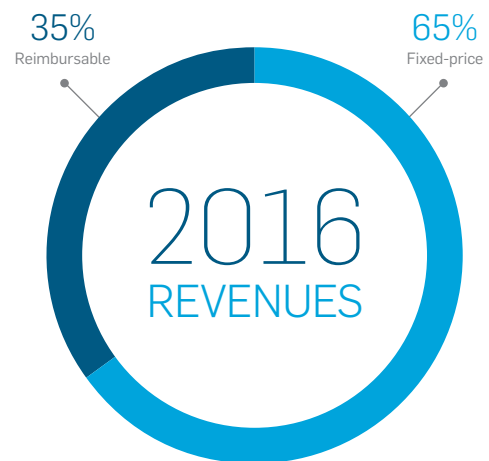




Infrastructure

We deliver end-to-end infrastructure solutions to clients around the world for projects of any size, scope and complexity. Our leadership position in rail & transit and other infrastructure markets enables us to tackle large public-private partnership (P3) projects as well as stand-alone engineering services.

- > Ability to address full infrastructure life cycle from equity investment and financing to EPC and O&M
- > Strong track record of completing complex projects
- > Leader in Canadian P3 projects
- > Won 10 of Canada's 13 recent major transit projects
- > Worked on more than 5,000 engineering projects in rail & transit, highways and bridges, buildings and facilities, environment and geoscience, industrial and other key markets
- > Strong position in district cooling in the Middle East



CHU Sainte-Justine Growing Up Healthy Modernization Project – Canada

\$2.5B^{IN} REVENUES

6,500 EMPLOYEES

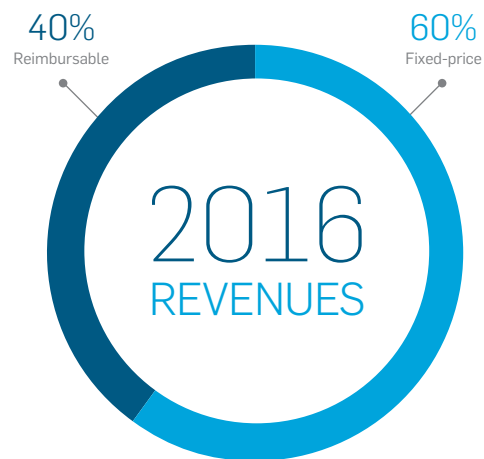




Mining & Metallurgy

We've safely and successfully delivered studies, sustaining capital services and major mining and metallurgy projects in 35 countries. Our one-stop-shop capabilities reduce clients' capital and operating costs, improve mine and processing plant efficiency, and provide project and quality assurance.

- > Tier-1 EPCM reputation with clients around the world
- > Five decades of combining global-calibre expertise with deep local capabilities
- > Tailored solutions for projects of any size, scope and complexity in most mining commodities
- > End-to-end capabilities, deep know-how and flexible execution models



Eleonore Gold Mine Project – Canada
Photo credit: Goldcorp – Eleonore

\$356M IN REVENUES

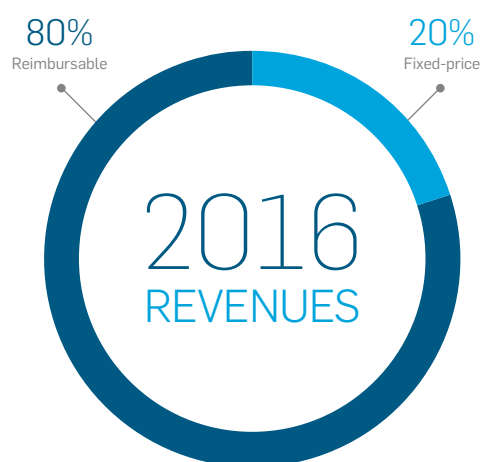
1,000 EMPLOYEES



Oil & Gas

We're well-established as an agile and responsive global Tier-1 provider of end-to-end life-cycle solutions across the oil and gas industry. Other success factors include our sustaining capital business, strong customer relationships and robust presence in the Middle East.

- > Long-term client relationships with significant repeat business
- > Major greenfield/brownfield productivity and cost-containment projects with both International Oil Companies and National Oil Companies
- > Agility and capability to tailor sustaining capital services and resources to meet client needs, from individual packages to large-scale turnkey solutions
- > World-class expertise at every phase of an asset's life cycle
- > A strong backlog and diversified portfolio of CAPEX and sustaining capital projects



Shaybah Gas Project – Saudi Arabia

\$3.7B IN REVENUES

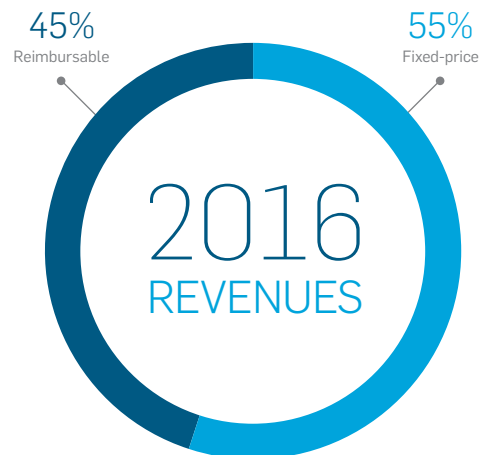
21,500 EMPLOYEES



Power

Our leadership and innovation in the Power sector stems from more than a century of experience in new build, life extension and support services for power generation and transmission & distribution. We're recognized globally for our best-in-class hydroelectric and nuclear engineering, services, technology and solutions.

- > World leader in hydroelectric power generation engineering
- > Recognized globally for high-voltage direct current (HVDC) and grid optimization
- > Exclusive provider of CANDU nuclear technology
- > Partner in Canada's first public-private partnership (P3) hydroelectric power project
- > Growing presence in renewables, including wind and solar energy



Darlington Nuclear Generating Station – Canada

\$1.6B^{IN}
REVENUES

3,500 EMPLOYEES

Financial report

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2016 Management's Discussion and Analysis

March 1, 2017

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 2016 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 (www.snclavalin.com) and through SEDAR (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%.

Forward-looking statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on March 1, 2017. 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) if the Company is not able to successfully execute on its strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements or to execute projects efficiently may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) divestitures and the sale of significant assets may present risks or uncertainties; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair

certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (cc) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (dd) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (ee) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that 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.

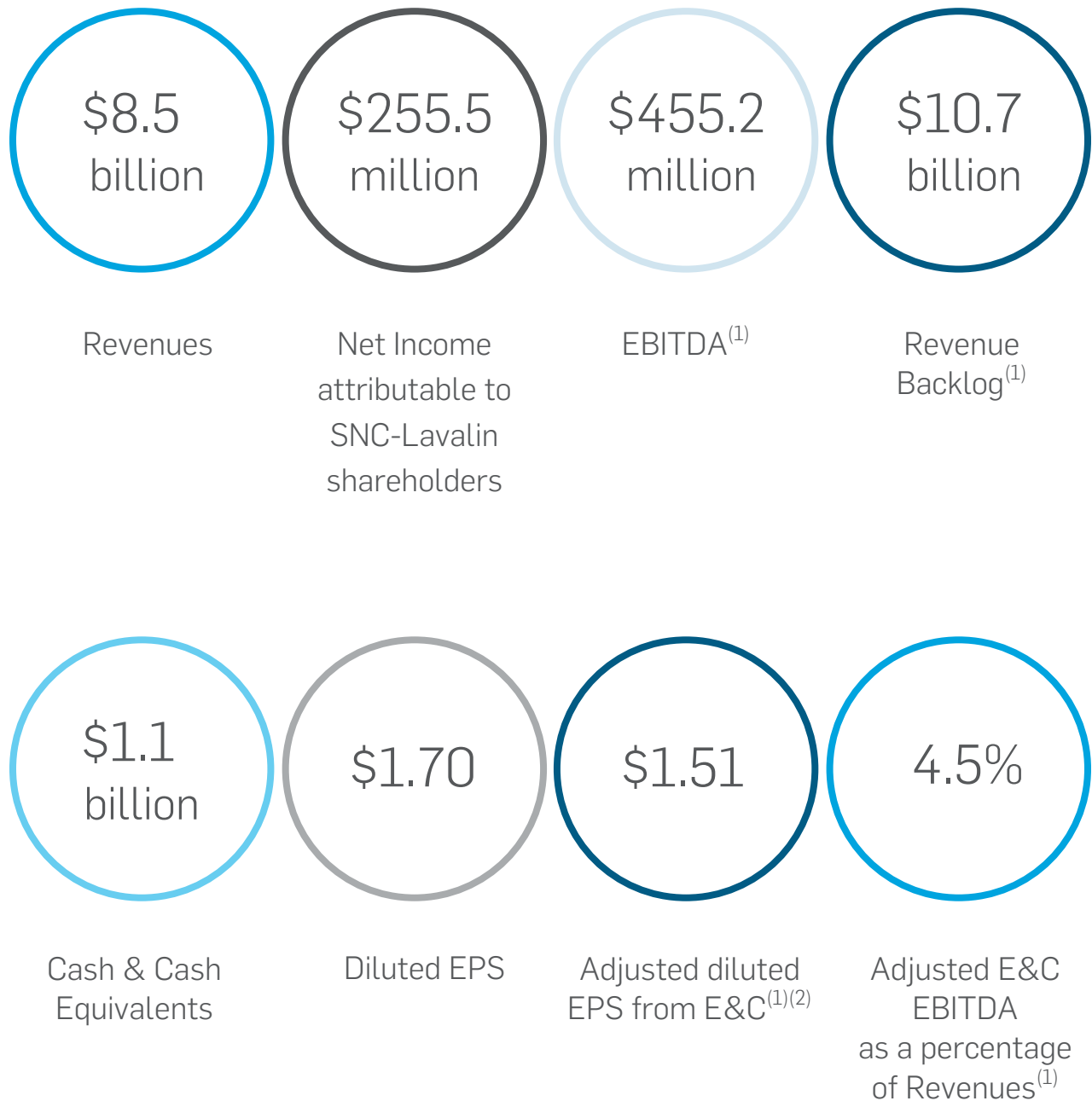
The forward-looking statements herein reflect the Company's expectations as at March 1, 2017, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

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1 2016 Executive Summary

1.1 Executive Summary – Key Financial Indicators



(1) Non-IFRS Financial Measures, Additional IFRS Measures and other additional financial information. Refer to section 3.4 for further details and references to reconciliations to the closest IFRS measure.

(2) Engineering and Construction ("E&C")

FINANCIAL HIGHLIGHTS

2016 vs. 2015	
Revenues	<ul style="list-style-type: none"> > Revenues from E&C were \$8.2 billion in 2016 compared with \$9.4 billion in 2015. > Revenues from Capital were \$247.7 million in 2016 compared with \$223.4 million in 2015.
Net Income	<ul style="list-style-type: none"> > Net income attributable to SNC-Lavalin shareholders was \$255.5 million in 2016 compared with \$404.3 million for 2015.
EBIT & EBITDA	<ul style="list-style-type: none"> > EBIT was \$312.1 million in 2016, compared with \$521.6 million in 2015. > EBITDA was \$455.2 million in 2016, compared with \$684.0 million in 2015. The Company's EBIT and EBITDA are discussed in section 4.5.
Earnings per share – diluted ("Diluted EPS")	<ul style="list-style-type: none"> > Diluted EPS was \$1.70 for 2016 compared with \$2.68 for the corresponding period last year.
Adjusted diluted EPS from E&C	<ul style="list-style-type: none"> > Adjusted diluted EPS from E&C was \$1.51 for 2016 compared with \$1.34 for 2015, an increase of 12.7% in 2016 compared with the result achieved in 2015.
Adjusted E&C EBITDA	<ul style="list-style-type: none"> > Adjusted E&C EBITDA as a percentage of Revenues was 4.5% in 2016 compared with 4.6% in 2015.
Revenue Backlog	<ul style="list-style-type: none"> > The Company's revenue backlog totalled \$10.7 billion as at December 31, 2016 compared with \$12.0 billion as at December 31, 2015. > Contract bookings for 2016 amounted to \$7.8 billion, including \$4.0 billion in Oil & Gas, \$1.7 billion in Power, \$1.7 billion in Infrastructure and \$0.4 billion in Mining & Metallurgy.

FINANCIAL HIGHLIGHTS (CONTINUED)

2016 vs. 2015	
Cash & Cash equivalents	> The Company has a strong balance sheet as at December 31, 2016, with Cash and Cash equivalents totalling \$1.1 billion.
Operating cash flows	> Operating cash flows were positive \$105.6 million in 2016 , compared with negative operating cash flows of \$514.7 million in 2015.
Dividends	<p>> On March 2, 2017, the Company's Board of Directors approved a quarterly dividend of \$0.273 per share, a 5% increase over the previous quarterly dividend declared.</p> <p>> In 2016, the Company paid \$156.1 million in dividends, compared with \$150.9 million in 2015.</p>

1.2 Executive Summary – Other Items

CHANGES IN MANAGEMENT TEAM

- > On April 5, 2016, Sylvain Girard was appointed as Executive Vice-President and Chief Financial Officer, succeeding Alain-Pierre Raynaud. Mr. Girard joined SNC-Lavalin in August 2014 as Senior Vice-President, Finance, in the Power business sector. In June 2015, he took on the role of Senior Vice-President and Corporate Controller, overseeing the Company's global financial affairs.
- > On July 12, 2016, Dale Clarke was appointed Executive Vice-President, Operations & Maintenance, Infrastructure, reporting to Ian L. Edwards, President, Infrastructure, effective as of August 1. Mr. Clarke joined SNC-Lavalin in 1996 and has held key roles, including Executive Vice-President, Mining & Metallurgy, and, most recently, Executive Vice-President, Integrated Management Systems, which he was appointed to in April 2015.
- > Effective as of August 15, 2016, Christian Brown was appointed to the newly created position of Corporate Development Officer, and Martin Adler joined the Company as President, Oil & Gas. Both positions report directly to Neil Bruce, President and Chief Executive Officer, as part of the Company's Executive Committee. Mr. Brown became President of SNC-Lavalin's Oil & Gas sector in 2014, when the Company acquired Kentz Corporation Limited ("Kentz"), where he had been CEO since 2012. Prior to joining SNC-Lavalin, Mr. Adler held the position of Group Chief Executive Officer and Board Member at Seafox Contractors B.V.

CHANGE TO THE BOARD OF DIRECTORS

- > On November 3, 2016, SNC-Lavalin announced the appointment of Catherine J. Hughes to the Board of Directors. Ms. Hughes brings more than 25 years of experience in the oil and gas industry. She served as Executive Vice-President International at Nexen Inc. from January 2012 until her retirement in April 2013, where she oversaw all oil and gas activities, including exploration, production, development and project activities outside of Canada. Prior to that, she was Vice-President, Operational Services, Technology and Human Resources, from September 2009 to November 2011. Before joining Nexen Inc., she served as Vice-President, Oil Sands, at Husky Oil from 2007 to 2009.

OPERATIONAL EXCELLENCE

- > In the first quarter of 2016, SNC-Lavalin launched its "Operational Excellence" program, which is designed to further improve and sustain a culture of efficiency and execution. "Operational Excellence" is a long-term, structured approach that focuses on improving every aspect of the Company to make it more agile, customer-focused and successful.

REAL ESTATE FACILITIES MANAGEMENT

- > On June 30, 2016, the Company announced that it had reached an agreement to sell its non-core Real Estate Facilities Management business in Canada to Brookfield Global Integrated Solutions, which included facilities management, property management, realty management and related project management. The transaction was completed in December 2016 and resulted in a gain of \$50.1 million (\$42.6 million after taxes).

LOCAL FRENCH OPERATIONS

- > On December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing local activities in France and in Monaco to Ciclad and Impact Holding for a nominal amount. The transaction resulted in a loss of \$87.2 million (\$87.2 million after taxes) related to E&C activities.

CAPITAL INVESTMENTS PORTFOLIO

- > On March 30, 2016, SNC-Lavalin announced that it had 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. The gain on disposal of SNC-Lavalin's indirect ownership interest in SNCL Malta amounted to \$61.1 million (\$53.6 million after taxes).
- > In 2016, SNC-Lavalin completed the sale of its ownership interest of 36.9% in the Rayalseema Expressway Private Limited ("Rayalseema") concession in India for 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.
- > On December 30, 2016, as part of the transaction to sell its ongoing local activities in France and Monaco, the Company also sold its investment in Société d'Exploitation de l'Aéroport de Mayotte S.A.S. ("Mayotte Airport"). The transaction resulted in a loss of \$2.7 million (\$2.7 million after taxes). It should be noted that the disposal of SNC-Lavalin's TC Dôme S.A.S. Capital investment, will be governed by a different sale agreement with a separate set of closing conditions, and is expected to close at a later date.

2

Overview of Our Business and Strategy

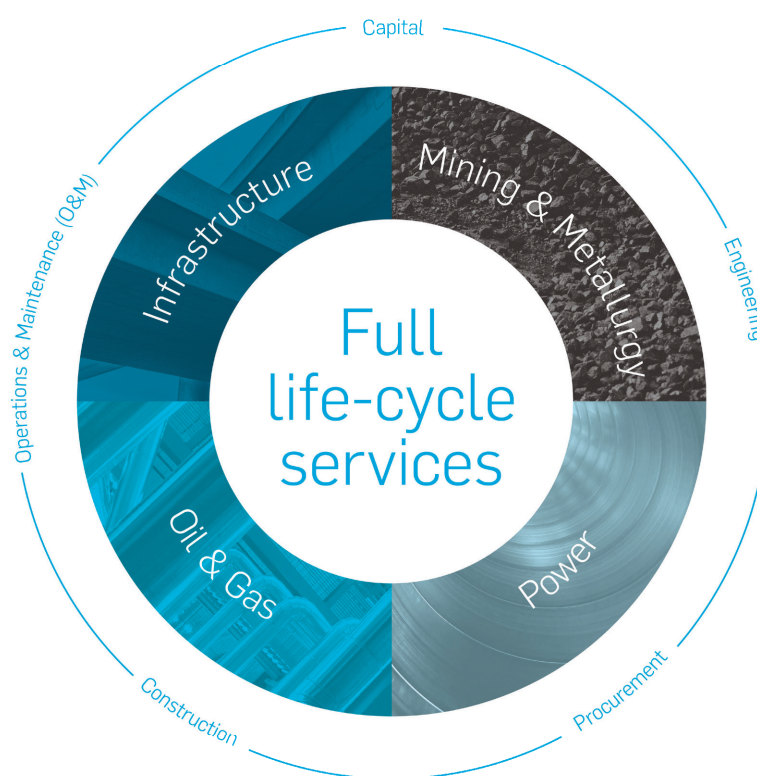
2.1 Our Business

Founded in 1911, **SNC-Lavalin** is one of the leading engineering and construction groups in the world and a major player in the ownership of infrastructure.

From offices in over 50 countries, **SNC-Lavalin**'s employees are **proud to build what matters**.

Our teams provide engineering, procurement, construction, completions and commissioning services together with a range of sustaining capital services to clients in our four industry sectors, Oil & Gas, Mining & Metallurgy, Infrastructure and Power.

SNC-Lavalin can also combine these services with its financing and Operations and Maintenance ("O&M") capabilities to provide complete end-to-end project solutions.

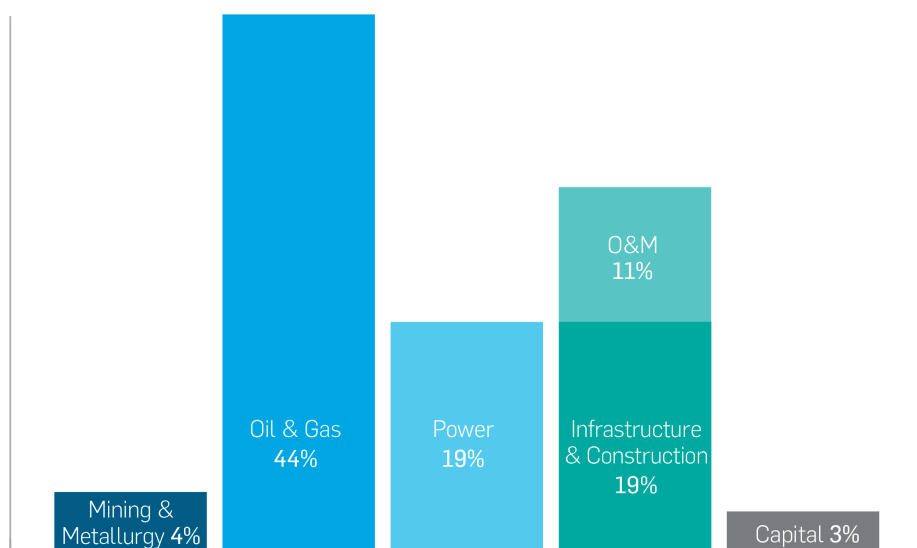


In certain parts of this MD&A, activities from Engineering and Construction, including Operations and Maintenance services, are collectively referred to as “E&C” to distinguish them from “Capital” activities.

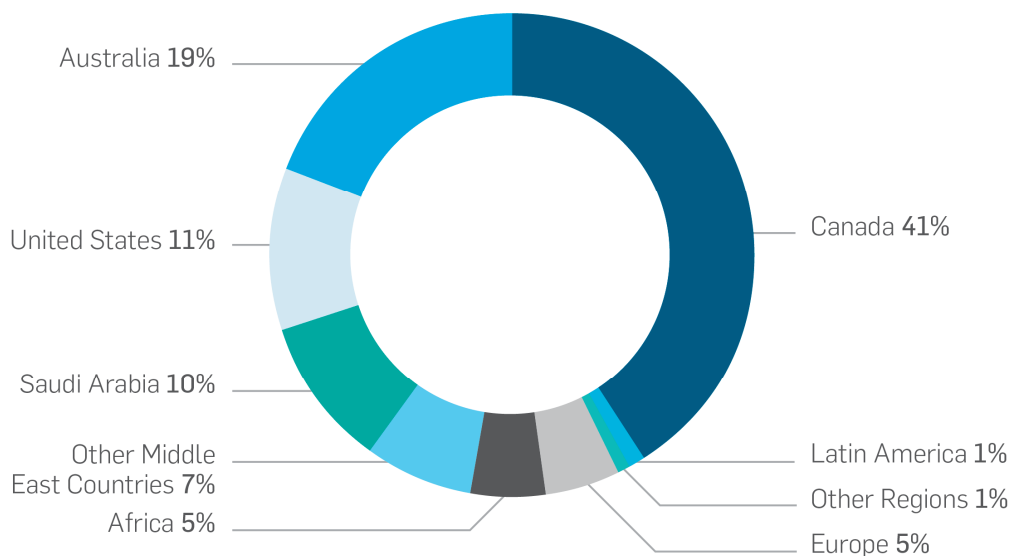
The **diversity of the Company's revenue base** and its capacity to operate in different industry segments and geographic areas are illustrated in the following 2016 revenue charts.

2.2 Diversity of the Company's Revenue Base

Serving multiple industry segments...



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



2.3 Our Business Strategy

In May 2013, SNC-Lavalin announced a five-year strategic plan to increase its long-term stability and profitability, and maximize shareholder value. This strategy outlines key target sectors and geographic markets, integrated solutions for its Capital investments and its disciplined approach to employing capital.

Three pillars stand at the heart of SNC-Lavalin's strategy. They work together to enhance performance at multiple levels across the organization. These pillars are linked to three primary strategic objectives: to become a recognized Tier-1 diversified, global E&C player, with strong, consistent financial performance and world-class execution at top-tier margins.

PILLAR 1 - GROWTH PLATFORMS

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

In Oil & Gas, SNC-Lavalin will expand its market reach and continue to focus on projects that deliver high value to targeted blue-chip international and national oil and gas companies. In Mining & Metallurgy, SNC-Lavalin will solidify its Tier-1 status and position for higher long-term profitability. SNC-Lavalin is committed to a global platform in these two sectors.

The Power and Infrastructure markets represent a sustained growth platform for the Company. In Power, SNC-Lavalin intends to focus on high-growth and margin subsectors such as nuclear and hydro where it has a strong and mature position. In the Infrastructure sector, SNC-Lavalin will focus on growing the transportation market by leveraging its public-private partnership ("P3") and transit experience. SNC-Lavalin will concentrate on major, complex projects, building on its strong capabilities in airports, ports, major bridges, mass transit systems and highways. SNC-Lavalin will also look for opportunities to further develop its robust footprint in Canada and the rest of the Americas along with selective global expansion.

The acquisition of Kentz in 2014 was a major milestone in delivering on its strategy. SNC-Lavalin will continue to explore such strategic acquisitions to drive its growth.

In terms of its offering mix, SNC-Lavalin intends to leverage the full spectrum of its capabilities, which include the key growth levers of O&M and sustaining services. At every step, the Company will proactively manage portfolio risk through tight governance mechanisms. O&M and sustaining services will allow SNC-Lavalin to pursue contracts with technical complexity in oil and gas, mining, nuclear power and transportation. It will also create opportunities in capital asset management, operations, maintenance, commissioning and training.

PILLAR 2 - GROWTH ENABLERS

SNC-Lavalin continues to focus on how it shares resources. It intends to promote greater interaction between business units and develop more coordinated approaches to client management and business development across its offices worldwide.

This will involve making better and more efficient company-wide use of its systems and processes, as well as selective investments to improve its capability to deliver exceptional projects to its clients around the world. SNC-Lavalin will

sharpen its focus on creating a superior overall customer experience that management believes will create a sustainable competitive advantage for SNC-Lavalin.

Underlying all of this will be an ongoing steadfast focus on maintaining world-class ethics, governance and health and safety performance, as well as developing and retaining the best talent in the industry.

PILLAR 3 - ENHANCED MANAGEMENT OF CAPITAL INVESTMENTS

SNC-Lavalin continues to reinforce its Capital investment business, historically a source of project work for the E&C units, as well as a significant contributor to its earnings. Capital investments are an important element of building a successful E&C company. SNC-Lavalin aims to leverage its returns by developing P3 infrastructure projects, as well as structuring and financing projects involving its Oil & Gas, Mining & Metallurgy and Power sectors. Going forward, SNC-Lavalin will employ an ever-more balanced approach to managing its portfolio of assets, which includes exiting investments at maturity unless strategic considerations justify otherwise. SNC-Lavalin is actively looking at potentially divesting non-core Capital investment assets. The Company will also seek financing solutions and partnering opportunities to unlock value as it proactively manages its portfolio.

As SNC-Lavalin identifies new opportunities and potential strategic partners, it will continue to prioritize greenfield (new-build) Capital investments that it believes should provide its engineering, construction and operations and maintenance units with significant project opportunities. Brownfield (existing) Capital investments will be considered mainly as a means of extending SNC-Lavalin's investment activities into new markets and providing an additional platform for E&C opportunities.

The Americas will continue to be the key geographical focus for major Capital investments and public-private partnerships.

PROGRESS ON DELIVERING ON OUR GROWTH STRATEGY

SNC-Lavalin's focus in 2016 and for 2017-2018 is on delivering the key elements of its five-year strategy outlined above. SNC-Lavalin has made significant progress toward its three primary strategic objectives of becoming a recognized Tier-1 diversified, global E&C player with strong, consistent financial performance and world-class execution at top-tier margins. The scorecard presented at the following section summarizes SNC-Lavalin's objectives, ongoing actions and some of its 2016 achievements.

2.4 Delivering on Our Growth Strategy – Scorecard

BECOME
A RECOGNIZED

TIER

1

DIVERSIFIED,
GLOBAL
E&C PLAYER




STRONG,
CONSISTENT
FINANCIAL



PERFORMANCE

WORLD
CLASS
EXECUTION
AT
TOP
TIER
MARGINS



GOALS		EXECUTION
Short-term	<p>Reduced cost base:</p> <ul style="list-style-type: none"> > Reduced general and administrative expenses by 20.7% from \$667.2 million to \$529.3 million; > Exited non-core businesses – sold real estate facilities management and ongoing business in France and Malta airport; > Signed an IT outsourcing agreement; > Streamlined our operating structure and corporate centre to strengthen our business focus and accountability. 	 Completed
Medium-term	<p>Operational excellence:</p> <ul style="list-style-type: none"> > Activities aimed at simplifying operating and governance structure; > 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 and Europe; > Reached an agreement in principle for a new Joint Venture with China National Nuclear Corporation and Shanghai Electric Group Company Ltd. to develop, market and build the Advanced Fuel CANDU Reactor; > Evaluation of potential growth through M&A with a focus on Infrastructure and Power; > Initiatives to improve project delivery and financial performance with 12.7% increase in adjusted diluted EPS from E&C and 63.0% decrease in number of lost-time incidents in 2016, compared with 2015; > Strengthen our One-Company approach through increased cross-selling and further implementation of our Key Account Management Program. 	 Underway
Long-term	<p>Continuous improvement and increasing agility:</p> <ul style="list-style-type: none"> > Create a performance-driven culture; > Focus on agility, continuous improvement and efficiency in operations to create a superior client experience; > Implement systems improvements; > Simplify financial models; > Continue talent development, retention and engagement; > Attract top-tier talent for a top-tier firm. 	 Planning

3 How We Analyze and Report Our Results

3.1 How we Report Our Results

The Company reports its results separately for **Engineering and Construction** and **Capital**, as described below.

ENGINEERING & CONSTRUCTION ("E&C")

SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, 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 two major types of contracts: **Reimbursable 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.
- > **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**; and iv) **Infrastructure**. The Company also provides additional information by dividing the **Infrastructure** segment in two, namely the **Infrastructure & Construction** and **O&M** sub-segments.

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: from **bridges, and highways to mass transit systems, power facilities, energy infrastructure and water treatment plants.**

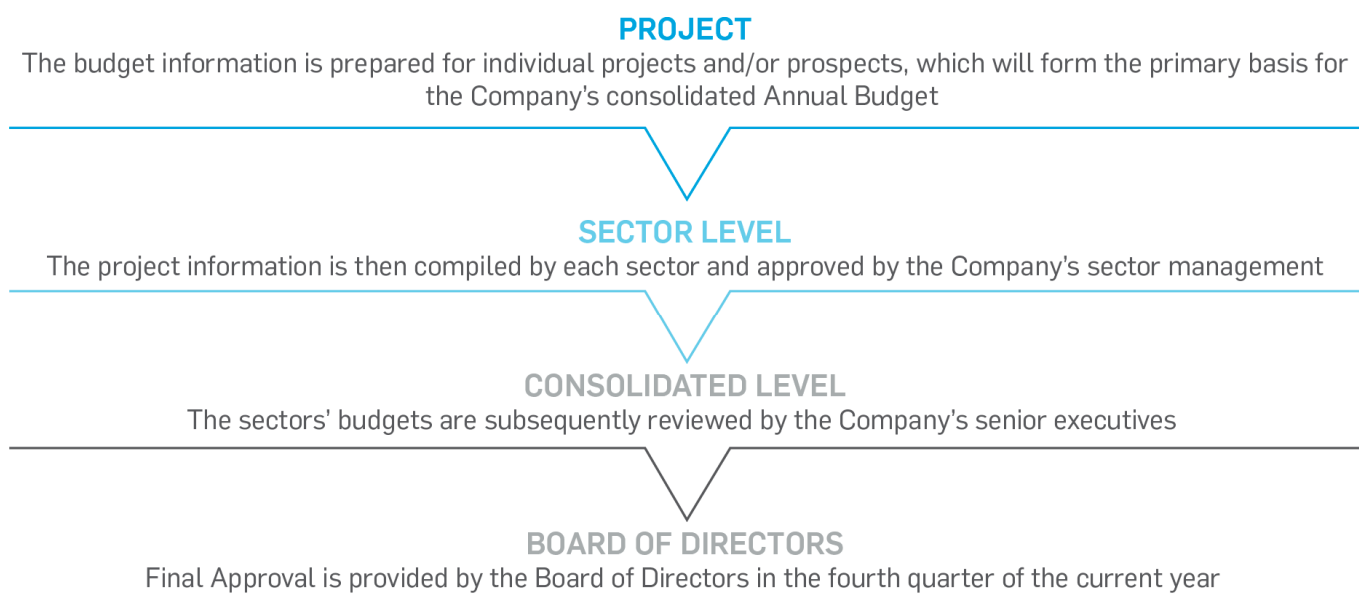
Capital's business model incorporates new project creation in the Oil & Gas, Mining & Metallurgy, and Power sectors as well as the Company's geographical regions. Furthermore, many countries are turning to the private sector to take ownership, finance, operate and maintain their assets, usually for a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

3.2 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 and modifications to its offerings might result in restructuring costs and goodwill impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, as, amongst others, the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company as well as tax assessments made by authorities.
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.

3.3 Key Financial Performance Indicators

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

- > **Net income attributable to SNC-Lavalin shareholders**, which is used by the Company to evaluate its profitability;
- > **Earnings before interest and income taxes ("EBIT") and earnings before interest, income taxes, depreciation and amortization ("EBITDA")**, which are key indicators of the Company's operational performance;
- > **Adjusted diluted earnings per share from E&C ("Adjusted diluted EPS 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, as well as amortization of intangible assets, the financing, acquisition-related costs and integration costs incurred in connection with the acquisition of Kentz in 2014, 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 which is an indicator of the Company's financial performance of its E&C activities;
- > **Operating cash flows**, which correspond to the net cash generated from operating activities as presented in the Company's consolidated statement of cash flows, is a key indicator of the Company's ability to generate cash from its operations including how it manages its working capital; and
- > **Cash net of recourse debt**, which is a key indicator of the Company's financial capability. Cash net of recourse debt is a non-IFRS financial measure and is discussed at section 9.2.

The following table presents a summary of the Company's key financial performance indicators and outlines the results achieved as at or for the years ended December 31, 2016, 2015 and 2014.

FINANCIAL INDICATORS ACTUAL RESULTS (IN MILLIONS CA\$, EXCEPT ADJUSTED DILUTED EARNINGS (LOSS) PER SHARE FROM E&C)	2016	2015	2014
Net income attributable to SNC-Lavalin shareholders	\$ 255.5	\$ 404.3	\$ 1,333.3
Earnings before interest and income taxes ("EBIT")	\$ 312.1	\$ 521.6	\$ 1,877.4
Earnings before interest, income taxes, depreciation and amortization ("EBITDA")	\$ 455.2	\$ 684.0	\$ 2,073.1
Adjusted diluted earnings (loss) per share from E&C (in \$) ("Adjusted diluted EPS from E&C")	\$ 1.51	\$ 1.34	\$ 0.36
Operating cash flow	\$ 105.6	\$ (514.7)	\$ 264.1
Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents of Capital investments accounted for by the consolidation method and recourse debt)	\$ 694.9	\$ 1,215.6	\$ 1,324.0

3.4 Non-IFRS Financial Measures, Additional IFRS Measures and Other Additional Financial Information

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

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

PERFORMANCE

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Diluted earnings per share from E&C and Diluted earnings per share from Capital	Section 1.1
Adjusted diluted earnings (loss) per share from E&C ("Adjusted diluted EPS from E&C")	Section 4.4
Adjusted net income from E&C	Section 4.4
Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")	Section 4.5
Earnings before interests and income taxes ("EBIT")	Section 4.5
Earnings before interests, income taxes, depreciation and amortization ("EBITDA")	Section 4.5
Gross margin from E&C and from Capital	Section 4.2
Revenue backlog	Section 5
Booking-to-revenue ratio	Section 5.1
Segment or sub-segment earnings before interest and income taxes ("Segment EBIT" or "sub-segment EBIT")	Section 7
Return on average shareholders' equity ("ROASE")	Section 9.7

LIQUIDITY

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Working capital	Section 9.1
Cash net of recourse debt	Section 9.2
Recourse debt-to-capital ratio	Section 9.4

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

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 2016 audited annual consolidated financial statements:

Consolidated statement of financial position	<ul style="list-style-type: none"> > 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	<ul style="list-style-type: none"> > For Capital investments controlled by the Company: <ul style="list-style-type: none"> ○ 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 annual consolidated financial statements	<ul style="list-style-type: none"> > Net income attributable to SNC-Lavalin shareholders from Capital investments; > Certain other notes provide information regarding Capital investments separately from E&C.

Section 7.5 of the current MD&A also presents specific information on the Company's Capital investments, including a snapshot of Highway 407 ETR, which is considered to represent the most significant portion of the total fair value of the Company's Capital investments portfolio.

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)	2016	2015	2014
Revenues:			
From E&C	\$ 8,223.1	\$ 9,363.5	\$ 7,334.7
From Capital	247.7	223.4	904.1
Total Revenue	\$ 8,470.8	\$ 9,587.0	\$ 8,238.8
Net income (loss) attributable to SNC-Lavalin shareholders:			
From E&C	\$ 46.3	\$ 95.8	\$ (300.5)
From Capital	209.2	308.5	1,633.9
Net income attributable to SNC-Lavalin shareholders	\$ 255.5	\$ 404.3	\$ 1,333.3
Earnings (loss) per share (in \$):			
Basic	\$ 1.70	\$ 2.68	\$ 8.76
Diluted			
From E&C	\$ 0.31	\$ 0.63	\$ (1.97)
From Capital	1.39	2.04	10.71
Diluted earnings per share	\$ 1.70	\$ 2.68	\$ 8.74
Additional selected financial information:			
Revenue Backlog (at December 31) ⁽¹⁾	\$ 10,677.4	\$ 11,991.9	\$ 12,325.5
Adjusted EBITDA from E&C ⁽¹⁾	\$ 371.9	\$ 433.4	\$ 152.8
Total assets (at December 31)	\$ 9,298.3	\$ 10,503.2	\$ 10,227.2
Non-current financial liabilities (at December 31) ⁽²⁾	\$ 850.0	\$ 906.9	\$ 905.0
Adjusted diluted EPS from E&C (in \$) ⁽¹⁾	\$ 1.51	\$ 1.34	\$ 0.36
Dividends per share declared to SNC-Lavalin shareholders (in \$)	\$ 1.053	\$ 1.01	\$ 0.97

(1) Non-IFRS financial measure. Please refer to section 3.4 for further information on non-IFRS financial measures.

(2) Non-current financial liabilities includes long-term debt (Recourse and Non-recourse from Capital investments), some 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)

	2016	2015	2014
Revenues:			
From E&C	\$ 8,223.1	\$ 9,363.5	\$ 7,334.7
From Capital	247.7	223.4	904.1
	\$ 8,470.8	\$ 9,587.0	\$ 8,238.8
Gross margin:			
From E&C	\$ 983.4	\$ 1,225.8	\$ 700.9
From Capital	222.7	207.0	639.9
	\$ 1,206.1	\$ 1,432.8	\$ 1,340.8
Gross margin-to-revenue ratio (%):			
From E&C	12.0%	13.1%	9.6%
From Capital	89.9%	92.6%	70.8%
	14.2%	14.9%	16.3%

The Company analyses its revenue and gross margin separately for E&C and for Capital. The analysis that follows is for 2016, 2015 and 2014.

E&C REVENUES AND GROSS MARGIN

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 partly attributable to a lower level of activity, which was 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 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.

E&C gross margin increased in 2015 compared with 2014, principally reflecting an increase in gross margin-to-revenue ratio from Oil & Gas, Infrastructure and Mining & Metallurgy, partially offset by a decrease in gross margin-to-revenue ratio from Power. Gross margin also increased in 2015 due to a higher volume of activity, mainly in Oil & Gas, from the acquisition of Kentz, which was completed on August 22, 2014, as well as Power, partially offset by a lower level of activity from Mining & Metallurgy and Infrastructure.

REVENUES FROM CAPITAL INVESTMENTS AND GROSS MARGIN

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 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.

Revenues and gross margin from Capital decreased in 2015 compared with 2014, mainly reflecting the disposal of the Company's ownership interest in AltaLink Holdings, L.P. ("AHLP" or "AltaLink") in 2014, which was no longer contributing in 2015.

4.3 Net Income Analysis

YEAR ENDED DECEMBER 31 (IN MILLIONS CAD, EXCEPT EARNINGS (LOSS) PER SHARE)	2016	2015	2014
Net income (loss) attributable to SNC-Lavalin shareholders:			
From E&C	\$ 46.3	\$ 95.8	\$ (300.5)
From Capital	209.2	308.5	1,633.9
Net income attributable to SNC-Lavalin shareholders	\$ 255.5	\$ 404.3	\$ 1,333.3
Non-controlling interests	1.0	33.2	1.2
Net income	\$ 256.6	\$ 437.5	\$ 1,334.6

The Company analyses its net income separately for E&C and for Capital. The analysis that follows is for 2016, 2015 and 2014.

Net income attributable to SNC-Lavalin shareholders from E&C was \$46.3 million in 2016, 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. In 2015, the net income attributable to SNC-Lavalin shareholders from E&C was \$95.8 million whereas there was a net loss attributable to SNC-Lavalin shareholders from E&C of \$300.5 million in 2014. The positive result achieved in 2015 was mainly attributable to improved Segment EBIT from all segments compared with 2014, particularly from Oil & Gas, for which an incremental contribution was generated by the Kentz acquisition in August 2014.

Net income attributable to SNC-Lavalin shareholders from Capital decreased in 2016 compared with 2015. The decrease is principally attributable to the difference between the net gain of \$48.4 million on disposals of the Company's investments in SNCL Malta, Rayalseema and Mayotte Airport, compared with the net gain of \$145.7 million on disposal on the Company's investment in the Ambatovy Nickel Project ("Ambatovy") in 2015. The decrease was partly offset by a 5.3% increase in the dividends received from Highway 407 ETR in 2016, compared with the previous year.

Net income attributable to SNC-Lavalin shareholders from Capital decreased in 2015 compared with 2014. The decrease was principally due to a net gain of \$1,334.2 million, which was mainly attributable to the disposal of the Company's

ownership interest in AltaLink in 2014, compared with the net gain of \$145.7 million on disposal of the Company's investment in Ambatovy in 2015. The decrease in net income attributable to SNC-Lavalin shareholders from Capital was further explained by the fact that AltaLink was no longer contributing in 2015 compared with 2014. In 2015, the decrease in net income attributable to SNC-Lavalin shareholders from Capital was partially offset by higher dividends received from Highway 407 ETR compared with 2014.

Additionally, certain significant items had an impact on net income attributable to SNC-Lavalin shareholders in 2016, 2015 and 2014, notably:

- > **Restructuring costs** amounted to \$115.4 million (\$83.5 million after taxes) in 2016, compared with \$116.4 million (\$87.7 million after taxes) in 2015 and \$109.9 million (\$99.5 million after taxes) in 2014;
- > **Amortization of intangible assets related to Kentz acquisition** amounted to \$68.8 million (\$54.5 million after taxes) in 2016, compared with \$94.0 million (\$72.0 million after taxes) in 2015 and \$36.5 million (\$26.5 million after taxes) in 2014;
- > **Net foreign exchange gain** of \$37.0 million (\$32.6 million after taxes) in 2015;
- > **Acquisition-related and integration costs of Kentz** totalling \$4.4 million (\$3.4 million after taxes) in 2016, compared with \$19.6 million (\$15.2 million after taxes) in 2015 and \$62.5 million (\$53.2 million after taxes) in 2014. These costs were mainly professional fees and other related costs that were incurred in connection with the acquisition of Kentz in 2014.

4.4 Adjusted Net Income from E&C and Adjusted Diluted EPS from E&C

Adjusted net income from E&C is defined as net income attributable to SNC-Lavalin shareholders from E&C, excluding one-time net foreign exchange gains, charges related to restructuring, right-sizing and other, as well as amortization of intangible assets, the financing, acquisition-related costs and integration costs incurred in connection with the acquisition of Kentz in 2014 and the loss on disposals of E&C businesses. The term "Adjusted net income from E&C" does not have any standardized meaning under IFRS. Therefore, it may not be comparable to similar measures presented by other issuers. Adjusted net income from E&C is a non-IFRS financial measure that is an indicator of the Company's financial performance of its E&C activities. Management uses this measure as a more meaningful way to compare the Company's financial performance from period to period. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance.

Adjusted diluted EPS from E&C is defined as adjusted net income from E&C, divided by the 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 Company's financial performance of its E&C activities.

RECONCILIATION OF ADJUSTED NET INCOME FROM E&C AND ADJUSTED DILUTED EPS FROM E&C

YEAR ENDED DECEMBER 31 (IN MILLIONS CAD\$, EXCEPT PER DILUTED SHARE INFORMATION (\$))		2016		2015	
			PER DILUTED SHARE		PER DILUTED SHARE
Net income	\$	256.6	N/A	\$	437.5
Less:					
Non-controlling interests		1.0	N/A	33.2	N/A
Net income attributable to SNC-Lavalin shareholders from Capital		209.2	\$ 1.39	308.5	\$ 2.04
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	\$	46.3	\$ 0.31	\$	95.8
Adjustments (net of income taxes):					
Restructuring, right-sizing costs and other	\$	77.6 ⁽¹⁾	\$ 0.52	\$	51.4 ⁽²⁾
Acquisition-related costs and integration costs		3.4	0.02	15.2	0.10
Amortization of intangible assets related to Kentz acquisition		54.5	0.36	72.0	0.48
One-time foreign exchange gain		-	-	(32.6)	(0.22)
Loss on disposals of E&C businesses		44.6	0.30	-	-
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	\$	226.4	\$ 1.51	\$	201.8

(1) This amount includes a net reversal of \$4.2 million (\$6.0 million after taxes) of charges, which did not meet the restructuring costs definition in accordance with IFRS.

(2) In 2015, an expense related to the restructuring and right-sizing plan of \$36.3 million (\$36.3 million after taxes) originally included in the 2014 gross margin, in accordance with IFRS, was reversed due to a favorable outcome.

Adjusted net income attributable to SNC-Lavalin shareholders from E&C amounted to \$226.4 million in 2016, compared with \$201.8 million in 2015. This resulted in an adjusted EPS from E&C of \$1.51 for the year 2016, compared with \$1.34 in 2015.

4.5 Earnings Before Interest and Income Taxes ("EBIT") and Earnings before interest, income taxes, depreciation and amortization ("EBITDA") Analysis

EBIT is a non-IFRS financial measure, which is an indicator of the entity's capacity to generate income from operations before taking into account management's financing decisions. Accordingly, EBIT is defined herein as earnings before net financial expenses (income) and income taxes. **EBITDA**, a non-IFRS financial measure, is defined as earnings before net financial expenses, income taxes, depreciation and amortization. **Adjusted EBITDA**, a non-IFRS financial measure, is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes one-time net foreign exchange gains, charges related to restructuring and right-sizing and other, as well as the acquisition-related costs and integration costs incurred in connection with the acquisition of Kentz in 2014 and the gains (losses) on disposals of E&C businesses and Capital investments. Management uses these measures as a more meaningful way to compare the Company's financial performance from period to period. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance.

RECONCILIATION OF EBIT, EBITDA AND ADJUSTED EBITDA TO NET INCOME

YEAR ENDED DECEMBER 31 (IN MILLIONS CAD)	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income	\$ 47.4	\$ 209.2	\$ 256.6	\$ 129.0	\$ 308.5	\$ 437.5
Net financial expenses (income)	27.9	14.2	42.1	(7.7)	8.0	0.3
Income taxes	3.3	10.2	13.5	49.9	33.8	83.7
EBIT	\$ 78.6	\$ 233.5	\$ 312.1	\$ 171.3	\$ 350.3	\$ 521.6
Amortization of intangible assets related to Kentz acquisition	\$ 68.8	\$ -	\$ 68.8	\$ 94.0	\$ -	\$ 94.0
Depreciation and amortization	71.8	2.5	74.3	68.4	-	68.4
EBITDA	\$ 219.1	\$ 236.1	\$ 455.2	\$ 333.7	\$ 350.3	\$ 684.0
(as % of Revenues)	2.7%	N/A	5.4%	3.6%	N/A	7.1%
Restructuring, right-sizing costs and other	\$ 111.2 ⁽¹⁾	\$ -	\$ 111.2	\$ 80.1 ⁽²⁾	\$ -	\$ 80.1
Acquisition-related costs and integration costs	4.4	-	4.4	19.6	-	19.6
Loss on disposals of E&C businesses	37.1	-	37.1	-	-	-
Gain on disposals of Capital investments	-	(55.9)	(55.9)	-	(174.4)	(174.4)
Adjusted EBITDA	\$ 371.9	\$ 180.2	\$ 552.1	\$ 433.4	\$ 175.9	\$ 609.3
(as % of Revenues)	4.5%	N/A	6.5%	4.6%	N/A	6.4%

(1) This amount includes a net reversal of \$4.2 million (\$6.0 million after taxes) that did not meet the restructuring costs definition in accordance with IFRS.

(2) In 2015, an expense related to the restructuring and right-sizing plan of \$36.3 million (\$36.3 million after taxes) originally included in the 2014 gross margin, in accordance with IFRS, was reversed due to a favorable outcome.

In 2016, EBIT from E&C was \$78.6 million, compared with \$171.3 million in 2015, mainly due to lower contributions from Oil & Gas and Mining & Metallurgy, partially offset by an increased contribution from Infrastructure in 2016, compared with the performance achieved in 2015. In 2016, EBIT from E&C included amortization of intangible assets related to the acquisition of Kentz and depreciation and amortization for a total amount of \$143.1 million, compared with \$162.4 million in 2015. This resulted in an **EBITDA from E&C of \$219.1 million in 2016**, compared with \$333.7 million in 2015. EBITDA from E&C included \$111.2 million for restructuring, right-sizing costs and other in 2016, compared with \$80.1 million in 2015, as well as \$4.4 million in acquisition-related costs and integration costs in 2016, compared with \$19.6 million in 2015, in connection with the acquisition of Kentz in August 2014. In addition, 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 business in France, both transactions were completed in December 2016. As such, the 2016 **Adjusted E&C EBITDA amounted to \$371.9 million**, compared with \$433.4 million in 2015, representing 4.5% of the revenues from E&C in 2016 (2015: 4.6%).

EBIT from Capital amounted to \$233.5 million in 2016, compared with \$350.3 million in 2015, mainly due to the difference between the gain on disposal of the Company's indirect ownership interest in SNCL Malta, compared with the gain on disposal of the Company's investment in Ambatovy in 2015, further explained in section 7.5. **EBITDA from Capital amounted to \$236.1 million in 2016**, compared with \$350.3 million in 2015. In 2016, the decrease in EBITDA was mainly due to the reasons stated above.

4.6 Selling, General and Administrative Expenses Analysis

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016	2015	CHANGE (%)
Selling costs	\$ 194.8	\$ 188.4	3.4%
General and administrative expenses	529.3	667.2	(20.7%)
Selling, general and administrative expenses	\$ 724.1	\$ 855.6	(15.4%)

Selling, general and administrative expenses decreased by \$131.5 million in 2016 compared with 2015 due to lower general and administrative expenses partially offset by an increase in selling costs. The decrease of 20.7% in general and administrative expenses was mainly attributable to 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 addition, the decrease in general and administrative expenses included a \$32.5 million favourable impact from revised estimates on legacy sites environmental liabilities and other asset retirement obligations in the third quarter of 2016. The decrease in general and administrative expenses was partially offset by higher selling costs attributable in part to the fact that the Company bid on a number of large infrastructure projects in 2016.

In accordance with the methodology described in Note 4 to the Company's 2016 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

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 2016, the Company incurred restructuring costs totalling \$115.4 million before taxes (\$83.5 million after taxes), compared with \$116.4 million before taxes (\$87.7 million after taxes) in 2015.

The restructuring costs recognized in 2016 were mainly for severances (2015: severances, the disposal of certain activities and closure of certain offices).

4.8 Acquisition-Related Costs and Integration Costs

In 2016, the Company incurred acquisition-related costs and integration costs totalling \$4.4 million, attributable to the integration of Kentz, compared with \$19.6 million in 2015. These costs were mainly professional fees and other related costs that were incurred in connection with the acquisition of Kentz in 2014.

4.9 Net gains (losses) on disposals

E&C BUSINESSES

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).

CAPITAL INVESTMENTS

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 before taxes of \$55.9 million (\$48.4 million after taxes). In 2015, the Company disposed of its investment in Ambatovy, resulting in a gain before taxes of \$174.3 million (\$145.7 million after taxes).

4.10 Net Financial Expenses

Net financial expenses from E&C increased in 2016 compared with 2015, mainly due to a net foreign exchange gain of \$37.0 million recognized in 2015 primarily related to intragroup loans used for repayment of recourse debt of Kentz. Afterwards, the Company entered into foreign exchange derivative instruments to economically hedge the foreign exchange portion of the abovementioned intragroup loans in 2015.

Net financial expenses from Capital increased in 2016 compared with 2015, primarily due to a decrease in interest revenues earned in 2016 compared to 2015.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	\$ (9.4)	\$ (13.1)	\$ (22.5)	\$ (12.4)	\$ (19.6)	\$ (32.0)
Interest on debt:						
Recourse	21.9	-	21.9	24.9	-	24.9
Non-recourse	-	27.1	27.1	-	26.8	26.8
Net foreign exchange losses (gains)	3.8	-	3.8	(42.9)	0.1	(42.9)
Other	11.6	0.2	11.8	22.7	0.7	23.5
Net financial expenses (income)	\$ 27.9	\$ 14.2	\$ 42.1	\$ (7.7)	\$ 8.0	\$ 0.3

4.11 Income Taxes Analysis

Income taxes have decreased to \$13.4 million in 2016 from \$83.7 million in 2015.

The effective income tax rate from E&C decreased in 2016 compared with 2015 and was lower than the Canadian statutory income tax rate of 26.6% in 2016. The decrease was mainly attributable to the geographic mix of earnings before income taxes and the non-taxable portion of the gain on disposal of the Company's Real Estate Facilities Management business. The decrease in effective income tax rate was partially offset by net losses that did not generate an income tax benefit, non-deductible expenses and other permanent differences.

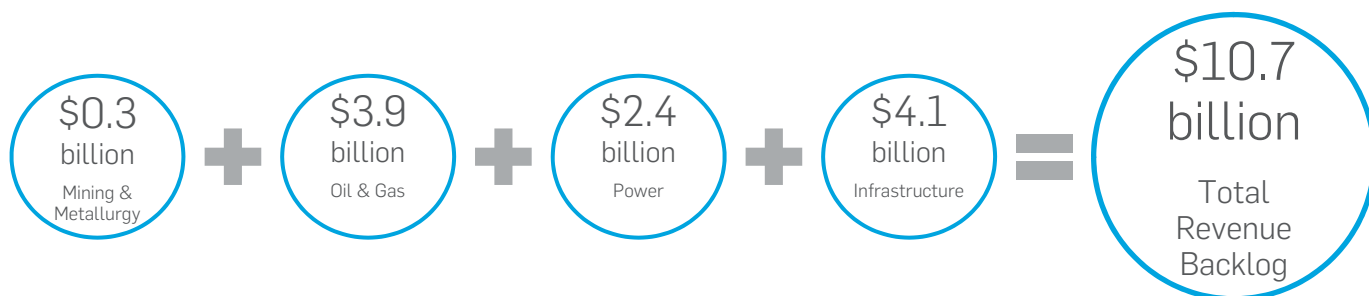
The effective income tax rate from Capital investments decreased in 2016 compared with 2015. The decrease in effective income tax rate from Capital in 2016 compared with 2015 mainly reflected a greater proportion of non-taxable EBIT in 2016 compared with 2015, which is mainly due to the dividends received from Highway 407 ETR and the taxable gain on disposal of the Company's indirect ownership interest in SNCL Malta.

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

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Earnings before income taxes	\$ 50.6	\$ 219.3	\$ 270.0	\$ 179.0	\$ 342.3	\$ 521.3
Income taxes	\$ 3.3	\$ 10.2	\$ 13.4	\$ 49.9	\$ 33.8	\$ 83.7
Effective income tax rate (%)	6.4%	4.6%	5.0%	27.9%	9.9%	16.1%

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. It is 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.

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 (2016: 45%; 2015: 40%) and fixed-price contracts (2016: 55%; 2015: 60%).

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 CAD)	2016	2015
BY SEGMENT		
Mining & Metallurgy	\$ 294.0	\$ 279.0
Oil & Gas	\$ 3,909.6	\$ 3,594.5
Power	\$ 2,353.2	\$ 2,320.7
Infrastructure		
Infrastructure & Construction	\$ 2,617.9	\$ 3,819.0
O&M	1,502.6	1,978.7
Subtotal - Infrastructure	\$ 4,120.6	\$ 5,797.7
Total	\$ 10,677.4	\$ 11,991.9
From Canada	\$ 5,547.3	\$ 6,081.7
Outside Canada	5,130.0	5,910.2
Total	\$ 10,677.4	\$ 11,991.9

The Company's revenue backlog decreased at December 31, 2016 compared with 2015, reflecting a decrease in Infrastructure, partly offset by an increase in Oil & Gas. Following the completion of the sale of its non-core Real Estate Facilities Management business in Canada and its local French operations in December 2016, the Company has removed a total amount of \$902.7 million of its Infrastructure backlog, which largely explains the decrease in O&M backlog and partially explains the decrease in Infrastructure & Construction backlog.

Backlog from Canada decreased in 2016, primarily due to a decrease in Infrastructure, due to the reasons stated above, partially offset by an increase in Power.

Backlog from Outside Canada decreased in 2016, principally due to a decrease in Infrastructure and Power, partially offset by an increase in Oil & Gas.

5.1 Backlog Reconciliation

In the following section, the Company presents its "booking-to-revenue ratio", a non-IFRS measure. The ratio is obtained by dividing the contract bookings by the revenues for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in section 3.2, 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)		2016	2015
Opening backlog		\$ 11,991.9	\$ 12,325.5
Plus:	Contract bookings during the year	7,811.3	9,030.0
Less:	Revenues recognized during the year	8,223.1	9,363.5
Less:	Disposal of non-core E&C businesses	902.7	-
Ending backlog		\$ 10,677.4	\$ 11,991.9
Booking-to-revenue ratio		0.95	0.96

In 2016, major contract awards in Oil & Gas include 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, also in Canada. In Mining & Metallurgy, the Company won a major contract for the construction of two sulphuric acid plants in Latin America.

Upon disposal of its non-core E&C businesses in France and its Real Estate Facilities Management business in Canada in December 2016, the Company has removed an amount of \$770.8 million of its O&M backlog and \$131.9 million of its Infrastructure & Construction backlog, totalling \$902.7 million.

In 2015, major additions to the backlog included the Eglinton Crosstown and the New Champlain Bridge Corridor project, as well as the Keys Energy Center project in the United States.

It should also 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.

(IN MILLIONS CA\$)	INCLUDED IN BACKLOG						NOT INCLUDED IN BACKLOG
	2017	2018	2019	2020	2021	TOTAL	THEREAFTER
O&M backlog	\$ 344.7	\$ 343.0	\$ 301.7	\$ 270.4	\$ 242.7	\$ 1,502.6	\$ 3,553.2

The following table shows the proportions of reimbursable contracts and fixed-price contracts included in each segment's backlog as at December 31, 2016:

	REIMBURSABLE CONTRACTS ⁽¹⁾	FIXED-PRICE CONTRACTS ⁽¹⁾
BY SEGMENT		
Mining & Metallurgy	20%	80%
Oil & Gas	65%	35%
Power	65%	35%
Infrastructure		
Infrastructure & Construction	10%	90%
O&M	40%	60%
Subtotal - Infrastructure	20%	80%
Total	45%	55%

(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.

6

Geographic Breakdown of Revenues by Category of Activity

YEAR ENDED DECEMBER 31
(IN MILLIONS CA\$)

	2016			
	E&C	CAPITAL	TOTAL	%
Canada	\$ 3,286.6	\$ 207.6	\$ 3,494.2	41%
Australia	1,597.1	-	1,597.1	19%
United States	898.0	2.6	900.6	11%
Saudi Arabia	880.2	-	880.2	10%
Other Middle East Countries	589.6	-	589.6	7%
Africa	369.6	23.9	393.5	5%
Europe	430.1	13.7	443.8	5%
Latin America	128.3	-	128.3	1%
Other Regions	43.7	-	43.7	1%
Total	\$ 8,223.1	\$ 247.7	\$ 8,470.8	100%

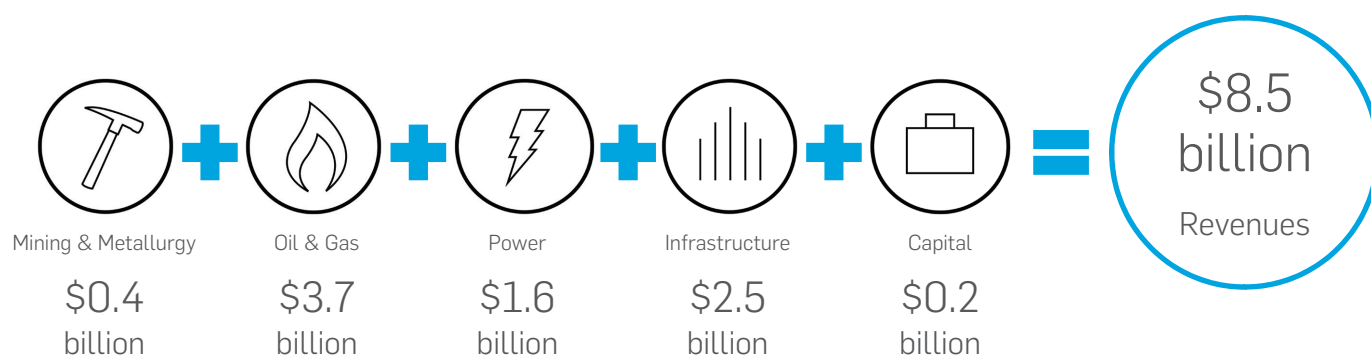
YEAR ENDED DECEMBER 31
(IN MILLIONS CA\$)

	2015 ⁽¹⁾			
	E&C	CAPITAL	TOTAL	%
Canada	\$ 4,023.9	\$ 189.7	\$ 4,213.6	44%
Australia	1,391.3	-	1,391.3	14%
United States	766.4	2.0	768.4	8%
Saudi Arabia	851.3	-	851.3	9%
Other Middle East Countries	541.8	-	541.8	6%
Africa	654.2	15.5	669.7	7%
Europe	506.2	16.2	522.4	5%
Latin America	559.9	-	559.9	6%
Other regions	68.6	-	68.6	1%
Total	\$ 9,363.5	\$ 223.4	\$ 9,587.0	100%

(1) Comparative figures have been restated to show the revenues from Saudi Arabia separately from other Middle East countries.

- > **Revenues in Canada decreased in 2016** compared with 2015, mainly due to a decrease in Infrastructure, Power, Mining & Metallurgy and Oil & Gas, partially offset by an increase from Capital.
- > **Revenues in Australia increased in 2016** compared with the previous year, mainly attributable to an increase in Oil & Gas.
- > **Revenues from the United States increased in 2016** compared with 2015, mainly reflecting an increase in Power, partially offset by a decrease in Oil & Gas.
- > **Revenues in Saudi Arabia increased in 2016** compared with 2015, primarily due to an increase in Oil & Gas, partially offset by a decrease in Mining & Metallurgy.
- > **Revenues from other Middle East Countries increased in 2016** compared with 2015, primarily due to an increase in Oil & Gas, partially offset by a decrease in Mining & Metallurgy.
- > **Revenues from Africa decreased in 2016** compared with 2015, primarily due to a decrease in Oil & Gas, Infrastructure, Power and Mining & Metallurgy.
- > **Revenues from Europe decreased in 2016** compared with 2015, mainly due to a decrease in Mining & Metallurgy and Infrastructure.
- > **Revenues in Latin America decreased in 2016** compared with the previous year, principally reflecting a decrease in Oil & Gas, Mining & Metallurgy and Power.
- > **Revenues from other regions, decreased in 2016** compared with the previous year, mainly reflecting a decrease in Mining & Metallurgy.

7 Segmented Information



As mentioned previously, the Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. The Company presents the information in the way management performance is evaluated, and regroups its projects within the related industries. As such, the Company's reportable segments are: i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; and v) **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 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. Corporate selling, general and administrative expenses that are not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs, integration costs and amortization of intangible assets related to Kentz acquisition, as well as gains (losses) on disposals of E&C businesses and Capital investments are not allocated to the Company's segments.

In 2016, the Company changed its measure of profit or loss for its reportable segments; such measure of profit or loss is referred to as the segment EBIT, which now excludes gains (losses) on disposals of E&C businesses and Capital investments, whereas in the past it only excluded disposals of activities that qualified as restructuring. Therefore, 2015 segment EBIT from Capital has been restated to exclude the gain before taxes of \$174.3 million on disposal of the Company's investment in the Ambatovy Nickel Project ("Ambatovy").

The Company generally derives its revenues from reimbursable contracts (2016 and 2015: 60%) and fixed-price contracts (2016 and 2015: 40%). The following discussion reviews the Company's segment revenues and segment EBIT.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016			
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				
Infrastructure & Construction	1,629.4	67.8	-	67.8
O&M	878.2	63.2	-	63.2
Subtotal - Infrastructure	\$ 2,507.7	\$ 131.0	\$ -	\$ 131.0
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:				
Restructuring costs		\$ (115.4)	\$ -	\$ (115.4)
Corporate selling, general and administrative expenses and others not allocated to segments		(162.3)	(24.3)	(186.6)
Acquisition-related costs and integration costs		(4.4)	-	(4.4)
Amortization of intangible assets related to Kentz acquisition		(68.8)	-	(68.8)
Reversal of non-controlling interests before income taxes		1.0	-	1.0
Gain on disposals of Capital investments		-	55.9	55.9
Loss on disposals of E&C businesses		(37.1)	-	(37.1)
EBIT		\$ 78.6	\$ 233.5	\$ 312.1

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015 ⁽¹⁾			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	\$ 780.9	\$ 73.1	\$ -	\$ 73.1
Oil & Gas	3,914.6	300.6	-	300.6
Power	1,784.8	116.4	-	116.4
Infrastructure				
Infrastructure & Construction	1,847.7	(2.2)	-	(2.2)
O&M	1,035.5	54.4	-	54.4
Subtotal - Infrastructure	\$ 2,883.2	\$ 52.2	\$ -	\$ 52.2
Total E&C segments	\$ 9,363.5	\$ 542.3	\$ -	\$ 542.3
Capital	223.4	-	194.1	194.1
Total revenues and segment EBIT	\$ 9,587.0	\$ 542.3	\$ 194.1	\$ 736.4
Less:				
Restructuring costs		\$ (116.4)	\$ -	\$ (116.4)
Corporate selling, general and administrative expenses and others not allocated to segments		(180.9)	(18.2)	(199.0)
Acquisition-related costs and integration costs		(19.6)	-	(19.6)
Amortization of intangible assets related to Kentz acquisition		(94.0)	-	(94.0)
Reversal of non-controlling interests before income taxes		39.8	-	39.8
Gain on disposal of a Capital investment		-	174.4	174.4
EBIT		\$ 171.3	\$ 350.3	\$ 521.6

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments.

7.1 Mining & Metallurgy

The **Mining & Metallurgy** segment 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 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 (2016 and 2015: 40%) and fixed-price contracts (2016 and 2015: 60%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016	2015	CHANGE (%)
Revenues from Mining & Metallurgy	\$ 355.9	\$ 780.9	(54.4 %)
Segment EBIT from Mining & Metallurgy	\$ 35.3	\$ 73.1	(51.7 %)
Segment EBIT over revenues from Mining & Metallurgy (%)	9.9%	9.4%	
Revenue backlog at year end	\$ 294.0	\$ 279.0	5.4 %

Mining & Metallurgy revenues decreased in 2016 compared with 2015, reflecting a lower level of activity mainly attributable to lower commodity prices impacting capital investment in this segment and to the completion or near completion of certain major projects, notably sulphuric acid plants in the Middle East and Europe, as well as projects related to potash in Western Canada.

The major revenue contributors in 2016 included work on sulphuric acid plants in the Middle East and an atmospheric emissions reduction project for a nickel smelter complex in Canada.

The Company's **segment EBIT from Mining & Metallurgy decreased in 2016** compared with 2015, mainly due to a lower level of activity, partially offset by an increase in gross margin-to-revenue ratio, driven in part by the positive close out process of certain major international projects, and a decrease in selling, general and administrative expenses. In 2015, the gross margin-to-revenue ratio included \$23.3 million in favourable outcomes from certain projects in North Africa.

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 (capital and operational expenditures). The Oil & Gas segment derives its revenues from both reimbursable contracts (2016 and 2015: 80%) and fixed-price contracts (2016 and 2015: 20%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016	2015	CHANGE (%)
Revenues from Oil & Gas	\$ 3,735.5	\$ 3,914.6	(4.6%)
Segment EBIT from Oil & Gas	\$ 186.3	\$ 300.6	(38.0%)
Segment EBIT over revenues from Oil & Gas (%)	5.0%	7.7%	
Revenue backlog at year end	\$ 3,909.6	\$ 3,594.5	8.8%

Oil & Gas revenues decreased in 2016 compared with the previous year, primarily due to the completion or near completion of certain major projects and to challenging market conditions in production and processing solutions activities. The decrease in revenues from Oil & Gas was partially offset by an increase in revenues generated from Liquefied Natural Gas ("LNG") projects in Australia and from work on infrastructure and processing facilities for oil fields in the Middle East.

The major revenue contributors in 2016 included LNG projects in Australia and work on infrastructure and processing facilities for oil fields in the Middle East. Moreover, the major revenue contributors were also comprised of several projects in the Middle East, such as Supervisory Control and Data Acquisition ("SCADA") network infrastructures.

Segment EBIT from Oil & Gas was \$186.3 million in 2016, compared with \$300.6 million in 2015, reflecting a decrease in gross margin-to-revenue ratio, partly offset by a decrease in selling, general and administrative expenses in 2016 compared with the previous year. The gross margin from Oil & Gas included the negative impact of unfavourable cost and revenue reforecasts on two Oil & Gas projects under the same contract in the Middle East, which had a net adverse impact of \$116.7 million on gross margin in the third quarter of 2016. These same projects had a net favourable impact of \$28.4 million on gross margin in the fourth quarter of 2016. While there have been positive conclusions to some of the issues regarding these projects in the fourth quarter of 2016, discussions are still ongoing to attempt to resolve certain commercial issues in these projects. The negative impacts of these reforecasts in 2016 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 that resulted in a decrease in revenues and in gross margin-to-revenue ratio from these activities in 2016 compared with last year.

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 (2016: 45%; 2015: 50%) and fixed-price contracts (2016: 55%; 2015: 50%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016	2015	CHANGE (%)
Revenues from Power	\$ 1,624.0	\$ 1,784.8	(9.0 %)
Segment EBIT from Power	\$ 113.0	\$ 116.4	(2.9%)
Segment EBIT over revenues from Power (%)	7.0%	6.5%	
Revenue backlog at year end	\$ 2,353.2	\$ 2,320.7	1.4%

Power revenues decreased in 2016 compared with 2015, mainly reflecting lower revenues from work performed on transmission lines in Western Canada, partially offset by an increase in revenues from projects related to gas-fired combined cycle power plants in the United States.

The major revenue contributors in 2016 included projects related to gas-fired combined cycle power plants in the United States, a nuclear generating station in Canada and hydroelectric power facilities in Western Canada.

In 2016, segment EBIT from Power was in line with 2015, since a lower level of activity due to the completion or the near completion of certain major projects was offset by a reduction in selling, general and administrative expenses and an increase in gross margin-to-revenue ratio in 2016.

7.4 Infrastructure

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

INFRASTRUCTURE & CONSTRUCTION

Infrastructure & Construction includes projects and professional services in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agri-food, life sciences, automation, industrial processes), geotechnical engineering and materials testing as well as water infrastructure and treatment facilities. In addition, Infrastructure & Construction includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management. The Infrastructure & Construction segment derives its revenues from both reimbursable contracts (2016: 20%; 2015: 25%) and fixed-price contracts (2016: 80%; 2015: 75%).

YEAR ENDED DECEMBER 31 (IN MILLIONS C\$)	2016	2015	CHANGE (%)
Revenues from Infrastructure & Construction	\$ 1,629.4	\$ 1,847.7	(11.8%)
Sub-segment EBIT from Infrastructure & Construction	\$ 67.8	\$ (2.2)	N/A
Sub-segment EBIT over revenues from Infrastructure & Construction (%)	4.2%	(0.1%)	
Revenue backlog at year end	\$ 2,617.9	\$ 3,819.0	(31.4%)

Revenues from Infrastructure & Construction decreased in 2016 compared with 2015, reflecting a lower level of activity mainly due to the substantial or near completion of certain major projects, notably a highway in Central Canada, a mass transit system in Western Canada and certain projects related to work performed on social infrastructure. The decrease in revenues from these projects was partially offset by an increase in revenues from major contracts awarded in 2015 for work carried out on a new bridge corridor in Eastern Canada and for a mass transit system project in Central Canada.

The major revenue contributors in 2016 included multiple projects for mass transit systems in Western and Central Canada, as well as a new bridge corridor and social infrastructure in Eastern Canada.

Sub-segment EBIT from Infrastructure & Construction was \$67.8 million in 2016 compared with a negative sub-segment EBIT of \$2.2 million in 2015, principally reflecting a higher gross margin-to-revenue ratio combined with a decrease in selling, general and administrative expenses, partly offset by a decrease in the level of activity due to the reasons stated above. 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.

O&M

O&M activities are provided to clients in the following lines of business:

- > **Integrated Real Estate Solutions:** includes all aspects of building operations and management, realty management, advisory services, project delivery and commissioning, energy management and sustainability initiatives, and program management;
- > **Industrial:** includes specialized expertise to oversee the O&M of assets such as turbines, steam generators, boilers, water supply and treatment systems, oil and gas facilities, electrical systems, mechanical systems and manufacturing installations;
- > **Transportation:** includes operations, maintenance and rehabilitation management for large infrastructure assets including airports, public transit systems, highways, bridges and tunnels; and
- > **Defence & Logistics:** includes support to Canada's Navy, servicing many different types of vessels, from research and defence boats to tugs and many other classes of ships, and also includes support to Canada's Armed Forces, strategic airlift as well as large mining, metallurgy, petrochemical, and oil and gas operations by building and maintaining remote accommodations and living facilities around the world.

Following the disposal of the Company's non-core Real Estate Facilities Management business in December 2016, the Integrated Real Estate Solutions business line will be renamed and realigned as follows:

- > **Social infrastructure:** includes all aspects of operations and management for targeted buildings, project delivery and commissioning, energy management and sustainability initiatives.

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

The O&M sub-segment derives its revenues from both reimbursable contracts (2016: 65%; 2015: 45%) and fixed-price contracts (2016: 35%; 2015: 55%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016	2015	CHANGE (%)
Revenues from O&M			
Integrated Real Estate Solutions	\$ 456.5	\$ 528.8	(13.7%)
Industrial	92.6	162.0	(42.8%)
Transportation	177.1	167.0	6.0%
Defence & Logistics	152.1	177.7	(14.4%)
Total	\$ 878.2	\$ 1,035.5	(15.2%)
Sub-segment EBIT from O&M	\$ 63.2	\$ 54.4	16.2%
Sub-segment EBIT over revenues from O&M (%)	7.2%	5.3%	
Revenue backlog at year end	\$ 1,502.6	\$ 1,978.7	(24.1%)

Revenues from O&M decreased in 2016 compared with 2015, mainly reflecting a lower level of activity, principally attributable to the non-renewal of an unprofitable contract for the management of government buildings, facilities and land in Canada.

Sub-segment EBIT from O&M increased in 2016 compared with 2015, mainly reflecting a higher gross margin-to-revenue ratio, due to a favourable business mix, as well as a decrease in selling, general and administrative expenses, which were partially offset by a lower volume of activity due to the reasons explained above.

7.5 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 \$416.5 million as at December 31, 2016. 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, 2016 and 2015, can be summarized as followed:

AT DECEMBER 31 (IN MILLIONS CA\$)	NET BOOK VALUE	
	2016	2015
Highway 407 ETR ⁽¹⁾	\$ -	\$ -
Others	416.5	452.0
Total	\$ 416.5	\$ 452.0

(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.

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, 2016, the Capital segment EBIT increased to \$201.9 million, compared with \$194.0 million in 2015. EBIT from Highway 407 ETR, which corresponds to the dividends paid to SNC-Lavalin (see explanations below), increased by 5.3% to \$132.5 million in 2016 compared with 2015.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2016	2015 ⁽¹⁾
Revenues from Capital	\$ 247.7	\$ 223.4
Segment EBIT from Capital investments:		
From Highway 407 ETR	\$ 132.5	\$ 125.8
From other Capital investments ⁽²⁾	69.4	68.2
Segment EBIT from Capital	\$ 201.9	\$ 194.1
Dividends and distributions received by SNC-Lavalin from Capital investments accounted for by the equity method:		
From Highway 407 ETR	\$ 132.5	\$ 125.8
From other Capital investments	29.9	31.3
Total	\$ 162.4	\$ 157.1

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments.

(2) 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 \$132.5 million in 2016 (2015: \$125.8 million). The Company did not recognize its share of Highway 407 ETR's net income of \$62.6 million (2015: \$52.2 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was \$nil at December 31, 2016 and December 31, 2015.

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

Segment EBIT from Capital increased in 2016 compared with 2015, mainly reflecting an increase of 5.3% in dividends received from Highway 407 ETR.

CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2016:

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.
GROUPE INFRASTRUCTURE SANTÉ MCGILL ("MIHG")	60%	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.
RAINBOW HOSPITAL PARTNERSHIP ("RAINBOW")	100%	Consolidation	Yes	2011	2044	In operation	Operates and maintains certain functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick.
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").
CHINOOK ROADS PARTNERSHIP ("CHINOOK")	50%	Equity	Yes	2010	2043	In operation	Operates and maintains the southeast Stoney Trail, being the southeast leg of the Ring Road for the City of Calgary.
407 INTERNATIONAL INC. ("HIGHWAY 407 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.
INTRANSIT BC LIMITED PARTNERSHIP ("INTRANSIT BC")	33.3%	Equity	Yes	2005	2040	In operation	InTransit BC operates and maintains the Canada Line, a 19-km rapid transit line connecting the cities of Vancouver and Richmond with Vancouver International Airport in British Columbia under a 35-year concession agreement.

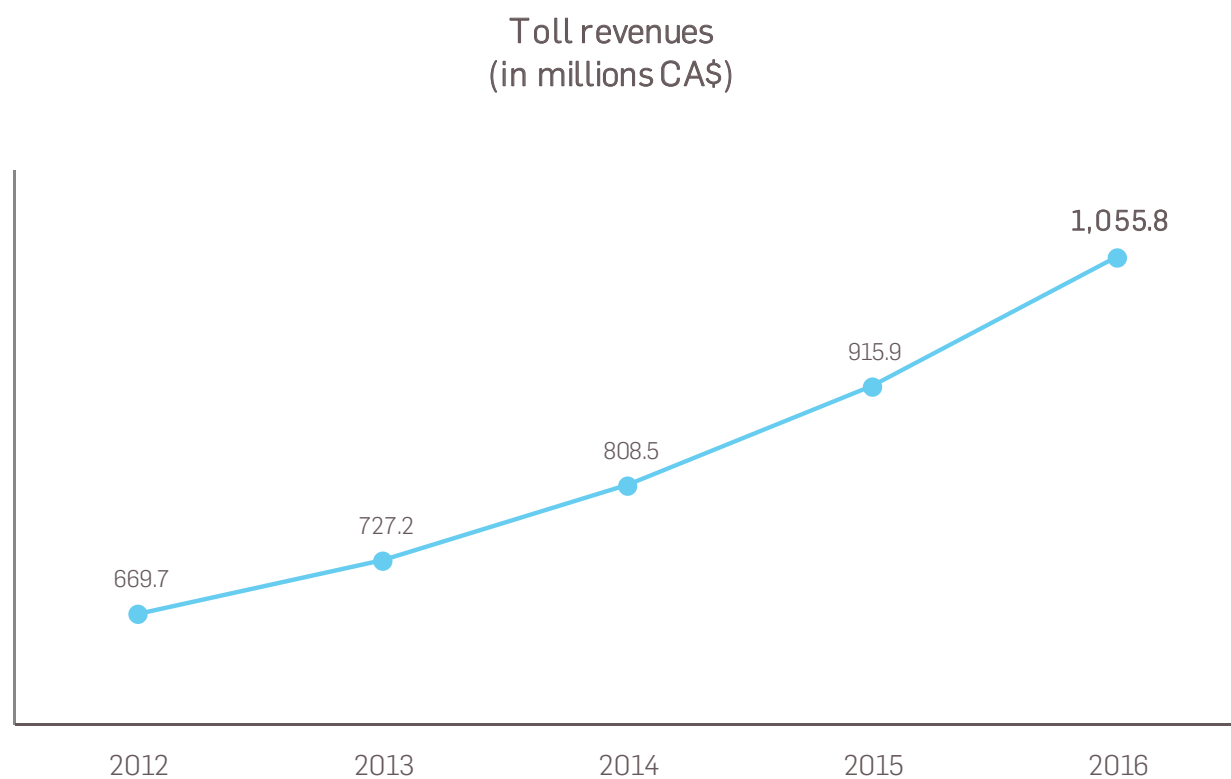
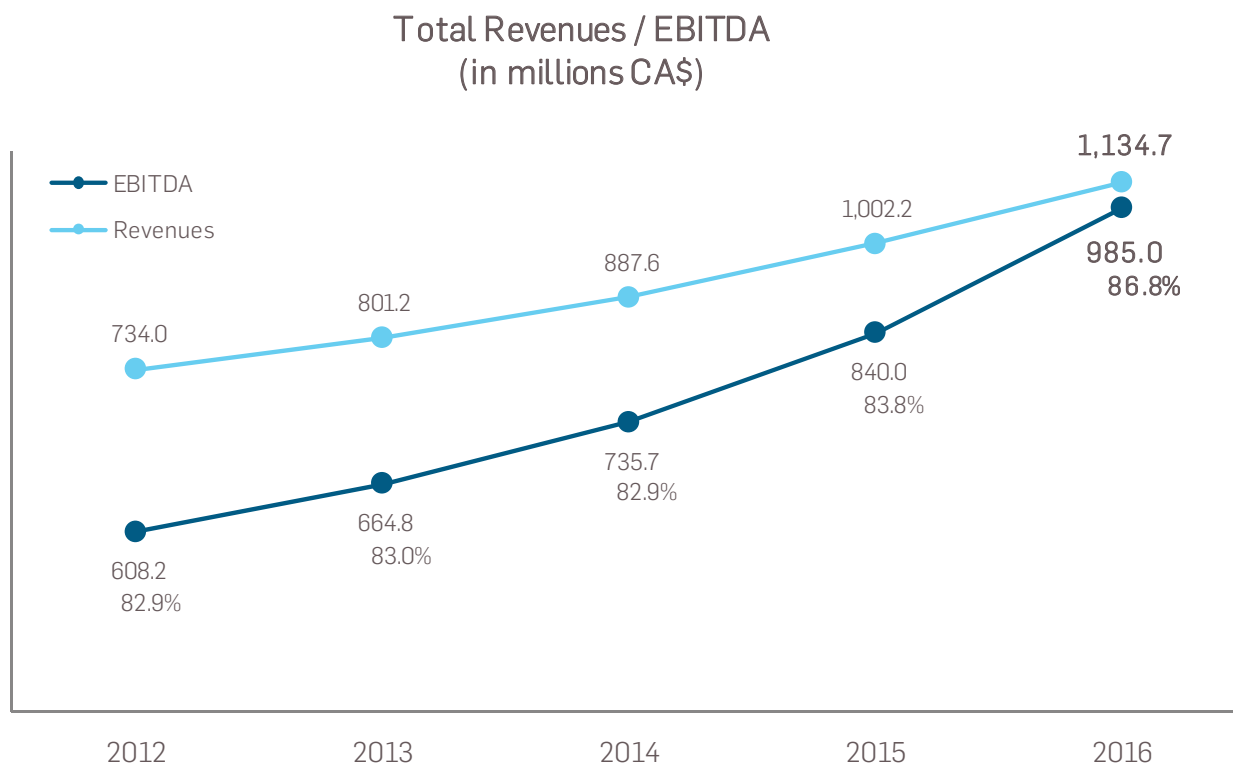
NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m ³ /day seawater desalination plant in 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.
OKANAGAN LAKE CONCESSION LIMITED PARTNERSHIP ("OKANAGAN LAKE CONCESSION")	100%	Consolidation	Yes	2005	2035	In operation	Operates, maintains and manages the five-lane, 1.1-km William R. Bennett Bridge in Kelowna, British Columbia, under a 30-year concession agreement.
SHARIKET KAHRABA HADJRET EN NOUSS S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227-MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
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.

N/A: not applicable

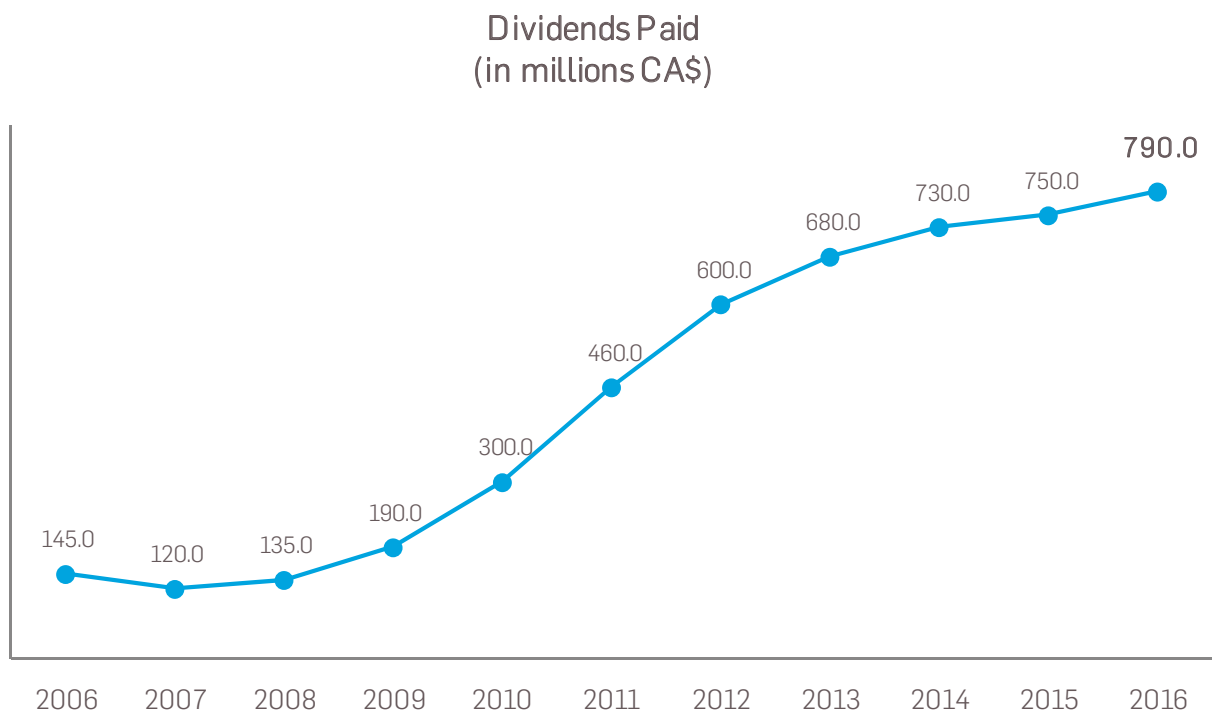
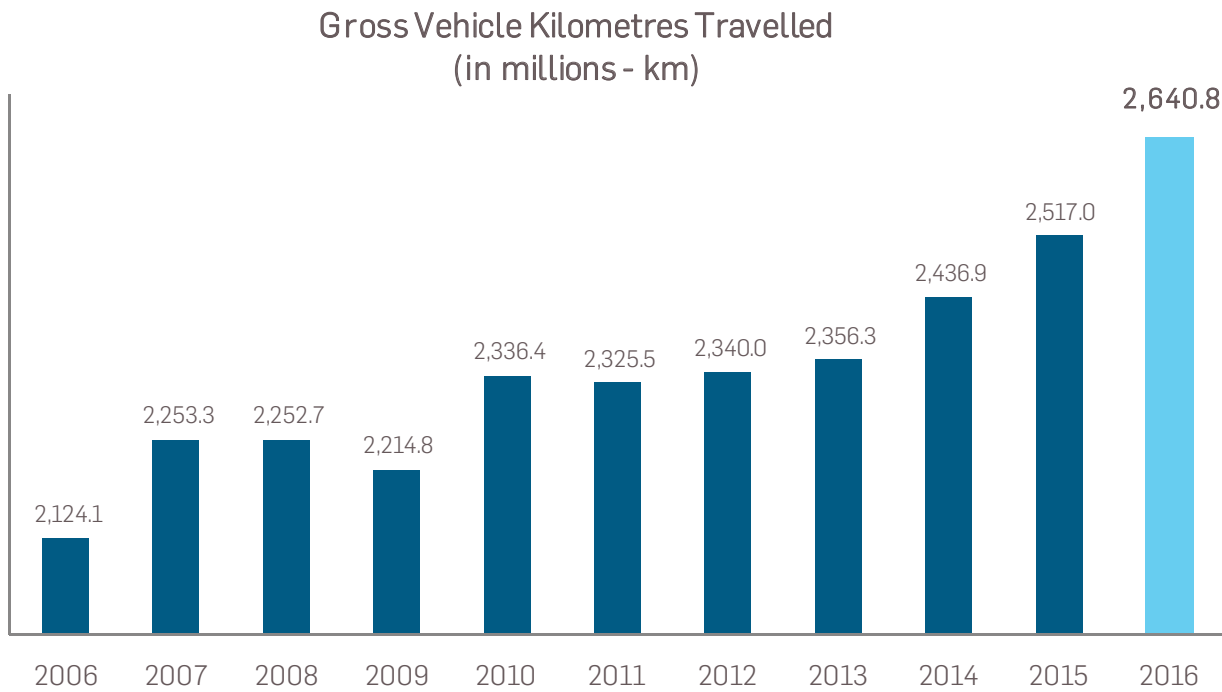
HIGHWAY 407 ETR

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.

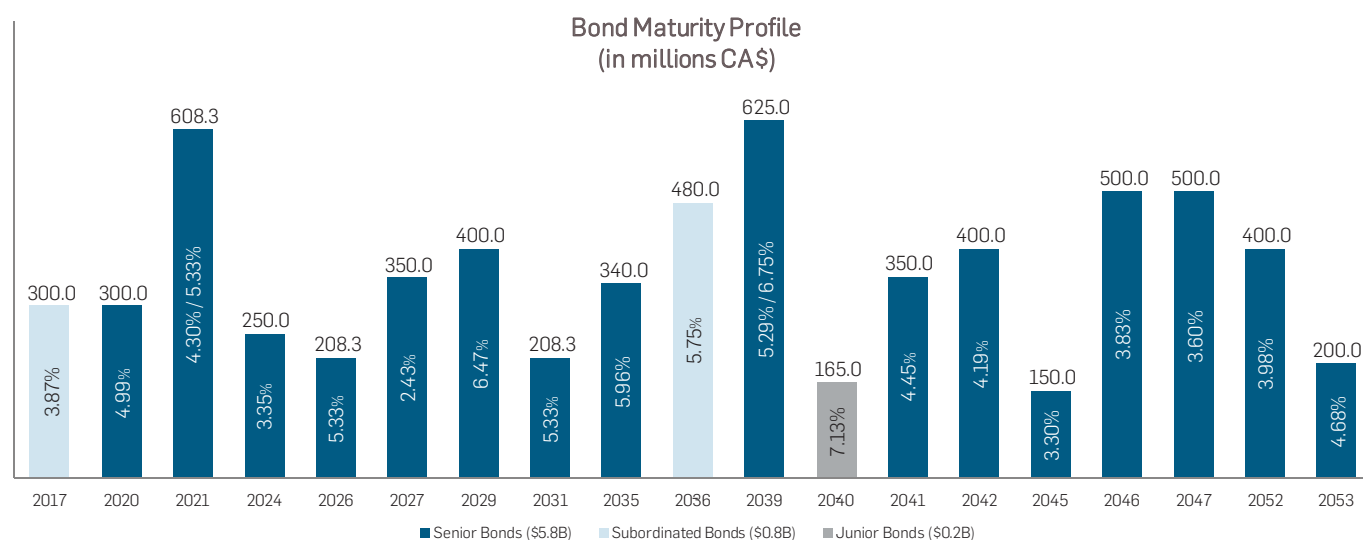
407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS



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 accommodating 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\$)	2016	2015	CHANGE (%)
Revenues	\$ 1,134.7	\$ 1,002.2	13.2%
Operating expenses	149.7	162.2	(7.7%)
EBITDA	985.0	840.0	17.3%
EBITDA as a percentage of revenues	86.8%	83.8%	N/A
Depreciation and amortization	104.9	86.0	22.0%
Interest and other expenses	372.8	326.9	14.0%
Deferred income tax expense	67.8	115.5	(41.3%)
Current income tax expense	66.6	0.4	N/A
Net income	\$ 372.9	\$ 311.2	19.8%
Dividends paid	\$ 790.0	\$ 750.0	5.3%

The Company's investment in Highway 407 ETR is accounted for by the equity method, however for 2015 and 2016, 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)	2016	2015	CHANGE (%)
Traffic/Trips (in millions)	124.5	121.2	2.7%
Average Workday Number of Trips (in thousands)	408.2	399.6	2.2%
Vehicle Kilometres Travelled ("VKT", in millions)	2,640.8	2,517.0	4.9%
Average Trip Length ("ATL", in kilometres)	21.2	20.8	1.9%
Unbillable traffic (percent)	2.3	2.3	-
Transponder Penetration rate (percent)	82.5	82.8	(0.3%)
Transponders in Circulation at December 31	1,342,290	1,275,892	5.2%

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 initiating 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 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 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. The gain on disposal of SNC-Lavalin's indirect ownership interest in SNCL Malta amounted to \$61.1 million (\$53.6 million after taxes).

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 loss on disposal of SNC-Lavalin's ownership interest in Rayalseema amounted to \$2.6 million (\$2.6 million after taxes).

MAYOTTE AIRPORT

On December 30, 2016, as part of the transaction to sell its ongoing local activities in France and Monaco, the Company also sold its investment in Mayotte Airport. The transaction resulted in a loss of \$2.7 million (\$2.7 million after taxes). It should be noted that the disposal of SNC-Lavalin's TC Dôme S.A.S. Capital investment, will be governed by a different sale agreement with a separate set of closing conditions, and is expected to close at a later date.

RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of 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 Capital 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 Capital investment. Profits generated from transactions with Capital investments accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

CAPITAL INVESTMENTS	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, 2016, SNC-Lavalin recognized revenues of \$755.8 million (2015: \$733.9 million) from contracts with Capital investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these Capital investments accounted for by the equity method of \$182.8 million for the year ended December 31, 2016 (2015: \$157.1 million).

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to \$90.2 million as at December 31, 2016 (2015: \$65.4 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to \$83.0 million as at December 31, 2016 (2015: \$94.2 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was \$98.0 million as at December 31, 2016 (2015: \$113.9 million).

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

7.6 Corporate selling, general and administrative expenses and others not allocated to segments

Since January 2015, corporate selling, general and administrative expenses that are not directly related to projects or segments are no longer allocated to the Company's segments. Therefore, the Company's segment EBIT no longer includes these corporate selling, general and administrative expenses, which used to be allocated based on the gross margin of each of these segments. The Company believes that the use of such segment EBIT improves the quality of its segments disclosure.

Corporate selling, general and administrative expenses and others not allocated to projects or segments amounted to \$186.6 million in 2016, compared with \$199.0 million in 2015. The decrease of \$12.4 million from 2015 to 2016 was mainly due to a \$32.5 million favourable impact from revised estimates on legacy sites environmental liabilities and other asset retirement obligations, partially offset by a lower amount of allocation of benefits, incentives and social security charges and other costs to projects or segments in 2016, compared with last year.

8

Fourth Quarter Results

For the fourth quarter of 2016, net income attributable to SNC-Lavalin shareholders was \$1.6 million (\$0.01 per share on a diluted basis), compared with a net income of \$49.2 million (\$0.33 per share on a diluted basis) for the comparable quarter in 2015. The decrease in net income attributable to SNC-Lavalin shareholders was principally due to a loss on the disposal of the Company's local French operations and Mayotte Airport, partly offset by a gain on the disposal of the Company's Real Estate Facilities Management business.

For the fourth quarter of 2016, there was a net loss attributable to SNC-Lavalin shareholders from E&C of \$38.4 million, compared with a net income of \$14.0 million for the same period last year. The net loss attributable to SNC-Lavalin shareholders from E&C was mainly due to a net loss of \$44.6 million after taxes on the sale of the Company's local French operations and its Real Estate Facilities Management business in December 2016. On a segmented basis, there were lower contributions from Oil & Gas and Mining & Metallurgy in the fourth quarter of 2016, while the contributions from Power and Infrastructure were in line with the results achieved in the corresponding quarter of 2015.

The lower contribution from Oil & Gas in the fourth quarter of 2016 compared with 2015 was mainly due to a lower level of activity on certain major projects that are completed or near completion and to the negative impact of challenging market conditions in the Company's production and processing solutions activities. This decrease was partially offset by a net favourable impact on gross margin of \$28.4 million related to two Oil & Gas projects under the same contract in the Middle East, as further described in section 7.2. Discussions are still ongoing to attempt to resolve certain commercial issues in these projects.

The decrease in segment EBIT from Mining & Metallurgy in the fourth quarter of 2016 was mainly due to a lower level of activity due to persisting difficult market conditions in this sector and to the completion or near completion of certain major projects. However, this decrease was partly offset by lower selling, general and administrative expenses compared with the corresponding period of 2015.

In the fourth quarter of 2016, the segment EBIT from Infrastructure was in line with the corresponding quarter of 2015. The decrease in the level of activity attributable to the completion or near completion of certain major projects, most notably a highway in Central Canada, a mass transit system in Western Canada and social infrastructure in Eastern Canada, was partially offset by an increase in gross margin-to-revenue ratio.

In the fourth quarter of 2016, segment EBIT from Power was in line with the corresponding quarter of 2015. 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.

Certain notable items also had an impact on the net income attributable to SNC-Lavalin shareholders in the fourth quarter of 2016 and 2015, mainly:

- > \$87.8 million (\$61.9 million after taxes) of restructuring costs in the fourth quarter of 2016, compared with \$94.8 million (\$71.1 million after taxes) of restructuring costs in the corresponding period of 2015; and
- > \$16.5 million (\$13.2 million after taxes) of amortization of intangible assets related to the acquisition of Kentz, compared with \$22.5 million (\$17.3 million after taxes) in the corresponding quarter of 2015.

Net income attributable to SNC-Lavalin shareholders from Capital increased to \$40.0 million in the fourth quarter of 2016, compared with \$35.3 million for the fourth quarter of 2015. The increase in net income attributable to SNC-Lavalin shareholders from Capital was mainly due to a higher level of activity on a number of Capital investments, as well as an increase in dividends received from Highway 407 ETR in the fourth quarter of 2016 compared to the previous year.

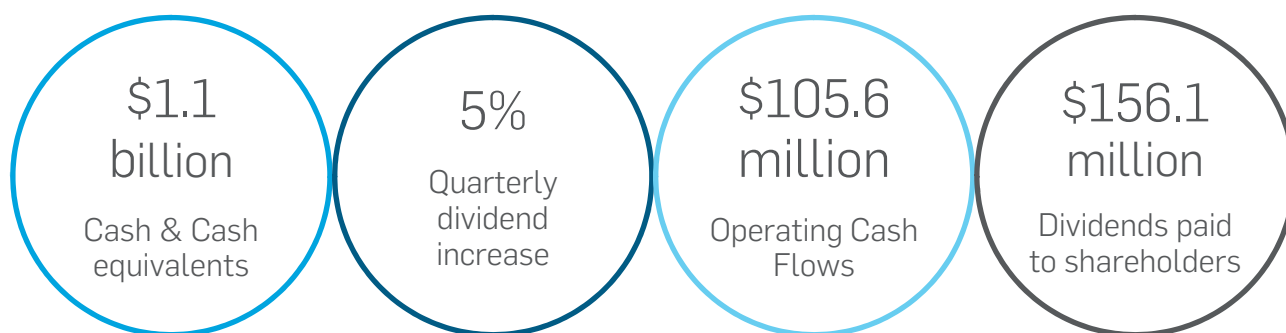
Revenues for the fourth quarter of 2016 decreased compared with 2015, mainly reflecting a decrease in Oil & Gas, Infrastructure, Power and Mining & Metallurgy, principally due to the reasons stated above.

The Company's backlog as at December 31, 2016 amounted to \$10.7 billion, compared with \$11.8 billion at the end of the third quarter of 2016. This variation was mainly attributable to a decrease in Infrastructure, which was partly due to the sale of the Company's Real Estate Facilities Management business and local French operations in 2016, following which the Company has removed a total amount of \$902.7 million of its Infrastructure backlog.

At the end of December 2016, the Company's cash and cash equivalents increased to \$1.1 billion, compared with \$0.9 billion at the end of September 2016, mainly due to net cash generated from operating activities, partially offset by cash flows used for financing and investing activities.

9

Liquidity and Capital Resources



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

- > A **working capital** analysis, which has been prepared with the objective of providing additional information on the major changes in the Company's current assets and liabilities in 2016 and 2015;
- > A review of the **cash net of recourse debt** of the Company;
- > A **cash flow** analysis, providing details on how the Company generated and used its cash and cash equivalents;
- > A discussion on the Company's recourse revolving credit facilities, credit ratings, and recourse debt-to-capital ratio;
- > 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;
- > The presentation of the Company's **dividends declared** and **Return on Average Shareholders' Equity ("ROASE")** over the past three years; and finally,
- > An analysis of the Company's financial position.

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

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed, which are all elements specifically discussed in the following section. While liquidity remains subject to numerous risks and limitations, including but not limited to the risks described under section 12 "Risks and Uncertainties" and in this section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations for the foreseeable future. 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, 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.

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

- > the maintenance of an investment grade credit rating; and
- > the maintenance of adequate available cash and/or credit facilities to (a) meet ongoing working capital requirements, and (b) meet ongoing commitments to invest in, or self-finance, Capital investments projects.

9.1 Working capital

AT DECEMBER 31
(IN MILLIONS C\$, EXCEPT CURRENT RATIO)

	2016	2015	VARIATION
Current assets	\$ 4,190.0	\$ 5,197.8	\$ (1,007.8)
Current liabilities	3,962.2	5,089.8	(1,127.6)
Working Capital	\$ 227.9	\$ 108.1	\$ 119.8
Current Ratio	1.06	1.02	0.04

Working capital and current ratio increased as at December 31, 2016 compared with the previous year. The variance in working capital is mainly attributable to a decrease in current liabilities in a greater proportion than the decrease in current assets. The decrease in current liabilities is mainly attributable to a decrease in trade payables, advances under contract financing arrangements and deferred revenues in 2016. The decrease in trade payables is mainly due to payments made to suppliers on major projects. As for the decrease in advances under contract financing arrangements, it was mainly due to the repayment of such advances on the Ste-Justine and Evergreen projects in 2016. The decrease in current assets was mainly due to a decrease in cash and cash equivalents, explained in section 9.3, and a decrease in other current financial assets, principally explained by a decrease in retention on client contracts, mainly on the Evergreen project in 2016.

Refer to section 9.8 for details on the variation in total current assets and total current liabilities.

9.2 Cash Net of Recourse Debt

The Company's cash net of recourse debt, which is a non-IFRS financial measure, is arrived at by excluding cash and cash equivalents of Capital investments accounted for by the consolidation method and its recourse debt from its cash and cash equivalents, and was as follows:

AT DECEMBER 31 (IN MILLIONS OF C\$)	2016	2015	2014
Cash and cash equivalents	\$ 1,055.5	\$ 1,581.8	\$ 1,702.2
Less:			
Cash and cash equivalents of Capital investments accounted for by the consolidation method	11.3	17.1	29.3
Recourse debt	349.4	349.1	348.9
Cash net of recourse debt	\$ 694.9	\$ 1,215.6	\$ 1,324.0

The Company's cash net of recourse debt as at December 31, 2016 was \$694.9 million, compared with \$1,215.6 million as at December 31, 2015, mainly reflecting a decrease in cash and cash equivalents as explained in section 9.3.

9.3 Cash Flows Analysis

SUMMARY OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN MILLIONS C\$)	2016	2015
Cash flows generated from (used for):		
Operating activities	\$ 105.6	\$ (514.7)
Investing activities	(87.1)	584.0
Financing activities	(538.2)	(241.5)
Increase (decrease) in exchange differences on translating cash and cash equivalents held in foreign operations	(6.7)	51.8
Net decrease in cash and cash equivalents	(526.4)	(120.4)
Cash and cash equivalents at beginning of year	1,581.8	1,702.2
Cash and cash equivalents at end of year	\$ 1,055.5	\$ 1,581.8

The following section explains the major cash flow items that had an impact on the movement of the Company's cash and cash equivalents for the year ended December 31, 2016.

Cash generated from operating activities totalled \$105.6 million in 2016 compared to cash used of \$514.7 million in 2015. The major elements impacting operating activities were as follows:

- > Net cash generated from operating activities before net change in non-cash working capital items, totalled \$166.3 million in 2016, compared with \$129.5 million in 2015, mainly reflecting :
 - › A net income of \$256.6 million in 2016, compared with \$437.5 million in 2015;
 - › Income taxes paid of \$53.2 million in 2016, compared with \$309.4 million paid in 2015, a decrease mainly due to income taxes paid in 2015 on the net gain on disposal of AltaLink which was completed in December 2014;
 - › Non-cash gain on disposals of Capital investments totalling \$55.9 million in 2016 primarily due to the disposal of the Company's indirect ownership in SNCL Malta, compared with \$174.4 million in 2015 resulting from the disposal of the Company's investment in Ambatovy;
 - › Non-cash loss on disposals of E&C businesses totalling \$37.1 million in 2016, due to the sale of the Company's Real Estate Facilities Management business and of its local French operations;
 - › Depreciation of property and equipment and amortization of other non-current assets of \$143.1 million in 2016, compared with \$162.4 million in 2015;
 - › Restructuring costs recognized in net income of \$115.4 million in 2016, compared with \$116.4 million in 2015. Restructuring costs paid amounted to \$109.1 million in 2016 and \$78.7 million in 2015;
 - › A non-cash income tax expense of \$13.4 million in 2016, compared with \$83.7 million in 2015; and
 - › A decrease in non-cash provisions related to forecasted losses on certain contracts of \$125.0 million in 2016, compared with a decrease of \$24.7 million in 2015.
- > Cash used by the net change in non-cash working capital items totalled \$60.7 million in 2016, compared with \$644.2 million in 2015, primarily reflecting an increase in contracts in progress, a decrease in trade payables and deferred revenues, partially offset by a decrease in other current financial assets and trade receivables, excluding exchange differences, in 2016. The negative net change in non-cash working capital items was mainly reflecting working capital requirements on certain major projects in 2016.

Cash used for investing activities amounted to \$87.1 million in 2016 compared with cash generated of \$584.0 million in 2015. The major investing activities were as follows:

- > Net cash inflow of \$101.9 million on disposals of Capital investments accounted for by the equity method, primarily due to the sale of the Company's indirect ownership interest in SNCL Malta in 2016, compared with \$600.7 million on disposal of a Capital investment due to the sale of the Company's investment in Ambatovy in 2015;
- > Net cash outflow of \$23.9 million on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method, due to the sale of the Company's non-core Real Estate Facilities Management business, its local operations in France and its investment in Mayotte Airport in 2016;
- > In 2016, there was a decrease of \$81.5 million in short-term and long-term investments, compared with a decrease of \$81.9 million in 2015, due to a decrease in deposit notes maturing in 2017;
- > The increase in receivables under service concession arrangements net of recovery amounted to \$75.9 million for 2016, compared with \$36.7 million for 2015, mainly attributable to InPower BC;
- > The acquisition of property and equipment from E&C amounted to a total cash outflow of \$151.3 million in 2016, compared with \$116.0 million in 2015, an increase mainly due to additions in the machinery, buildings and other categories;
- > Cash outflow of \$11.7 million relating to payments for Capital investments in 2016, reflecting mainly payments for 407EDGGP, compared with \$16.9 million in 2015, reflecting payments for Ambatovy; and
- > The Company received proceeds of \$49.3 million upon the settlement of a financial arrangement that was used to limit its exposure to the variability of its cash-settled share price arrangements in 2015. Such financial arrangements were replaced by derivative financial instruments in 2015.

Cash used for financing activities totalled \$538.2 million in 2016 compared with cash used for financing activities of \$241.5 million in 2015. The major financing activities were as follows:

- > An increase of \$4.9 million in recourse debt in 2016, as well as the repayment of recourse debt of \$4.9 million in the same year, representing draws and reimbursements on the Company's credit facility, compared with an increase of \$430.0 million in recourse debt in 2015, as well as the repayment of recourse debt of \$430.0 million in the same year;
- > Net repayments of advances under contract financing arrangements of \$395.7 million in 2016, compared with a net increase in advances under contract financing arrangements of \$70.5 million in 2015. These advances under contract financing arrangements are related to the Ste-Justine and Evergreen projects and were repaid in full in 2016;
- > Dividends paid by subsidiaries to non-controlling interests of \$10.0 million in 2016, compared with \$28.5 million in 2015;
- > Dividends paid to SNC-Lavalin shareholders amounted to \$156.1 million in 2016 compared with \$150.9 million in 2015, mainly reflecting an increase in dividends paid per share. The increase in dividends reflects dividends paid of \$1.04 per share in 2016 compared with \$1.00 per share for 2015;
- > Redemption of shares amounted to \$121.8 million (2,803,900 shares at an average price of \$43.43) in 2015. On June 2, 2016, 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 4, 2016. In the notice, the Company stated that a maximum of 3,000,000 common shares, representing approximately 2% of the issued and outstanding Common Shares as of May 18, 2016, may be purchased for cancellation; and
- > The issuance of shares pursuant to the exercise of stock options generated \$22.6 million of cash in 2016 (585,428 stock options at an average price of \$38.60), compared with \$4.2 million in 2015 (110,873 stock options at an average price of \$38.02). As at February 19, 2017, there were 597,380 stock options outstanding with exercise prices varying from \$37.04 to \$40.98 per common share. At that same date, there were 150,377,137 common shares issued and outstanding.

9.4 Recourse Debt and Non-Recourse Debt

RECOURSE DEBT

RECOURSE REVOLVING CREDIT FACILITY

The Company has an unsecured revolving credit facility (the "Facility") totalling \$4,250 million, which the Company may use for the issuance of performance and financial letters of credit 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 \$1,800 million to \$2,000 million.

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.

RECOURSE DEBENTURE – CREDIT RATING

On April 25, 2016, Standard & Poor's ("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 Limited ("DBRS") confirmed the issuer rating and the debenture rating of SNC-Lavalin at BBB with stable trend.

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

RECOURSE DEBT-TO-CAPITAL RATIO

This ratio compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. As at December 31, 2016 and 2015, the Company's recourse debt-to-capital ratio was 9:91, below the Company's objective, which is not to surpass a ratio of 30:70.

NON-RECOURSE DEBT

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

9.5 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 CAS)	2017	2018-2019	2020-2021	THEREAFTER	TOTAL
Short-term debt and long-term debt repayments:					
Recourse	\$ -	\$ 350.0	\$ -	\$ -	\$ 350.0
Non-recourse from Capital investments	21.8	16.7	49.4	416.3	504.3
Commitments to invest in Capital investments	98.1	-	-	-	98.1
Rental obligations under operating lease arrangements	92.6	112.9	82.1	92.4	380.0
Total	\$ 212.5	\$ 479.6	\$ 131.5	\$ 508.7	\$ 1,332.4

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 19D to the Company's 2016 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 2016 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 2016 and 2015. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 32 to the Company's 2016 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, 2016, 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 28 to the Company's 2016 audited annual consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS	FINANCIAL ARRANGEMENT
<p>SNC-Lavalin enters into derivative financial instruments, namely:</p> <ul style="list-style-type: none"> > 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. 	<p>The Company had a financial arrangement with an investment grade financial institution to limit its exposure to the variability of its cash-settled share-based payment arrangements caused by fluctuations in its share price. This arrangement was terminated in 2015 and replaced by derivative financial instruments described on the left side of this table (refer to Note 21C to the Company's 2016 audited annual consolidated financial statements).</p>
<p>All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.</p>	

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.

9.6 Dividends Declared

The Board of Directors has decided to increase the quarterly cash dividend payable to shareholders from \$0.26 per share to \$0.273 per share for the fourth quarter of 2016, resulting in total cash dividends declared of \$1.053 per share relating to 2016.

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

YEAR ENDED DECEMBER 31 (IN C\$)	2016	2015	2014
Dividends per share declared to SNC-Lavalin shareholders ⁽¹⁾	\$ 1.053	\$ 1.01	\$ 0.97
Dividend increase (%)	4%	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 2016 were \$156.1 million compared with \$150.9 million in 2015. The Company has paid quarterly dividends for 27 consecutive years and has increased its yearly dividend paid per share for each of the past 16 years. Dividend policy is determined by the Board of Directors of the Company.

9.7 Return on Average Shareholders' Equity ("ROASE")

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

The Company excludes "other components of equity" because this element 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.

For 2016, ROASE was 7.1%, compared with 12.0% for 2015 and 58.7% for 2014, which included the impact of the net gain of \$1,320.7 million on disposal of AltaLink in 2014.

9.8 Financial position analysis

The following is an analysis of the changes to the Company's financial position in 2016.

ASSETS

AT DECEMBER 31 (IN MILLIONS CA\$)	2016	2015	CHANGE (\$)	EXPLANATIONS
Current Assets				
Cash and cash equivalents	\$ 1,055.5	\$ 1,581.8	\$ (526.4)	See discussion in section 9.3.
Restricted cash	55.6	39.0	16.6	Increase in restricted cash from certain Capital investments.
Trade receivables	936.0	1,200.9	(264.9)	Decrease due to cash collected during the year and trade receivables included in the sale of the Company's Real Estate Facilities Management business and its local operations in France in December 2016.
Contracts in progress	1,188.9	985.9	203.1	Increase due to various ongoing projects.
Inventories	138.8	152.2	(13.4)	Variation mainly due to a decrease in raw materials.
Other current financial assets	492.7	908.9	(416.1)	Decrease in retention on client contracts, mainly attributable to the completion of the Evergreen Line Rapid Transit project at the end of 2016.
Other current non-financial assets	315.8	329.2	(13.4)	Decrease in other taxes receivable and prepaid expenses and other, partially offset by income taxes receivables.
Assets held for sale	6.7	-	6.7	Assets held for sale related to project equipment included in the Oil & Gas segment and SNC-Lavalin's TC Dôme S.A.S capital investment.
Total current assets	\$ 4,190.0	\$ 5,197.8	\$ (1,007.8)	
Property and equipment	\$ 298.3	\$ 265.1	\$ 33.3	Increase mainly due to additions in machinery, buildings and other, partially offset by the 2016 depreciation expense and disposals.
Capital investments accounted for by the equity method	399.4	419.5	(20.1)	Decrease mainly due to the sale of the Company's indirect ownership interest in SNCL Malta in 2016.
Capital investments accounted for by the cost method	48.3	48.3	-	-
Goodwill	3,268.2	3,386.8	(118.6)	Decrease mainly due to foreign currency translation.
Intangible assets related to Kentz acquisition	194.2	272.6	(78.5)	Decrease primarily due to amortization expense of 2016.
Deferred income tax asset	421.5	436.8	(15.4)	-
Non-current portion of receivables under service concession arrangements	356.8	291.9	65.0	Increase mainly due to an increase in financial assets related to construction for InPower BC General Partnership.
Other non-current financial assets	58.5	74.1	(15.5)	Decrease mainly due to maturity of the remainder of the deposit notes related to InPower BC General Partnership, partially offset by increase in other financial assets.
Other non-current non-financial assets	63.0	110.2	(47.2)	Decrease mainly due to the sale of Mayotte in 2016.
Total assets	\$ 9,298.3	\$ 10,503.2	\$ (1,204.8)	

LIABILITIES

AT DECEMBER 31 (IN MILLIONS CAS)	2016	2015	CHANGE (\$)	EXPLANATIONS
Current Liabilities				
Trade payables	\$ 1,888.2	\$ 2,330.6	\$ (442.3)	Decrease due to payments made to suppliers for ongoing projects, trade payables included in the sale of the Company's Real Estate Facilities Management business and its local operations in France in December 2016, as well as the impact of foreign currency translation.
Downpayments on contracts	263.4	185.8	77.6	Increase mainly due to downpayments received on major contract awards of 2016.
Deferred revenues	851.2	1,041.6	(190.5)	Decrease mainly due to revenue recognized for projects that are near completion in 2016, notably in Mining & Metallurgy and Power, partially offset by deferred revenues from ongoing projects.
Other current financial liabilities	304.0	394.3	(90.4)	Variation due to decreases in derivative financial instruments, retention on supplier contracts and commitment to invest in 2016.
Other current non-financial liabilities	397.8	370.6	27.2	Variation principally reflecting an increase in liabilities from share unit plans.
Advances under contract financing arrangements	-	394.1	(394.1)	Variation due to the repayment in full of the balance outstanding in 2016. This credit facility was used to finance part of the Sainte-Justine and Evergreen projects. Refer to note 18 to the 2016 consolidated financial statements of the Company for further details.
Current portion of provisions	236.6	364.5	(127.9)	Decrease mainly due to a decrease in provision for forecasted losses on certain contracts. Refer to note 20 to the 2016 consolidated financial statements of the Company for further details.
Short-term debt and current portion of long-term debt:				
Non-recourse from Capital investments	21.0	8.2	12.8	Refer to note 19C to the 2016 consolidated financial statements of the Company for details.
Total current liabilities	\$ 3,962.2	\$ 5,089.8	\$ (1,127.6)	
Long-term debt:				
Recourse	\$ 349.4	\$ 349.1	\$ 0.2	Debenture, with a face value of \$350.0 million.
Non-recourse from Capital investments	472.6	525.8	(53.2)	Refer to note 19C to the 2016 consolidated financial statements of the Company for details.
Other non-current financial liabilities	5.9	6.9	(1.0)	-
Non-current portion of provisions	326.4	344.3	(17.9)	Variation is principally attributable to a decrease in legacy sites environmental liabilities and other asset retirement obligations. Refer to note 20 to the 2016 consolidated financial statements of the Company for details.
Other non-current non-financial liabilities	15.8	10.2	5.6	-
Deferred income tax liability	269.7	273.5	(3.8)	-
Total liabilities	\$ 5,402.0	\$ 6,599.7	\$ 1,197.7	

EQUITY

AT DECEMBER 31 (IN MILLIONS CA\$)	2016	2015	CHANGE (\$)	EXPLANATIONS
Share Capital	\$ 554.8	\$ 526.8	\$ 28.0	Increase was due to exercise of stock options in 2016.
Retained Earnings	2,959.4	2,901.4	58.0	Increase was mainly attributable to 2016 results, partially offset by dividends paid.
Other Components of Equity	360.8	440.0	(79.2)	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	\$ 3,873.2	\$ 3,868.2	\$ 5.0	
Non-Controlling Interests	23.1	35.3	(12.2)	Difference mainly due to 2016 results, partially offset by dividends paid to non-controlling interests.
Total Equity	\$ 3,896.3	\$ 3,903.5	\$ (7.2)	

10 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 2016 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 2016 audited annual consolidated financial statements.

11 Accounting Policies and Changes

11.1 Change in an Accounting Policy

In 2016, the Company changed its measure of profit or loss for its reportable segments; such measure of profit or loss is referred to as the segment EBIT, which now excludes gains (losses) on disposals of E&C businesses and Capital investments, whereas in the past it only excluded disposals of activities that qualified as restructuring. This change in an accounting policy did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

11.2 Amendments adopted in 2016

The following amendments to existing standards have been adopted by the Company on January 1, 2016:

- > *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.
- > *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.
- > Annual Improvements to IFRS (2012-2014 Cycle):
 - Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
 - Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.
 - Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
 - Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

11.3 Standards and amendments issued to be adopted at a later date

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2017 and thereafter, with an earlier application permitted:

- > *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 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.
- > 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.
- > 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 receipt 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 of

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

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on or after January 1, 2018. SNC-Lavalin will not be early adopting IFRS 9 or IFRS 15.

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 impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, *Financial Instruments: Recognition and Measurement*), hedge accounting and significant additional disclosure requirements.

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 recognised at the date of initial application. The Company is currently evaluating the transition methods prescribed under IFRS 15. For companies like SNC-Lavalin that are currently applying IAS 11, *Construction Contracts*, the main impacts of adopting IFRS 15 are expected to be on timing of revenue recognition, contract assets and liabilities, as well as disclosure.

Although the Company has conducted a preliminary assessment of the effects of the application of IFRS 9 and IFRS 15 on the Company's interim and annual financial statements, it is not possible to make reasonable estimates of the impacts of the adoption of IFRS 9 and IFRS 15 at this date, as more data needs to be collected. The Company's current implementation roadmap extends into the fourth quarter of 2017; therefore, it will report on progress achieved over the course of the next financial reporting year.

12 Risks and Uncertainties

12.1 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.

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

On May 9, 2012, two proposed class actions were commenced in the Ontario Superior Court on behalf of all persons who acquired SNC-Lavalin securities during different time periods. These two actions were consolidated into a single action (the "Ontario Action") on June 29, 2012. The defendants in the Ontario Action are SNC-Lavalin and certain of its current and former directors and former officers. The Ontario Action seeks damages on behalf of all persons who acquired

securities of SNC-Lavalin between November 6, 2009 and February 27, 2012 (the "Class Period"). The Ontario Action raises, among other things, both statutory and common law misrepresentation claims.

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

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

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

In the course of 2016 both the Company and the plaintiffs in the Ontario Action filed motions for summary judgment in respect of the Ontario Action; the judge heard the motions in August 2016 and in September 2016 rendered judgement that both sets of motions should be permanently stayed – effectively rejecting them. The Ontario Action therefore will move to the stage of examinations for discovery by the plaintiffs commencing the first quarter of 2017.

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.

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 the Company's appeal or 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, referred to as Project Assistance by the RCMP, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018 but may be rescheduled to start in late 2017. 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").

In addition, as announced on February 5, 2014, certain subsidiaries of the Company obtained the requisite certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. Such certification is subject to periodic renewal by the AMF. 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.

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 does not include a financial penalty. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

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 settlement included the payment by SNC-Lavalin Group Inc. of \$1.9 million to the African Development Bank (the "African Development Bank Settlement"). The African Development Bank Settlement also 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 announced on December 10, 2015 that it 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 announced on May 10, 2016, through a Notice of Intention filed with the Director of the Program, its participation in the Voluntary Reimbursement Program ("Bill 26") which was put into force by the Government of Quebec on November 2, 2015. The Program provides for a period of 90 days within which the Government of Quebec and various municipalities, governmental agencies and others can assess whether settlement proposals by program participants should cover a governmental or municipal entity. An extension from that 90-day deadline was given to the Ministries of Sustainable Development, Environment and the Fight against Climate Change and of Transport, Urban Mobility and Electrification of Transportation of Quebec generally to assess whether they believe they should receive any Bill 26 proposal. The McGill University Health Centre ("MUHC") has notified the Director of the Program that unless it receives a proposal it will not waive its possible claims against the Company under Bill 26 for the 2010 public-private partnership agreement with Groupe infrastructure santé McGill (of which the Company is a shareholder) for the construction and on-going operation of the MUHC. The Company has advised the Bill 26 program management that the Company categorically rejects any claim by the MUHC under Bill 26 as being ill founded. One additional municipality has requested that certain of its projects be included in the Company's settlement proposal. The Director of the Program continues to review the balance of the Company's settlement proposal for completeness and accuracy, and to review the Company's proposal with the concerned municipalities and government ministries.

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 has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty, a sum equivalent to CA\$17.2 million (representing the equivalent of 12.9 million CHF and US\$2.0 million) plus interest. The Company has so far received CA\$15.2 million up to December 31, 2016 with the balance expected to be received upon the forced execution of seized assets.

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 (including the World Bank Settlement) and any negative publicity associated therewith, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of the Charges or these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described above).

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

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

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

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

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

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

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

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

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

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

Fixed-price contracts or the Company's failure to meet contractual schedule, 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 Euros and U.S. dollars. While SNC-Lavalin has a hedging strategy in place to mitigate the effects of certain foreign currency exposures, there can be no assurance that such hedging strategy will be effective. Furthermore, the Company does not have hedging strategies in place with respect to all currencies in which it does business. The Company's hedging strategy includes the use of forward foreign exchange contracts, which also contain an inherent credit risk related to default on obligations by the counterparties to such contracts.

There are risks associated with the Company's ownership interests in 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.

2015-2016 Restructuring

In 2015, due to the persisting softer economic environment, the Company extended its restructuring efforts by launching the STEP Change program. This program is designed to make the Company more agile customer-facing and allow the Company to further improve operational efficiency, including a realignment of its corporate and operating organization. The STEP Change program was followed by the Operational Excellence program in 2016. The Operational Excellence Program is a long-term, structured approach that focuses on improving every aspect of the Company's business, with the objective of being more efficient. If the Company does not achieve the expected cost savings and efficiency gains, it may not realize all the value of its reorganization costs and/or it may experience execution or performance risks as a result of the reorganization and related head-count reduction.

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

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

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

A deterioration in the Company's financial condition could also result in a reduction or downgrade of its credit ratings, including to below investment grade, which could prohibit or restrict the Company from utilizing letters of credit or performance guarantees or accessing external sources of short-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.

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

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

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 profitability of future projects as well as those in progress, and could have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

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

SNC-Lavalin maintains accounting systems and internal controls over its financial reporting and disclosure controls and procedures. There are inherent limitations to any control framework, as controls can be circumvented by acts of individuals, intentional or not, by collusion of two or more individuals, by management override of controls, by lapses in judgment and breakdowns resulting from human error. There are no systems or controls that can provide absolute assurance that all fraud, errors, circumvention of controls or omission of disclosure can and will be prevented or detected. Such fraud, errors, circumvention of controls or omission of disclosure could result in a material misstatement

of financial information. Also, projections of any evaluation of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

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

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

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.

13 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 12 "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 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.

A project-specific wholly-owned subsidiary of SNC-Lavalin ("SNC SUB") has received a notice of arbitration from a client for, amongst other things, breach of contract and gross negligence in relation to the design and construction of a facility. SNC SUB has counterclaimed for unpaid invoices and costs arising from termination, plus the return of funds improperly drawn under a bank guarantee.

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Controls and Procedures

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

14.1 Disclosure Controls and Procedures

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

- > Material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and
- > Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2016.

14.2 Internal Control Over Financial Reporting

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

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2016, using the *Internal Control - Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

14.3 Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Quarterly Information

YEAR ENDED DECEMBER 31
(IN MILLIONS CAD, EXCEPT PER SHARE AMOUNTS)

	2016					2015				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues :										
From E&C	1,930.8	2,045.2	2,100.6	2,146.5	8,223.1	2,205.0	2,191.9	2,376.4	2,590.3	9,363.5
From Capital	57.4	57.7	67.9	64.7	247.7	52.1	58.5	56.9	56.0	223.4
	1,988.2	2,103.0	2,168.5	2,211.1	8,470.8	2,257.1	2,250.4	2,433.2	2,646.3	9,587.0
Gross margin	291.9	340.8	212.7	360.7	1,206.1	337.2	301.5	385.3	408.8	1,432.8
Selling, general and administrative expenses:										
From E&C	158.1	190.5	129.3	201.1	679.0	199.0	218.2	202.2	205.1	824.6
From Capital	10.0	10.5	11.8	12.8	45.1	7.7	5.3	5.6	12.5	31.1
	168.1	201.1	141.1	213.9	724.1	206.7	223.6	207.8	217.6	855.6
Restructuring costs	13.0	2.7	11.8	87.8	115.4	0.5	7.7	13.4	94.8	116.4
Acquisition-related costs and integration costs	1.2	1.7	1.1	0.3	4.4	7.9	5.5	5.8	0.3	19.6
Amortization of intangible assets related to Kentz acquisition	20.3	15.8	16.2	16.5	68.8	21.0	21.1	29.4	22.5	94.0
(Gain) loss on disposals of Capital investments	(58.5)	-	-	2.7	(55.9)	-	-	(174.4)	-	(174.4)
Loss on disposals of E&C businesses	-	-	-	37.1	37.1	-	-	-	-	-
EBIT	147.8	119.5	42.5	2.3	312.1	101.2	43.6	303.3	73.5	521.6
Net financial expenses:										
From E&C	6.1	8.6	6.3	6.9	27.9	(34.1)	12.8	6.9	6.7	(7.7)
From Capital	3.4	3.6	3.6	3.6	14.2	1.4	1.0	1.9	3.7	8.0
	9.5	12.3	9.9	10.5	42.1	(32.7)	13.8	8.8	10.5	0.3
Earnings (Loss) before income taxes	138.3	107.2	32.6	(8.1)	270.0	133.9	29.9	294.5	63.1	521.3
Income taxes:										
From E&C	2.7	13.0	(2.4)	(10.0)	3.3	27.9	(3.3)	33.0	(7.6)	49.9
From Capital	8.2	1.8	(0.2)	0.3	10.2	1.2	2.3	28.2	2.1	33.8
	10.9	14.9	(2.6)	(9.8)	13.4	29.0	(1.0)	61.2	(5.5)	83.7
Net income	127.4	92.3	35.2	1.6	256.6	104.8	30.9	233.3	68.6	437.5
Net income attributable to:										
SNC-Lavalin shareholders	122.1	88.5	43.3	1.6	255.5	104.4	26.5	224.2	49.2	404.3
Non-controlling interests	5.3	3.8	(8.1)	0.1	1.0	0.4	4.4	9.1	19.3	33.2
Net income	127.4	92.3	35.2	1.6	256.6	104.8	30.9	233.3	68.6	437.5
Basic earnings per share (\$)	0.82	0.59	0.29	0.01	1.70	0.68	0.17	1.50	0.33	2.68
Diluted earnings (loss) per share(\$):										
From E&C	0.21	0.35	-	(0.26)	0.31	0.44	(0.12)	0.22	0.09	0.63
From Capital	0.60	0.24	0.29	0.27	1.39	0.25	0.30	1.27	0.24	2.04
Diluted earnings per share (\$)	0.81	0.59	0.29	0.01	1.70	0.68	0.17	1.49	0.33	2.68
Dividend declared per share (\$)	0.26	0.26	0.26	0.273	1.053	0.25	0.25	0.25	0.26	1.01
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	31.2	52.9	0.7	(38.4)	46.3	67.0	(18.5)	33.3	14.0	95.8
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407 ETR	31.5	31.5	34.8	34.8	132.5	31.5	31.5	31.5	31.5	125.8
From other Capital investments	59.5	4.2	7.8	5.2	76.7	5.9	13.6	159.4	3.8	182.7
Net income attributable to SNC-Lavalin shareholders	122.1	88.5	43.3	1.6	255.5	104.4	26.5	224.2	49.2	404.3
Revenue backlog (at end of quarter)	13,417.3	12,544.3	11,776.6	10,677.4		11,631.1	12,388.2	12,725.6	11,991.9	

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, 2016, 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, 2016, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

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

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal 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

MARCH 1, 2017
MONTREAL, CANADA

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

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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(s) Deloitte LLP¹

MARCH 1, 2017
MONTREAL, CANADA

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

Consolidated Statements of Financial Position

(IN THOUSANDS OF CANADIAN DOLLARS)		Note	DECEMBER 31 2016	DECEMBER 31 2015
ASSETS				
Current assets				
Cash and cash equivalents	6	\$	1,055,484	\$ 1,581,834
Restricted cash	6		55,577	38,964
Trade receivables	7		935,983	1,200,890
Contracts in progress			1,188,912	985,852
Inventories	8		138,795	152,186
Other current financial assets	9		492,725	908,870
Other current non-financial assets	10		315,847	329,219
Assets held for sale	36		6,706	—
Total current assets			4,190,029	5,197,815
Property and equipment	11		298,333	265,077
Capital investments accounted for by the equity method	5		399,425	419,525
Capital investments accounted for by the cost method	5		48,325	48,331
Goodwill	12		3,268,214	3,386,849
Intangible assets related to Kentz acquisition	13		194,164	272,650
Deferred income tax asset	27		421,461	436,817
Non-current portion of receivables under service concession arrangements			356,847	291,858
Other non-current financial assets	14		58,523	74,064
Other non-current non-financial assets	15		62,998	110,167
Total assets			\$ 9,298,319	\$ 10,503,153
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables		\$	1,888,242	\$ 2,330,538
Downpayments on contracts			263,382	185,813
Deferred revenues			851,158	1,041,633
Other current financial liabilities	16		303,975	394,348
Other current non-financial liabilities	17		397,790	370,621
Advances under contract financing arrangements	18		—	394,144
Current portion of provisions	20		236,594	364,455
Short-term debt and current portion of long-term debt:				
Non-recourse from Capital investments	19		21,011	8,200
Total current liabilities			3,962,152	5,089,752
Long-term debt:				
Recourse	19		349,369	349,144
Non-recourse from Capital investments	19		472,571	525,800
Other non-current financial liabilities			5,928	6,897
Non-current portion of provisions	20		326,401	344,325
Other non-current non-financial liabilities			15,846	10,215
Deferred income tax liability	27		269,718	273,524
Total liabilities			5,401,985	6,599,657
Equity				
Share capital	21		554,839	526,812
Retained earnings			2,959,366	2,901,353
Other components of equity	22		360,845	440,013
Other components of equity of asset held for sale	36		(1,828)	—
Equity attributable to SNC-Lavalin shareholders			3,873,222	3,868,178
Non-controlling interests			23,112	35,318
Total equity			3,896,334	3,903,496
Total liabilities and equity			\$ 9,298,319	\$ 10,503,153

See accompanying notes to consolidated financial statements.

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

NEIL BRUCE (signed)
DIRECTOR

PATRICIA A. HAMMICK (signed)
DIRECTOR

Consolidated Statements of Changes in Equity

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 22)	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 21F)	—	—	(156,104)	—	(156,104)	—	(156,104)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(10,002)	(10,002)
Stock option compensation (Note 21B)	—	—	658	—	658	—	658
Shares issued under stock option plans (Note 21B)	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

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

2015

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 22)	TOTAL		
Balance at beginning of year	152,465	\$ 531,460	\$ 2,785,067	\$ (2,721)	\$ 3,313,806	\$ 11,080	\$ 3,324,886
Net income	—	—	404,336	—	404,336	33,199	437,535
Other comprehensive income (loss)	—	—	(503)	442,734	442,231	3,625	445,856
Total comprehensive income	—	—	403,833	442,734	846,567	36,824	883,391
Dividends declared (Note 21F)	—	—	(150,863)	—	(150,863)	—	(150,863)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(28,480)	(28,480)
Stock option compensation (Note 21B)	—	—	(173)	—	(173)	—	(173)
Shares issued under stock option plans (Note 21B)	111	5,210	(994)	—	4,216	—	4,216
Shares redeemed and cancelled (Note 21D)	(2,804)	(9,858)	(111,919)	—	(121,777)	—	(121,777)
Capital contributions by non-controlling interests	—	—	—	—	—	1,296	1,296
Acquisition of non-controlling interests	—	—	(5,122)	—	(5,122)	(3,878)	(9,000)
Reduction of participation in a subsidiary	—	—	(18,476)	—	(18,476)	18,476	—
Balance at end of year	149,772	\$ 526,812	\$ 2,901,353	\$ 440,013	\$ 3,868,178	\$ 35,318	\$ 3,903,496

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	2016	2015
Revenues from:			
E&C		\$ 8,223,085	\$ 9,363,508
Capital investments accounted for by the consolidation or cost methods		64,904	66,364
Capital investments accounted for by the equity method		182,844	157,082
		8,470,833	9,586,954
Direct costs of activities		7,264,735	8,154,155
Gross margin		1,206,098	1,432,799
Selling, general and administrative expenses	23	724,115	855,633
Restructuring costs	24	115,405	116,396
Acquisition-related costs and integration costs		4,409	19,574
Amortization of intangible assets related to Kentz acquisition	13	68,810	93,988
Gain on disposals of Capital investments	5A	(55,875)	(174,350)
Loss on disposals of E&C businesses	37	37,133	–
EBIT⁽¹⁾		312,101	521,558
Financial expenses	25	60,810	75,151
Financial income and foreign exchange losses (gains)	25	(18,693)	(74,846)
Earnings before income taxes		269,984	521,253
Income taxes	27	13,419	83,718
Net income		\$ 256,565	\$ 437,535
Net income attributable to:			
SNC-Lavalin shareholders		\$ 255,533	\$ 404,336
Non-controlling interests		1,032	33,199
Net income		\$ 256,565	\$ 437,535
Earnings per share (in \$)			
Basic		\$ 1.70	\$ 2.68
Diluted		\$ 1.70	\$ 2.68
Weighted average number of outstanding shares (in thousands)			
Basic	21E	150,077	150,918
Diluted		150,279	150,988

⁽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)

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 22)	(79,718)	(3,336)	(83,054)
Available-for-sale financial assets (Note 22)	1,252	—	1,252
Cash flow hedges (Note 22)	(12,159)	—	(12,159)
Share of other comprehensive income of investments accounted for by the equity method (Note 22)	6,066	—	6,066
Income taxes (Note 22)	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 22)	(40,501)	—	(40,501)
Income taxes (Note 22)	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

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

2015

	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	\$ 404,336	\$ 33,199	\$ 437,535
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 22)	441,420	3,625	445,045
Available-for-sale financial assets (Note 22)	830	—	830
Cash flow hedges (Note 22)	14,412	—	14,412
Share of other comprehensive loss of investments accounted for by the equity method (Note 22)	(11,747)	—	(11,747)
Income taxes (Note 22)	(2,181)	—	(2,181)
Total of items that will be reclassified subsequently to net income	442,734	3,625	446,359
Remeasurement on defined benefit plans (Note 22)	(341)	—	(341)
Income taxes (Note 22)	(162)	—	(162)
Total of items that will not be reclassified subsequently to net income	(503)	—	(503)
Total other comprehensive income	442,231	3,625	445,856
Total comprehensive income	\$ 846,567	\$ 36,824	\$ 883,391

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2016	2015
Operating activities			
Net income		\$ 256,565	\$ 437,535
Income taxes paid		(53,224)	(309,352)
Interest paid from E&C		(35,694)	(37,394)
Interest paid from Capital investments		(24,752)	(28,385)
Other reconciling items	26A	23,454	67,088
		166,349	129,492
Net change in non-cash working capital items	26B	(60,725)	(644,184)
Net cash generated from (used for) operating activities		105,624	(514,692)
Investing activities			
Acquisition of property and equipment		(151,339)	(115,975)
Payments for Capital investments	5C	(11,687)	(16,949)
Recovery associated to the settlement of a financial arrangement	21C	—	49,279
Change in restricted cash position		(16,666)	(7,207)
Increase in receivables under service concession arrangements		(195,361)	(129,733)
Recovery of receivables under service concession arrangements		119,483	93,000
Decrease in short-term and long-term investments		81,456	81,931
Net cash inflow on disposals of Capital investments accounted for by the equity method	5A	101,851	—
Net cash inflow on disposal of a Capital investment accounted for by the cost method	5A	—	600,717
Net cash outflow on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method	37	(23,900)	—
Other		9,086	28,965
Net cash generated from (used for) investing activities		(87,077)	584,028
Financing activities			
Increase in recourse credit facility	19	4,876	430,000
Repayment of recourse credit facility	19	(4,876)	(430,000)
Increase in non-recourse debt from Capital investments		940	2,074
Repayment of non-recourse debt from Capital investments		(8,990)	(10,491)
Increase in advances under contract financing arrangements	18	52,426	173,490
Repayment of advances under contract financing arrangements	18	(448,125)	(102,971)
Proceeds from exercise of stock options		22,599	4,216
Redemption of shares	21D	—	(121,777)
Dividends paid to SNC-Lavalin shareholders	21F	(156,104)	(150,863)
Dividends paid by subsidiaries to non-controlling interests		(10,002)	(28,480)
Other		9,027	(6,671)
Net cash used for financing activities		(538,229)	(241,473)
Increase (decrease) from exchange differences on translating cash and cash equivalents		(6,668)	51,766
Net decrease in cash and cash equivalents		(526,350)	(120,371)
Cash and cash equivalents at beginning of year		1,581,834	1,702,205
Cash and cash equivalents at end of year		\$ 1,055,484	\$ 1,581,834

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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Notes to Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS

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

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

The Company reports its revenues as follows:

- **E&C** includes contracts generating revenues related to engineering, construction, and O&M activities. Such activities include, among others, Engineering, Procurement and Construction (“EPC”), Engineering, Procurement and Construction Management (“EPCM”), and Operations & Maintenance (“O&M”) contracts.
- **Capital investments** regroup SNC-Lavalin’s investments in infrastructure concessions for public services or in other long-term assets.

In these audited consolidated financial statements (“financial statements”), activities from engineering and construction 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, or issued and early adopted, for the year ended December 31, 2016, 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; and ii) defined benefit liability, which is measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets. Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

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

The Company’s financial statements were authorized for issue by the Board of Directors on March 1, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) CHANGE IN AN ACCOUNTING POLICY

In 2016, the Company changed its measure of profit or loss for its reportable segments, such measure of profit or loss is referred to as the segment EBIT, which now excludes gains (losses) on disposals of E&C businesses and Capital investments, whereas in the past it only excluded disposals of activities that qualified as restructuring. This change in an accounting policy did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

C) AMENDMENTS ADOPTED IN 2016

The following amendments to existing standards have been adopted by the Company on January 1, 2016:

- *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.
- *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.
- Annual Improvements to IFRS (2012-2014 Cycle):
 - Amendments to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
 - Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.
 - Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
 - Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

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

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2017 and thereafter, with an earlier application permitted:

- *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*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Considerations for the implementation of IFRS 9 and IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on or after January 1, 2018. SNC-Lavalin will not be early adopting IFRS 9 or IFRS 15.

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 impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, *Financial Instruments: Recognition and Measurement*), hedge accounting and significant additional disclosure requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised at the date of initial application. The Company is currently evaluating the transition methods prescribed under IFRS 15. For companies like SNC-Lavalin that are currently applying IAS 11, *Construction Contracts*, the main impacts of adopting IFRS 15 are expected to be on timing of revenue recognition, contract assets and liabilities, as well as disclosure.

Although the Company has conducted a preliminary assessment of the effects of the application of IFRS 9 and IFRS 15 on the Company's interim and annual financial statements, it is not possible to make reasonable estimates of the impacts of the adoption of IFRS 9 and IFRS 15 at this date, as more data needs to be collected. The Company's current implementation roadmap extends into the fourth quarter of 2017; therefore, it will report on progress achieved over the course of the next financial reporting year.

E) 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 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

Translation of financial statements of foreign operations

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

G) 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. 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** regroup 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. 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.

H) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) 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 2G).	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 2G).	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 2G).	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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

J) 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.

K) 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 14). Restricted cash is designated as FVTPL and accounted for at fair value.

L) 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.

M) 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.

N) 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	25 to 50 years
Computer equipment	Straight-line	2 to 5 years
Office furniture	Diminishing balance	20%
Machinery	Straight-line	1 to 15 years

O) INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired in a business combination

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

P) 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.

Q) 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.

R) 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.

S) 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.

T) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U) 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.

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

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

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

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

W) SELLING EXPENSES

All costs related to contract proposals are expensed as incurred.

X) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y) 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 2014 Performance Share Unit plan ("2014 PSU plan"), 2009 Performance Share Unit plan ("2009 PSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), Restricted Share Unit plan ("RSU plan"), and Deferred Share Unit plan ("DSU plan") 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.

Z) 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.

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.

AA) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Revenue and gross margin recognition

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

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

As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. In particular, while 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.

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

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.

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 senior management, and long-term forecast, which is prepared on an annual basis by the Company’s senior management, are the primary sources for the determination of value in use. Cash flows beyond the long-term forecast are extrapolated using a growth rate of 2.5% in 2016 (2015: 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 9.7% to 12.9% have been used for goodwill impairment calculations performed in 2016 (2015: from 11.1% to 13.5%). The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

As at October 31, 2016 and 2015, goodwill was not considered to be impaired.

Approximately 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 2016 (2015: 2.5%) and a discount rate of 12.9% in 2016 (2015: 13.5%), exceeded its carrying amount by \$253.0 million as at October 31, 2016 (2015: \$298.7 million). Assuming all other assumptions remain the same, a 130-basis point decrease in 2016 (2015: a 140-basis point decrease) in the terminal growth rate or a 260-basis increase in 2016 (2015: a 90-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, 2016 and 2015.

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.

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

Measurement of retirement benefit obligations and other post-employment benefit obligations

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

Measurement of provisions shown in the consolidated statement of financial position

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

Contingent liabilities

As described in more details in Note 31, the Company is subject to certain ongoing investigations and class action lawsuits have been filed against the Company. The outcome of these investigations or actions, while not determinable, could have a material adverse impact on the Company's liquidity and financial results.

Measurement of share-based payment expenses

The Company offers the 2009 and 2014 PSU plans to selected individuals within the organization. Subject to performance conditions, the number of units granted is adjusted depending on specific indicators to determine the number of units to which all participants receiving the award will be entitled at the end of the vesting period. At each measurement date, management is required to estimate the number of 2009 and 2014 performance share units that will vest, which impacts the amount of associated 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 no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either directly or indirectly observable, or that are not based on observable market data.

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.

4. SEGMENT DISCLOSURES

SNC-Lavalin's reportable segments are i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; and v) **Capital**. The Company also provides additional information on certain sub-segments of its segments, notably on the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure. These sub-segments qualify as operating segments and they have been aggregated. These sub-segments have similar economic characteristics, and are similar in each of the following respects: the nature of the services, the methods used to deliver them and the employees' technical know-how which can sometimes be transferred from a project to another, and allows them to work in projects in various sub-segments.

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

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 and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects.

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 (capital and operational 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 regroups projects from Infrastructure & Construction and O&M. Infrastructure & Construction includes projects and professional services in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agri-food, life sciences, automation, industrial processes), geotechnical engineering and materials testing as well as water infrastructure and treatment facilities. In addition, Infrastructure & Construction includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management. Operations & Maintenance includes services provided to clients in Integrated Real Estate Solutions, Industrial, Transportation and Defence & Logistics.

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 changed its measure of profit or loss for its reportable segments; such measure of profit or loss is referred to as the segment EBIT, which now excludes gains (losses) on disposals of E&C businesses and Capital investments, whereby in the past it only excluded disposals of activities that qualified as restructuring.

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 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 Kentz acquisition and gains (losses) on disposal(s) of E&C businesses 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.

4. SEGMENT DISCLOSURES (CONTINUED)

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

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

	2016			
	REVENUES	SEGMENT EBIT		
		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				
Infrastructure & Construction	1,629,413	67,761	–	67,761
Operations & Maintenance	878,238	63,247	–	63,247
Sub-total – 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 the segments		(162,317)	(24,284)	(186,601)
Restructuring costs (Note 24)		(115,405)	–	(115,405)
Amortization of intangible assets related to Kentz acquisition (Note 13)		(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 37)		(37,133)	–	(37,133)
EBIT		78,568	233,533	312,101
Net financial expenses (Note 25)		27,926	14,191	42,117
Earnings before income taxes		50,642	219,342	269,984
Income taxes (Note 27)		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

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the year ended December 31, 2015:

YEAR ENDED DECEMBER 31		2015 ⁽¹⁾		
	REVENUES	SEGMENT EBIT		TOTAL
		E&C	CAPITAL	
Mining & Metallurgy	\$ 780,886	\$ 73,135	\$ —	\$ 73,135
Oil & Gas	3,914,644	300,567	—	300,567
Power	1,784,821	116,399	—	116,399
Infrastructure				
Infrastructure & Construction	1,847,676	(2,237)	—	(2,237)
Operations & Maintenance	1,035,481	54,421	—	54,421
Sub-total – Infrastructure	2,883,157	52,184	—	52,184
Total E&C segments	9,363,508	542,285	—	542,285
Capital	223,446	—	194,073	194,073
	\$ 9,586,954			736,358
Reversal of non-controlling interests before income taxes included above		39,834	—	39,834
Corporate selling, general and administrative expenses and others not allocated to segments		(180,873)	(18,153)	(199,026)
Restructuring costs (Note 24)		(116,396)	—	(116,396)
Amortization of intangible assets related to Kentz acquisition (Note 13)		(93,988)	—	(93,988)
Acquisition-related costs and integration costs		(19,574)	—	(19,574)
Gain on disposal of a Capital investment (Note 5A)		—	174,350	174,350
EBIT		171,288	350,270	521,558
Net financial expenses (income) (Note 25)		(7,693)	7,998	305
Earnings before income taxes		178,981	342,272	521,253
Income taxes (Note 27)		49,948	33,770	83,718
Net income		\$ 129,033	\$ 308,502	\$ 437,535
Net income attributable to:				
SNC-Lavalin shareholders				\$ 404,336
Non-controlling interests				33,199
Net income				\$ 437,535

⁽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).

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	2016	2015
Supplementary information:		
Net loss on disposals of E&C businesses (Note 37)	\$ (44,582)	\$ —
Excluding the net loss listed above	90,927	95,834
Net income attributable to SNC-Lavalin shareholders from E&C	46,345	95,834
Net gain on disposals of Capital investments (Note 5A)	48,381	145,719
Highway 407 ETR dividends	132,516	125,807
Excluding the items listed above	28,291	36,976
Net income attributable to SNC-Lavalin shareholders from Capital investments	209,188	308,502
Net income attributable to SNC-Lavalin shareholders	\$ 255,533	\$ 404,336

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 2016	DECEMBER 31 2015
Property, equipment, goodwill and intangible assets		
Canada:		
From E&C	\$ 313,115	\$ 313,902
From Capital investments	—	—
	313,115	313,902
Outside Canada:		
From E&C	3,447,596	3,610,674
From Capital investments	—	36,562
	3,447,596	3,647,236
	\$ 3,760,711	\$ 3,961,138

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

	2016			
YEAR ENDED DECEMBER 31				
Revenues by geographic area ⁽¹⁾	ENGINEERING AND CONSTRUCTION	OPERATIONS AND MAINTENANCE	CAPITAL INVESTMENTS	TOTAL
Canada	\$ 2,606,243	\$ 680,365	\$ 207,563	\$ 3,494,171
Middle East:				
Saudi Arabia	858,956	21,195	—	880,151
Other countries	589,518	45	—	589,563
Australia	1,597,101	—	—	1,597,101
United States	895,633	2,349	2,570	900,552
Africa	282,022	87,568	23,939	393,529
Latin America	128,288	—	—	128,288
Europe	343,383	86,716	13,676	443,775
Other regions	43,703	—	—	43,703
	\$ 7,344,847	\$ 878,238	\$ 247,748	\$ 8,470,833

	2015			
YEAR ENDED DECEMBER 31				
Revenues by geographic area ⁽¹⁾	ENGINEERING AND CONSTRUCTION	OPERATIONS AND MAINTENANCE	CAPITAL INVESTMENTS	TOTAL
Canada	\$ 3,243,616	\$ 780,299	\$ 189,733	\$ 4,213,648
Middle East:				
Saudi Arabia	832,003	19,276	—	851,279
Other countries	541,649	175	—	541,824
Australia	1,391,286	—	—	1,391,286
United States	763,957	2,444	2,037	768,438
Africa	502,670	151,533	15,477	669,680
Latin America	559,886	—	—	559,886
Europe	424,396	81,754	16,200	522,350
Other regions	68,563	—	—	68,563
	\$ 8,328,026	\$ 1,035,481	\$ 223,447	\$ 9,586,954

⁽¹⁾ In 2016, other than Canada, Australia, United States and Saudi Arabia were the only countries where the Company derived more than 10% of its revenues. In 2015, other than Canada, Australia was the only country 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, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities.

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) DECREASES IN OWNERSHIP INTERESTS IN INVESTMENTS AND ADDITIONS OF INVESTMENTS

I) 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.

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 37 for further details.

5. CAPITAL INVESTMENTS (CONTINUED)

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 37)	(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
Cash inflow on 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.

II) IN 2015

SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")

In June 2015, the Company announced that the consortium SSL, of which SNC-Lavalin is a 50% partner, has finalized an agreement with the Government of Canada to design, build, finance and maintain the New Champlain Bridge Corridor project. SSL will operate and maintain the bridge for the duration of the concession period until 2049. The Company committed to invest in this Capital investment an amount of \$43.1 million in equity.

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

CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP

In July 2015, the Company announced that Crosslinx Transit Solutions General Partnership, a consortium in which SNC-Lavalin, along with its three partners, has reached financial close on the Eglinton Crosstown Light Rail Transit project (the "Eglinton Crosstown LRT") in Toronto, Canada. Under the project agreement, Crosslinx Transit Solutions General Partnership will provide the design, build, financing and 30-year maintenance and rehabilitation of the Eglinton Crosstown LRT. The Company committed to invest in this Capital investment an amount of \$24.9 million in equity.

SNC-Lavalin's investment in Crosslinx Transit Solutions General Partnership is accounted for by the equity method.

AMBATOVY NICKEL PROJECT ("AMBATOVY")

On September 21, 2015, the Ambatovy Nickel Project achieved financial completion. Accordingly, the project financing that was put in place to finance the construction of the project, for which SNC-Lavalin provided a US\$105 million financial guarantee and a US\$70 million cross-guarantee to the Ambatovy project's lenders, became non-recourse to all of the partners, including SNC-Lavalin. At the same time, the put/call arrangement (the "option") between SNC-Lavalin and two shareholders of Ambatovy became exercisable, allowing SNC-Lavalin to divest its 5% ownership interest in Ambatovy (the "investment") and the balance of its loans to a shareholder of Ambatovy (the "loans").

On September 30, 2015, the Company announced that it exercised its option. As such, SNC-Lavalin sold to one of Ambatovy shareholders its investment in Ambatovy and its loans for a cash consideration of US\$449.7 million (CA\$600.7 million).

5. CAPITAL INVESTMENTS (CONTINUED)

Net gain on disposal of Ambatovy

YEAR ENDED DECEMBER 31	2015
Consideration received	\$ 600,717
Carrying amount of the investment and loans	(425,367)
Disposition-related costs	(1,000)
Gain on disposal of Ambatovy	174,350
Income taxes	(28,631)
Net gain on disposal of Ambatovy	\$ 145,719

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 2016	DECEMBER 31 2015
Net liabilities from Capital investments accounted for by the consolidation method	\$ (31,231)	\$ (15,895)
Net book value of Capital investments accounted for by the equity method ^{(1), (2), (3)}	399,425	419,525
Net book value of Capital investments accounted for by the cost method	48,325	48,331
Total net book value of Capital investments	\$ 416,519	\$ 451,961

(1) Includes the Company's investment in Highway 407 ETR, for which the net book value was \$nil as at December 31, 2016 and 2015.

(2) Includes the Company's subordinated loan receivable from a Capital investment of \$109.3 million as at December 31, 2016 and 2015.

(3) Excludes the Company's investment in TC Dôme S.A.S., which is included in the "Assets held for sale" in the Company's consolidated statement of financial position, as at December 31, 2016.

I) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE CONSOLIDATION METHOD

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

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
					DECEMBER 31 2016	DECEMBER 31 2015
InPower BC General Partnership	John Hart Generating Replacement Facility (under construction)	Yes	2033	Canada	100.0%	100.0%
Okanagan Lake Concession Limited Partnership ("Okanagan Lake Concession")	1.1-km William R. Bennett Bridge under a 30-year concession agreement	Yes	2035	Canada	100.0%	100.0%
Rainbow Hospital Partnership ("Rainbow")	Restigouche Hospital Center for psychiatric care	Yes	2044	Canada	100.0%	100.0%
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	Mayotte airport under a 15-year concession agreement	Yes	2026	France	—	100.0%

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:

					OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2016	DECEMBER 31 2015
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 (“Chinook”)	25-km of six-lane road	Yes	2043	Canada	50.0%	50.0%
Crosslinx Transit Solutions General Partnership	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	25.0%	25.0%
Groupe infrastructure santé McGill ⁽²⁾ (“MIHG”)	McGill University Health Centre – Glen Campus under a 34-year concession agreement	Yes	2044	Canada	60.0%	60.0%
Rideau Transit Group Partnership (“Rideau”)	The Confederation Line, City of Ottawa’s light rail transit system (under construction)	Yes	2043	Canada	40.0%	40.0%
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 (“InTransit BC”)	19-km rapid transit line	Yes	2040	Canada	33.3%	33.3%
Malta International Airport p.l.c. ⁽⁴⁾	65-year concession agreement to operate the Malta airport	No	2067	Malta	–	15.5%
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	N/A	Algeria	25.5%	25.5%
Rayalseema Expressway Private Limited	30-year concession agreement to build and operate a 189-km toll highway section (under construction in 2015)	Yes	2040	India	–	36.9%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	26.0%	26.0%

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

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

⁽³⁾ The Company's investment in TC Dôme was presented as a non-current asset held for sale as at December 31, 2016 (Note 36).

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

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, 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, 2015	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	\$ 1,002,189	\$ 1,858,690	\$ 2,860,879
Interest income (at 100%)	\$ 9,270	\$ 18,295	\$ 27,565
Interest expense (at 100%)	\$ 336,281	\$ 159,253	\$ 495,534
Depreciation and amortization (at 100%)	\$ 86,047	\$ 150	\$ 86,197
Income tax expense (at 100%)	\$ 115,892	\$ 2	\$ 115,894

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, 2015	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	\$ 311,157	\$ 36,125	\$ 347,282
Other comprehensive loss (at 100%)	(701)	(20,057)	(20,758)
Total comprehensive income (at 100%)	\$ 310,456	\$ 16,068	\$ 326,524

YEAR ENDED DECEMBER 31	2016	2015
Company's share of net income of Capital investments based on its ownership interest ⁽¹⁾	\$ 82,951	\$ 68,539
Company's net income from Capital investments included in its income statement ⁽¹⁾	\$ 153,995	\$ 131,279

⁽¹⁾ See Note 1 on the following page.

5. CAPITAL INVESTMENTS (CONTINUED)

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

DECEMBER 31, 2015	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	\$ 376,886	\$ 269,118	\$ 646,004
Other current assets (at 100%)	358,443	1,228,250	1,586,693
Non-current assets (at 100%)	4,396,184	2,701,305	7,097,489
Total assets (at 100%)	5,131,513	4,198,673	9,330,186
Trade payables (at 100%)	87,109	26,939	114,048
Other current financial liabilities (at 100%)	952,861	1,018,479	1,971,340
Other non-current financial liabilities (at 100%)	6,256,155	3,080,248	9,336,403
Other non-current non-financial liabilities (at 100%)	476,816	—	476,816
Total liabilities (at 100%)	7,772,941	4,125,666	11,898,607
Net assets (liabilities) (at 100%)	\$ (2,641,428)	\$ 73,007	\$ (2,568,421)
Company's carrying value of Capital investments included in its statement of financial position ⁽¹⁾	\$ —	\$ 262,965	\$ 262,965

- ⁽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 \$132.5 million in 2016 (2015: \$125.8 million) and did not recognize its share of Highway 407 ETR's net income of \$62.6 million (2015: \$52.2 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was \$nil at December 31, 2016 and 2015. 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 \$514.3 million as at December 31, 2016 (2015: \$443.6 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	2016	2015
Statements of comprehensive income		
Revenues (at 100%)	\$ 423,262	\$ 408,772
Expenses (at 100%)	313,089	302,462
Net income (at 100%)	110,173	106,310
Other comprehensive income (loss) (at 100%)	7,581	(10,474)
Total comprehensive income (at 100%)	\$ 117,754	\$ 95,836
Company's share of net income of Capital investments based on its ownership interest	\$ 28,849	\$ 25,803
Company's share of net income from Capital investments included in its income statement	\$ 28,849	\$ 25,803
	DECEMBER 31 2016	DECEMBER 31 2015
Statements of financial position		
Current assets (at 100%)	\$ 474,854	\$ 543,908
Non-current assets (at 100%)	1,251,631	1,755,602
Total assets (at 100%)	1,726,485	2,299,510
Current liabilities (at 100%)	104,713	211,540
Non-current liabilities (at 100%)	1,136,120	1,507,127
Total liabilities (at 100%)	1,240,833	1,718,667
Net assets (at 100%)	\$ 485,652	\$ 580,843
Company's carrying value of Capital investments included in its statement of financial position	\$ 125,792	\$ 156,560

III) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE COST METHOD

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

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
				DECEMBER 31 2016	DECEMBER 31 2015
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, 2016 and 2015, the Company's consolidated income includes revenues of \$2.6 million and \$nil, 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, 2016 and 2015:

	2016	2015
Commitments to invest in Capital investments – January 1	\$ 113,942	\$ 55,983
Increase (decrease) in commitments to invest in Capital investments	(4,205)	74,908
Payments for Capital investments during the year	(11,687)	(16,949)
Commitments to invest in Capital investments – December 31	\$ 98,050	\$ 113,942

At December 31, 2016, the commitments to invest in Capital investments were related to contributions for Rideau, 407 EDGGP, SSL and Eglinton Crosstown (2015: Rideau, 407 EDGGP, SSL and Eglinton Crosstown) and were presented as "Other current financial liabilities" (see Note 16) 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, 2016, no liability was recorded in relation to this agreement as the conditions have not been met yet.

6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS

	DECEMBER 31 2016	DECEMBER 31 2015
Bank balances, bank term deposits and bankers' acceptances	\$ 1,055,484	\$ 1,581,834
Cash and cash equivalents	\$ 1,055,484	\$ 1,581,834

B) RESTRICTED CASH

	DECEMBER 31 2016	DECEMBER 31 2015
Bank balances, bank term deposits and bankers' acceptances	\$ 62,516	\$ 45,733
Restricted cash – current and non-current	\$ 62,516	\$ 45,733
Presented on the statement of financial position as follows:		
Current assets – "Restricted cash"	\$ 55,577	\$ 38,964
Non-current assets – included in "Other non-current financial assets" (Note 14)	\$ 6,939	\$ 6,769

7. 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 2016	DECEMBER 31 2015
Trade receivables:		
Within normal terms of payment	\$ 723,911	\$ 1,031,631
Past due	334,046	439,732
Total trade receivables	1,057,957	1,471,363
Allowance for doubtful accounts	(121,974)	(270,473)
Trade receivables, net of allowance for doubtful accounts	\$ 935,983	\$ 1,200,890

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	2016	2015
Balance at beginning of year	\$ 270,473	\$ 222,334
Change in allowance, other than write-offs and recoveries	(61,260)	97,934
Write-offs of trade receivables	(63,645)	(5,081)
Recoveries	(17,644)	(44,714)
Disposals of E&C businesses	(5,950)	—
Balance at end of year	\$ 121,974	\$ 270,473

8. INVENTORIES

	DECEMBER 31 2016	DECEMBER 31 2015
Raw materials	\$ 56,575	\$ 72,956
Work in progress	44,837	46,535
Finished goods	37,383	32,695
Inventories	\$ 138,795	\$ 152,186

The cost of inventories recognized by the Company as an expense during the year ended December 31, 2016 was \$99.3 million (2015: \$138.5 million).

9. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
Retentions on client contracts	\$ 303,147	\$ 664,385
Advances to suppliers, subcontractors and employees and deposits on contracts	56,625	66,046
Derivative financial instruments used for hedges – favourable fair value	2,373	9,742
Current portion of receivables under service concession arrangements	13,346	19,439
Current portion of deposit notes	37,810	81,456
Consideration receivable related to the disposal of Real Estate Facilities Management business (Note 37)	11,604	—
Other	67,820	67,802
Other current financial assets	\$ 492,725	\$ 908,870

10. OTHER CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
Income taxes and other taxes receivable	\$ 260,385	\$ 253,878
Prepaid expenses and other	55,462	75,341
Other current non-financial assets	\$ 315,847	\$ 329,219

11. PROPERTY AND EQUIPMENT

	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

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2015	\$ 101,644	\$ 330,801	\$ 140,166	\$ 66,645	\$ 120,224	\$ 759,480
Additions	10,050	26,584	15,490	36,006	27,845	115,975
Effect of foreign currency exchange differences	1,206	(690)	527	(7,263)	3,344	(2,876)
Disposals / retirements / salvage	(10,912)	(13,940)	(11,518)	(8,651)	(18,071)	(63,092)
Balance as at December 31, 2015	\$ 101,988	\$ 342,755	\$ 144,665	\$ 86,737	\$ 133,342	\$ 809,487
Accumulated depreciation						
Balance as at January 1, 2015	41,670	293,513	102,060	8,641	67,498	513,382
Depreciation expense	5,730	14,819	12,685	24,306	10,026	67,566
Effect of foreign currency exchange differences	(68)	(1,609)	(41)	(4,215)	544	(5,389)
Disposals / retirements / salvage	(1,330)	(12,969)	(8,339)	(1,114)	(7,397)	(31,149)
Balance as at December 31, 2015	\$ 46,002	\$ 293,754	\$ 106,365	\$ 27,618	\$ 70,671	\$ 544,410

Net book value:

As at December 31, 2016	\$ 76,543	\$ 52,761	\$ 37,376	\$ 73,487	\$ 58,166	\$ 298,333
As at December 31, 2015	\$ 55,986	\$ 49,001	\$ 38,300	\$ 59,119	\$ 62,671	\$ 265,077

An amount of \$17.2 million as at December 31, 2016 (2015: \$12.8 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash acquisitions of property and equipment amounted to \$9.6 million in the year ended December 31, 2016 (2015: \$nil).

12. GOODWILL

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

Balance at January 1, 2015	\$ 2,895,379
Net foreign currency exchange differences	491,470
Balance at December 31, 2015	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

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, 2016 and 2015, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	DECEMBER 31 2016	DECEMBER 31 2015
Mining & Metallurgy	\$ 100,297	\$ 92,684
Oil & Gas	2,941,263	3,048,985
Power	66,751	66,723
Infrastructure & Construction	109,496	111,281
O&M	50,407	67,176
	\$ 3,268,214	\$ 3,386,849

As at October 31, 2016 and 2015, goodwill was not considered to be impaired.

13. INTANGIBLE ASSETS RELATED TO KENTZ ACQUISITION

On August 22, 2014, SNC-Lavalin completed its acquisition of Kentz Corporation Limited (“Kentz”), 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 Kentz acquisition:

	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
Depreciation 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

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2015	\$ 118,915	\$ 205,601	\$ 25,841	\$ 350,357
Effect of foreign currency exchange differences	23,386	40,411	5,103	68,900
Balance as at December 31, 2015	\$ 142,301	\$ 246,012	\$ 30,944	\$ 419,257
Accumulated depreciation				
Balance as at January 1, 2015	26,781	10,698	1,856	39,335
Depreciation expense	55,805	32,479	5,704	93,988
Effect of foreign currency exchange differences and other	7,852	4,582	850	13,284
Balance as at December 31, 2015	\$ 90,438	\$ 47,759	\$ 8,410	\$ 146,607

Net book value:

As at December 31, 2016	\$ 20,553	\$ 157,798	\$ 15,813	\$ 194,164
As at December 31, 2015	\$ 51,863	\$ 198,253	\$ 22,534	\$ 272,650

14. OTHER NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
From E&C		
Derivative financial instruments – favourable fair value (Note 21C)	\$ 31,248	\$ 56
Other	20,336	29,429
From Capital investments		
Non-current portion of deposit notes	—	37,810
Restricted cash	6,939	6,769
Other non-current financial assets	\$ 58,523	\$ 74,064

15. OTHER NON-CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
From E&C	\$ 62,998	\$ 73,605
From Capital investments	—	36,562
Other non-current non-financial assets	\$ 62,998	\$ 110,167

16. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2016	DECEMBER 31 2015
Commitments to invest in Capital investments accounted for by the equity and cost methods (Note 5C)	\$ 98,050	\$ 113,942
Retentions on supplier contracts	150,127	185,420
Balance of purchase price payable relating to acquisition of businesses	1,882	2,443
Derivative financial instruments used for hedges – unfavourable fair value	39,216	92,503
Consideration payable related to the disposal of local French operations and Mayotte Airport (Note 37)	14,700	–
Other	–	40
Other current financial liabilities	\$ 303,975	\$ 394,348

17. OTHER CURRENT NON-FINANCIAL LIABILITIES

	DECEMBER 31 2016	DECEMBER 31 2015
Income taxes and other taxes payable	\$ 267,146	\$ 241,899
Share unit plans' liabilities (Note 21C)	92,469	44,005
Other	38,175	84,717
Other current non-financial liabilities	\$ 397,790	\$ 370,621

18. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

The Company's non-recourse advances under contract financing arrangements secured by the projects' specific assets were as follows as at December 31, 2016 and 2015:

	DECEMBER 31 2016	DECEMBER 31 2015
Sainte-Justine University Hospital Centre	\$ –	\$ 151,034
Evergreen Line rapid transit project	–	243,110
Advances under contract financing arrangements	\$ –	\$ 394,144

SAINTE-JUSTINE UNIVERSITY HOSPITAL CENTRE

In May 2012, SNC-Lavalin announced the financial closure and official signing of the Grandir en santé expansion project of the Sainte-Justine University Hospital Centre. Under the contract, SNC-Lavalin was to provide engineering, construction and financing to the Sainte-Justine University Hospital Centre. In 2013, the Company entered into a non-recourse \$201.0 million credit facility agreement with financial institutions for the financing of this project. Amounts drawn under the revolving credit facility bore interest at a rate for bankers' acceptances plus 1.45% per year.

In the third quarter of 2016, the Company repaid in full the balance outstanding under the non-recourse credit facility agreement used to finance part of the Sainte-Justine University Hospital Centre project and such facility was terminated according to the credit agreement.

EVERGREEN LINE RAPID TRANSIT PROJECT

In 2012, the Company and a partner were awarded an engineering, procurement and construction ("EPC") contract for the Evergreen Line rapid transit project in the Province of British Columbia, Canada. For the duration of this EPC contract, the Company entered into a non-recourse \$255.3 million credit facility agreement with financial institutions to fund the working capital requirements of the project. Amounts drawn under the revolving credit facility bore interest at a fixed rate of 2.7% per year for the fixed rate tranche and at a variable rate, which is CDOR plus 1.45%, for the floating rate tranche.

In the fourth quarter of 2016, the Company repaid in full the balance outstanding under the non-recourse credit facility agreement used to finance part of the Evergreen Line rapid transit project and such facility was terminated according to the credit agreement.

19. SHORT-TERM DEBT AND LONG-TERM DEBT

A) RECOURSE REVOLVING CREDIT FACILITY

I) IN 2016

The Company has an unsecured revolving credit facility (the “Facility”) totalling \$4,250 million which the Company may use for the issuance of performance and financial letters of credit 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 \$1,800 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 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.

II) IN 2015

The Company had an unsecured revolving credit facility (the “Facility”) totalling \$4,250 million which the Company may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of \$1,800 million applicable to financial letters of credit and cash draws but not to performance letters of credit. Amounts drawn under the Facility bear interest at variable rates plus an applicable margin. In 2015, the Company amended its Facility to extend its maturity from August 2017 to August 2018.

In 2015, the cash draws and the cash repayments under the Company’s Facility were as follows:

YEAR ENDED DECEMBER 31	2015
Balance as at January 1, 2015	\$ –
Amounts drawn	430,000
Amounts repaid	(430,000)
Balance as at December 31, 2015	\$ –

As at December 31, 2015, the cash draws and letters of credit outstanding under the Company’s Facility were as follows:

AT DECEMBER 31, 2015	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Credit facility	\$ 4,250,000	\$ –	\$ 2,133,118 ⁽²⁾	\$ 2,116,882

⁽²⁾ Includes \$277.2 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, 2015, \$258.5 million of bilateral letters of credit were outstanding.

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

B) RECOURSE LONG-TERM DEBT

	DECEMBER 31 2016	DECEMBER 31 2015
Recourse (to the general credit of the Company)		
Debentures, 6.19%, due in July 2019 with a face value of \$350.0 million repayable in full at maturity	\$ 349,369	\$ 349,144
The 2019 debenture is unsecured and subject to negative pledge clauses.		
Recourse long-term debt	\$ 349,369	\$ 349,144

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

	DECEMBER 31 2016	DECEMBER 31 2015
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	\$ 125,891
Société d'Exploitation de l'Aéroport de Mayotte		
Loan in three tranches, maturing from 2014 to 2026, which bore interest at: i) variable rates varying between Euribor 1 month plus 1.25% and Euribor 3 months plus 1.90%; and ii) a fixed rate of 4.91%.	—	38,222
The loan was secured by assets of Société d'Exploitation de l'Aéroport de Mayotte.		
Rainbow Hospital Partnership		
Long-term bonds, due in 2044 and bearing interest at a fixed rate of 4.994%	65,861	68,166
The long-term bonds are secured by all assets of Rainbow Hospital Partnership.		
InPower BC General Limited Partnership		
Senior bonds, due in 2033 and bearing interest at a fixed rate of 4.471%	291,584	290,998
The senior bonds are secured by all assets of InPower BC General Limited Partnership.		
Other	14,660	10,723
Total non-recourse short-term debt and long-term debt from Capital investments	493,582	534,000
Less: short-term debt and current portion of long-term debt from Capital investments	21,011	8,200
Non-recourse long-term debt from Capital investments	\$ 472,571	\$ 525,800

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

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

AT DECEMBER 31, 2016	Recourse	Non-recourse from Capital investments	Total
2017	\$ —	\$ 21,835	\$ 21,835
2018	—	7,556	7,556
2019	350,000	9,147	359,147
2020	—	24,314	24,314
2021	—	25,118	25,118
Thereafter	—	416,306	416,306
Total	\$ 350,000	\$ 504,276	\$ 854,276
Net unamortized deferred financing costs and unamortized discounts	(631)	(10,694)	(11,325)
Net carrying amount of short-term debt and long-term debt	\$ 349,369	\$ 493,582	\$ 842,951

20. PROVISIONS

	Pension and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other ⁽¹⁾	Total
Balance at January 1, 2016	\$ 136,994	\$ 216,765	\$ 93,057	\$ 261,964	\$ 708,780
Additional provisions recognized in the year	18,149	42,512	115,405	64,395	240,461
Amounts used during the year	(19,947)	(161,195)	(109,051)	(44,053)	(334,246)
Unused amounts reversed during the year	–	(6,360)	–	(60,104)	(66,464)
Remeasurement recognized in equity	40,501	–	–	–	40,501
Disposals of E&C businesses	(8,637)	(912)	–	(10,914)	(20,463)
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	(16,600)	(4,815)	4,380	11,461	(5,574)
Balance at December 31, 2016	\$ 150,460	\$ 85,995	\$ 103,791	\$ 222,749	\$ 562,995
Presented on the statement of financial position as follows:					
Current portion of provisions					\$ 236,594
Non-current portion of provisions					\$ 326,401

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

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 30.

21. SHARE CAPITAL

A) AUTHORIZED

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

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

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

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

21. SHARE CAPITAL (CONTINUED)

B) STOCK OPTION PLANS

The main features of the stock option plans under which stock options were outstanding at December 31, 2016 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 2016 and 2015:

	2016		2015	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	1,935,285	\$ 44.47	3,179,369	\$ 45.42
Exercised ⁽¹⁾	(585,428)	\$ 38.60	(110,873)	\$ 38.02
Expired	(668,263)	\$ 54.07	(603,750)	\$ 52.49
Forfeited	(64,030)	\$ 42.90	(529,461)	\$ 42.38
Options outstanding at end of year	617,564	\$ 39.81	1,935,285	\$ 44.47

(1) The weighted average market price of the Company's common shares upon the exercise of stock options was \$40.52 in 2016 (\$44.86 in 2015).

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2016.

OPTIONS OUTSTANDING						OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	STOCK OPTION PLAN	YEAR OF GRANT	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING OPTIONS' TERM (MONTHS)	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
\$37.04	2011	2012	183,666	4	\$ 37.04	183,666	\$ 37.04
\$40.98	2013	2013	433,898	28	\$ 40.98	208,846	\$ 40.98
			617,564	21	\$ 39.81	392,512	\$ 39.14

As at December 31, 2016, 3,200,000 stock options remained available for future grants under the 2013 stock option plan (2015: 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, 2016 was \$0.7 million (2015: reversal of the stock option compensation cost of \$0.2 million).

21. SHARE CAPITAL (CONTINUED)

C) SHARE UNIT PLANS

As at December 31, 2016 and 2015, the Company had four share unit compensation plans for executives, namely the 2014 PSU plan, the 2009 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 PSU PLAN	2009 DSU PLAN	RSU PLAN	2014 PSU PLAN
Grant date	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
Number of units	Subject to performance conditions, the number of units granted shall be adjusted depending on the three-year cumulative annualized growth of earnings per share	Determined at grant date, without any further changes	Determined at grant date, without any further changes	Subject to performance conditions, the number of units granted shall be adjusted depending on the total shareholder return compared to peers, as defined in the plan
Vesting of units	Units vest in full at the end of the third calendar year following the grant date	Units vest at a rate of 20% per year at the end of each calendar year following the grant date	Units vest in full three years following their grant date	Units vest in full at the end of the third calendar year following the grant date
Payment	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting January 1 st of the calendar year during which the grant of such award was made and ending on the vesting date.	Units are redeemable for cash by the Company within thirty days following the first anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company no later than March 15 th 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 1 st of the calendar year during which the grant of such award was made and ending on the vesting date.
Redemption price	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the first anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
Forfeiture	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
Other provisions	The units vest immediately in the event of death or if a participant is eligible to retire, with payment being made within ninety business days following the end of the third calendar year from the grant date	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a <i>pro rata</i> basis, with payment being made no later than March 15 th 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 <i>pro rata</i> 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.

21. SHARE CAPITAL (CONTINUED)

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2016 and 2015:

	2016		2015	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2014 PSU plan	394,115	\$ 47.24	515,727	\$ 40.87
2009 DSU plan	15,848	\$ 46.94	23,288	\$ 39.84
RSU plan	559,665	\$ 47.40	656,101	\$ 41.34
DSU plan	30,845	\$ 48.34	29,796	\$ 41.38

In 2015, the financial arrangement with an investment grade financial institution to limit the Company's exposure to the variability of the units caused by fluctuations in its share price was terminated by the Company for total proceeds of \$49.3 million and replaced with derivative financial instruments with investment grade financial institutions. 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 14) 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 \$29.9 million for the year ended December 31, 2016 (2015: \$21.8 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was \$33.2 million as at December 31, 2016 (2015: \$12.5 million), while the share unit plans' liabilities amounted to \$92.5 million as at December 31, 2016 (2015: \$44.0 million).

D) REDEMPTION OF SHARES

In 2016, the Board of Directors authorized the renewal of the Company's normal course issuer bid to purchase for cancellation, on the open market, up to 3,000,000 (2015: 13,287,774) common shares within a one-year period. The renewal of the Company's normal course issuer bid requires annual approval by the Board of Directors and the Toronto Stock Exchange.

There were no redemptions of shares in 2016. In 2015, the Company repurchased and cancelled 2,803,900 common shares under its current and previously authorized normal course issuer bid resulting in cash outflows of \$121.8 million.

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

The weighted average number of outstanding shares in 2016 and 2015 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	2016	2015
Weighted average number of outstanding shares – basic	150,077	150,918
Dilutive effect of stock options	202	70
Weighted average number of outstanding shares – diluted	150,279	150,988

In 2016, all outstanding stock options have been included in the computation of diluted earnings per share. In 2015, 687,763 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive.

F) DIVIDENDS

During the year ended December 31, 2016, the Company recognized as distributions to its equity shareholders dividends of \$156.1 million or \$1.04 per share (2015: \$150.9 million or \$1.00 per share).

22. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2016 and 2015:

	DECEMBER 31 2016	DECEMBER 31 2015
Exchange differences on translating foreign operations	\$ 389,726	\$ 472,355
Available-for-sale financial assets	2,384	1,768
Cash flow hedges	6,695	10,036
Share of other comprehensive loss of investments accounted for by the equity method	(39,788)	(44,146)
Other components of equity	\$ 359,017	\$ 440,013
Presented on the statement of financial position as follows:		
Other components of equity	\$ 360,845	\$ 440,013
Other components of equity of asset held for sale (Note 36)	\$ (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 revalued financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's share of the other comprehensive income (loss) from its investments accounted for by the equity method.

22. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the years ended December 31, 2016 and 2015:

YEAR ENDED DECEMBER 31	2016	2015
Exchange differences on translating foreign operations:		
Balance at beginning of year	\$ 472,355	\$ 28,024
Current year gains (losses)	(102,422)	452,243
Reclassification to net income	11,488	—
Net investment hedge – current year gains (losses)	11,216	(10,823)
Income taxes relating to current year gains (losses)	(2,911)	2,911
Balance at end of year	389,726	472,355
Available-for-sale financial assets:		
Balance at beginning of year	1,768	645
Current year gains (losses) ⁽¹⁾	(22)	6,830
Income taxes relating to current year gains (losses)	(636)	(61)
Reclassification to net income ⁽¹⁾	1,274	(6,000)
Income taxes relating to amounts reclassified to net income	—	354
Balance at end of year	2,384	1,768
Cash flow hedges:		
Balance at beginning of year	10,036	4,244
Current year gains (losses)	21,874	(31,580)
Income taxes relating to current year gains (losses)	(339)	6,663
Reclassification to net income	(34,033)	45,992
Income taxes relating to amounts reclassified to net income	9,157	(15,283)
Balance at end of year	6,695	10,036
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of year	(44,146)	(35,634)
Current year share	(2,464)	(19,135)
Income taxes relating to current year share	468	5,201
Reclassification to net income	8,530	7,388
Income taxes relating to amounts reclassified to net income	(2,176)	(1,966)
Balance at end of year	(39,788)	(44,146)
Other components of equity	\$ 359,017	\$ 440,013
Presented on the statement of financial position as follows:		
Other components of equity	\$ 360,845	\$ 440,013
Other components of equity of asset held for sale (Note 36)	\$ (1,828)	\$ —

⁽¹⁾ In 2016, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to \$1.3 million (2015: loss of \$3.4 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 \$1.3 million (2015: gain of \$3.4 million).

REMEASUREMENT 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, 2016 and 2015:

YEAR ENDED DECEMBER 31	2016			2015		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (33,519)	\$ 6,241	\$ (27,278)	\$ (33,178)	\$ 6,403	\$ (26,775)
Remeasurement recognized during the year:						
Defined benefit pension plans	(26,311)	942	(25,369)	6,201	(61)	6,140
Other post-employment benefits	(14,190)	2,913	(11,277)	(6,542)	(101)	(6,643)
	(40,501)	3,855	(36,646)	(341)	(162)	(503)
Cumulative amount at December 31	\$ (74,020)	\$ 10,096	\$ (63,924)	\$ (33,519)	\$ 6,241	\$ (27,278)

23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31	2016	2015
Selling expenses	\$ 194,837	\$ 188,407
General and administrative expenses	529,278	667,226
Selling, general and administrative expenses	\$ 724,115	\$ 855,633

24. RESTRUCTURING COSTS

In 2015, the Company extended its restructuring efforts by launching the “STEP Change” program. This program was designed to make the Company more agile customer-facing and allow the Company to further improve operational efficiency, including a realignment of its corporate and operating organization.

In 2016, the Company launched 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 \$115.4 million of restructuring costs in 2016 (2015: \$116.4 million).

The restructuring costs recognized in 2016 were mainly for severances (2015: severances, the disposal of certain activities and closure of certain offices).

25. NET FINANCIAL EXPENSES

YEAR ENDED DECEMBER 31	2016			2015		
	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL
Interest on debt:						
Recourse	\$ 21,901	\$ –	\$ 21,901	\$ 24,857	\$ –	\$ 24,857
Non-recourse	–	27,123	27,123	–	26,832	26,832
Other	11,595	191	11,786	22,742	720	23,462
Financial expenses	33,496	27,314	60,810	47,599	27,552	75,151
Financial income	(9,363)	(13,123)	(22,486)	(12,377)	(19,614)	(31,991)
Net foreign exchange losses (gains)	3,793	–	3,793	(42,915)	60	(42,855)
Financial income and net foreign exchange losses (gains)	(5,570)	(13,123)	(18,693)	(55,292)	(19,554)	(74,846)
Net financial expenses (income)	\$ 27,926	\$ 14,191	\$ 42,117	\$ (7,693)	\$ 7,998	\$ 305

26. 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:

	2016	2015
Depreciation of property and equipment and amortization of other non-current non-financial assets:		
From E&C	\$ 140,566	\$ 162,419
From Capital	2,533	–
Income taxes recognized in net income (Note 27)	13,419	83,718
Net financial expenses recognized in net income (Note 25)	42,117	305
Share-based expense (Note 21)	30,541	21,625
Income from Capital investments accounted for by the equity method	(182,844)	(157,082)
Dividends and distributions received from Capital investments accounted for by the equity method	162,389	157,070
Net change in provisions related to forecasted losses on certain contracts	(125,043)	(24,717)
Gain on disposals of Capital investments (Note 5A)	(55,875)	(174,350)
Restructuring costs recognized in net income (Note 24)	115,405	116,396
Restructuring costs paid	(109,051)	(78,747)
Loss on disposals of E&C businesses (Note 37)	37,133	–
Other	(47,836)	(39,549)
Other reconciling items	\$ 23,454	\$ 67,088

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:

	2016	2015
Decrease in trade receivables	\$ 178,219	\$ 118,395
Increase in contracts in progress	(246,719)	(86,120)
Increase in inventories	(1,298)	(27,033)
Decrease (increase) in other current financial assets	357,339	(81,605)
Increase in other current non-financial assets	(104,661)	(18,435)
Decrease in trade payables	(226,718)	(112,098)
Increase (decrease) in downpayments on contracts	89,403	(86,575)
Decrease in deferred revenues	(150,186)	(191,954)
Decrease in other current financial liabilities	(19,748)	(80,049)
Increase (decrease) in other current non-financial liabilities	63,644	(78,710)
Net change in non-cash working capital items	\$ (60,725)	\$ (644,184)

27. 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 2016	Recognized in other comprehensive income	Derecognized upon disposals of businesses and investments	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2016
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

27. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period of 2015 can be summarized as follows:

	JANUARY 1 2015	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2015
Current:					
Retentions on client contracts	\$ (145,969)	\$ –	\$ (25,951)	\$ –	\$ (171,920)
Contracts in progress	(10,953)	–	1,777	(293)	(9,469)
Retentions on supplier contracts	90,353	–	(21,612)	–	68,741
Accrued employee compensation	14,578	–	(5,292)	–	9,286
Current liabilities	85,860	–	31,026	1,167	118,053
Other	4,250	–	(4,276)	(392)	(418)
Non-current:					
Property and equipment, and goodwill	(67,540)	–	19,420	(8,819)	(56,939)
Other non-current financial assets	(12,560)	–	(7,653)	–	(20,213)
Provisions	(2,258)	–	(32,896)	4,433	(30,721)
Capital investments accounted for by the equity or cost methods	(119,092)	3,235	(30,008)	(1,549)	(147,414)
Pension plans and other post-employment benefits	13,454	(162)	(382)	1,093	14,003
Other	(2,512)	(5,416)	(3,022)	82	(10,868)
Unused tax losses	312,966	–	85,528	2,678	401,172
Deferred income tax asset, net	\$ 160,577	\$ (2,343)	\$ 6,659	\$ (1,600)	\$ 163,293

Presented on the statement of financial position as follows:

Deferred income tax asset	\$ 419,639	–	–	–	\$ 436,817
Deferred income tax liability	\$ 259,062	–	–	–	\$ 273,524

As at December 31, 2016, the Company had \$1,725.4 million (2015: \$2,110.4 million) of non-capital tax losses carried-forward of which \$1,251.0 million will expire in varying amounts from 2017 to 2037 (2015: \$1,685.0 million expiring from 2016 to 2036). As at December 31, 2016, a deferred income tax asset of \$274.6 million (2015: \$401.2 million) has been recognized on \$1,086.7 million (2015: \$1,533.6 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, 2016, the Company had \$161.2 million of the unrecognized non-capital tax losses that will expire in varying amounts from 2017 to 2037 (2015: \$233.5 million expiring in varying amounts from 2016 to 2036).

As at December 31, 2016, the Company had \$56.5 million (2015: \$53.5 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 (2015: \$26.6 million expiring in 2031 and 2032), while the remaining capital tax losses have no expiry date.

As at December 31, 2016, a deferred income tax liability has not been recognized on taxable temporary differences of \$978.3 million (2015: \$1,191.9 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.

27. INCOME TAXES (CONTINUED)

B) INCOME TAXES

The relationship between the expected income taxes based on Canadian effective tax rate of SNC-Lavalin at 26.6% (2015: 26.6%) and the reported income taxes in net income can be reconciled as follows:

YEAR ENDED DECEMBER 31	2016		2015	
	AMOUNT	%	AMOUNT	%
Income before income taxes	\$ 269,984		\$ 521,253	
Canadian tax rate for SNC-Lavalin		26.6		26.6
Expected income taxes	\$ 71,899		\$ 138,685	
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	(26,857)	(9.9)	(23,084)	(4.4)
Effect of Canadian provincial tax rate differences	(1,269)	(0.4)	(71)	–
Net income and losses not affected by tax	22,237	8.2	13,660	2.6
Effect of benefit from a previous unrecognized tax loss used to reduce current tax expense	(11,208)	(4.2)	(10,983)	(2.1)
Effect of differences between accounting gain and taxable capital gain realized on disposal of Ambatovy	–	–	(16,711)	(3.2)
Effect of differences between accounting gain and taxable capital gain realized on disposal of SNCL Malta	(8,829)	(3.3)	–	–
Effect of differences between accounting gain and taxable capital gain realized on disposals of E&C businesses and Mayotte Airport	15,458	5.7	–	–
Effect of reversal of a previous write-down of deferred income tax asset	(5,709)	(2.1)	(10,808)	(2.1)
Effect of valuation allowances on previously recognized deferred income tax asset (liability)	2,870	1.1	1,315	0.3
Non-taxable income from certain Capital investments accounted for by the equity method	(38,945)	(14.4)	(38,562)	(7.4)
Other permanent differences for tax purposes	(508)	(0.2)	15,988	3.1
Other	(5,720)	(2.1)	14,289	2.7
Income taxes at effective tax rate	\$ 13,419	5.0	\$ 83,718	16.1

SNC-Lavalin's income taxes were comprised of the following:

YEAR ENDED DECEMBER 31	2016	2015
Current income taxes	\$ (153)	\$ 90,377
Deferred income taxes	13,572	(6,659)
Income taxes	\$ 13,419	\$ 83,718

28. 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, 2016 and December 31, 2015 by category and classification, with the corresponding fair value, when available:

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 cost or at fair value ⁽²⁾	—	47,732	—	—	47,732	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 ⁽⁴⁾	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	
AT DECEMBER 31	2015					
	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	\$ 1,581,834	\$ —	\$ —	\$ —	\$ 1,581,834	\$ 1,581,834
Restricted cash	38,964	—	—	—	38,964	38,964
Trade receivables	—	—	1,200,890	—	1,200,890	1,200,890
Other current financial assets:						
Derivative financial instruments	—	—	—	9,742	9,742	9,742
Other current financial assets	—	—	899,128	—	899,128	901,262
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 cost or at fair value ⁽²⁾	—	47,717	—	—	47,717	See ⁽²⁾
At amortized cost	—	—	614	—	614	614
Non-current portion of receivables under service concession arrangements ⁽³⁾	—	—	291,858	—	291,858	327,619
Other non-current financial assets:						
Restricted cash	6,769	—	—	—	6,769	6,769
Derivative financial instruments	56	—	—	—	56	56
Other:						
At cost/amortized cost ⁽³⁾	—	—	67,239	—	67,239	67,239
Total	\$ 1,627,623	\$ 47,717	\$ 2,569,035	\$ 9,742	\$ 4,254,117	

⁽¹⁾ Fair value through profit or loss ("FVTPL"), comprised of financial assets classified as held for sale.

⁽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 2016, the net gain on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company's share unit plans amounted to \$38.1 million, while the loss on corresponding share unit plans' liabilities amounted to \$23.5 million.

28. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities at December 31, 2016 and December 31, 2015 by category and classification, with the corresponding fair value, when available:

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	

AT DECEMBER 31		2015		
CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	\$ —	\$ 2,330,538	\$ 2,330,538	\$ 2,330,538
Downpayments on contracts	—	185,813	185,813	185,813
Other current financial liabilities:				
Derivative financial instruments	92,503	—	92,503	92,503
Other current financial liabilities	—	301,845	301,845	301,845
Advances under contract financing arrangements ⁽²⁾	—	394,144	394,144	397,024
Provisions	—	93,057	93,057	93,057
Short-term debt and long-term debt ⁽¹⁾ :				
Recourse	—	349,144	349,144	394,202
Non-recourse from Capital investments	—	534,000	534,000	583,311
Other non-current financial liabilities	2,857	4,040	6,897	6,897
Total	\$ 95,360	\$ 4,192,581	\$ 4,287,941	

⁽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.

⁽²⁾ The fair value of the advances under contract financing arrangements was determined using the market approach, which uses prices and other relevant information generated by market transactions involving similar or comparable liabilities.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	FINANCIAL INSTRUMENTS
Level 1	Quoted prices in active markets for identical assets or liabilities	Available-for-sale equity investments accounted for at fair value
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash and derivatives
Level 3	Inputs for the asset or liability that are not based on observable market data	None

28. 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, advances under contract financing arrangements, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, 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, 2016 and 2015, 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 28A. In 2015, the exposure included the maximum amount payable by SNC-Lavalin if the financial guarantees granted on the Ambatovy project were called on. Such guarantees expired in 2015 and are no longer considered in SNC-Lavalin's maximum risk exposure.
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 7. 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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

- iv) Other current financial assets, as detailed in Note 9, and other non-current financial assets, as detailed in Note 14. 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, 2016 and 2015.
- v) The financial asset classified as “Loans and Receivables” included in “Capital investments accounted for by the equity method”, which consists of a subordinated loan receivable from a Capital investment as at December 31, 2016 and 2015 (Note 5B). The subordinated loan receivable from a Capital investment is within normal terms of payment and there are no significant amounts that are past due as at December 31, 2016 and 2015.

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 \$515.3 million at December 31, 2016 (2015: \$542.0 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 \$482.2 million of financial assets at December 31, 2016 (2015: \$488.6 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 19.

I) MATURITY ANALYSIS OF FINANCIAL LETTERS OF CREDIT

A draw on letters of credit or bank guarantees (Note 28C) 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, 2016 and December 31, 2015:

MATURITY	DECEMBER 31 2016	DECEMBER 31 2015
Not later than 1 year	\$ 221,147	\$ 245,158
Later than 1 year and not later than 5 years	25,015	31,536
Later than 5 years	523	497
	\$ 246,685	\$ 277,191

II) MATURITY ANALYSIS OF TRADE PAYABLES

As at December 31, 2016, 96% (2015: 96%) of the outstanding balance of “Trade payables” of \$1,888.2 million (2015: \$2,330.5 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 16) 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.

28. 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 each revenue-generating project in which foreign currencies are involved. Derivative financial instruments with banks, usually forward foreign exchange contracts, are also used to hedge the cash flows in foreign currencies.

The following table summarizes the major forward foreign exchange contracts that were outstanding, for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2016			AT DECEMBER 31, 2015		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA\$ 657,469	US\$ 514,896	2017-2021	CA\$ 819,038	US\$ 654,722	2016-2020
CA\$ 47,819	€ 32,936	2017-2021	CA\$ 89,749	€ 61,133	2016-2020
US\$ 114,339	CA\$ 154,206	2017-2021	US\$ 89,347	CA\$ 118,041	2016-2020
€ 110,324	CA\$ 162,155	2017-2021	€ 72,103	CA\$ 105,433	2016-2020

As at December 31, 2016, the forward foreign exchange contracts used for hedging purposes by the Company had a net unfavourable fair value of \$36.8 million (2015: \$82.8 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.

SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2016 has been calculated from the Company's net assets (liabilities) denominated in US dollars and Euros, from derivative financial instruments used to hedge the exposure to US dollars and Euros and from investments made in foreign operations.

		IMPACT ON EQUITY	
		CA\$/US\$ ^{(2), (3)}	CA\$/€ ⁽²⁾
Increase (decrease)	10% appreciation in the Canadian dollar ⁽¹⁾	\$ (320,556)	\$ (10,369)
Increase (decrease)	10% depreciation in the Canadian dollar ⁽¹⁾	\$ 320,556	\$ 10,369

⁽¹⁾ Assuming all other variables remain the same.

⁽²⁾ The Company's exposure to other currencies is not significant.

⁽³⁾ Includes mainly \$308.4 million of change in exchange differences on translating foreign operations.

As at December 31, 2016, the impact of 10% change in exchange rates between Canadian dollars and Euros would have no significant impact on the Company's net income, while the 10% appreciation in the Canadian dollar comparing to the US dollar would decrease the Company's net income by \$17.6 million (10% depreciation in the Canadian dollar comparing to the US dollar would increase the Company's net income by \$17.6 million).

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.

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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

RECOURSE LONG-TERM DEBT EXCLUDING CAPITAL INVESTMENTS

SNC-Lavalin's recourse long-term debt bears interest at a fixed rate and is measured at amortized cost, therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

SNC-Lavalin's advances under contract financing arrangements usually involve limited interest rate risk due to their short-term nature.

As a result, the changes in interest rates do not have a significant impact on SNC-Lavalin's consolidated net income.

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 21C.

C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. Certain letters of credit decrease in relation to the percentage of completion of projects. As at December 31, 2016, SNC-Lavalin had outstanding letters of credit of \$2,190.7 million (2015: \$2,391.6 million).

29. 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 debt when monitoring its capital because the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the Capital investments or the projects they finance. The Company's investment and underlying assets in its Capital investments or projects may, however, be at risk if such investments or projects were unable to repay their non-recourse 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, 2016 and 2015 was as follows:

	DECEMBER 31 2016	DECEMBER 31 2015
Recourse debt	\$ 349,369	\$ 349,144
Equity attributable to SNC-Lavalin shareholders	\$ 3,873,222	\$ 3,868,178
Less: Other components of equity	359,017	440,013
Plus: Recourse debt	349,369	349,144
Total amount of capital	\$ 3,863,574	\$ 3,777,309
Recourse debt-to-capital ratio	9:91	9:91

The Company has paid quarterly dividends for 27 consecutive years and has increased its yearly dividend paid per share over each of the past 16 years. Dividend policy is determined by the Board of Directors of the Company.

COVENANTS

The Company's unsecured recourse debentures (the "debentures") are committed and subject to affirmative and negative covenants, as defined in the debentures agreement.

The Company's unsecured recourse revolving credit facility (the "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 Facility agreement, not exceeding a certain limit.

The term "net recourse debt to earnings before interest, taxes, depreciation and amortization ratio" is defined in the Facility 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, 2016.

In case of an event of default, the debentures and the Facility are subject to customary accelerated repayment terms.

In 2016, the Company complied with all of the covenants related to its debentures and its Facility.

30. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

A) PENSION PLANS

SNC-Lavalin has defined contribution and defined benefit pension plans. The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was \$60.2 million in 2016 (2015: \$64.9 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 \$53.3 million in 2016 (2015: \$58.5 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are all closed to new entrants and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for two plans and every year for the remaining two plans. The latest actuarial valuations were performed on December 31, 2015 for two plans, on December 31, 2013 for the third plan and on May 1, 2016 for the fourth plan. The measurement date used for the benefit obligation and plan assets is December 31 of each year. SNC-Lavalin's defined benefit pension plans are partly funded and one defined benefit pension plan is secured by a letter of credit.

The defined benefit plans are administrated by 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 and compensation risk.

NATURE OF RISK	DESCRIPTION
Investment risk	The present value of the defined benefit pension plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plans liabilities; however, this will be partially offset by an increase in the return on the plans' debt securities.
Compensation risk	The present value of the defined benefit pension plan obligation is calculated by reference to the final pensionable earnings of plans participants.

30. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table sets forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31	2016	2015
Change in pension benefit obligation:		
Pension benefit obligation at beginning of year	\$ 318,636	\$ 306,158
Current service cost	1,119	1,583
Interest cost	10,270	10,246
Benefits paid	(16,042)	(15,304)
Contributions by plan participants	787	958
Remeasurement:		
Actuarial losses arising from changes in demographic assumptions	—	2,308
Actuarial (gains) losses arising from changes in financial assumptions	44,278	(12,172)
Actuarial (gains) losses arising from experience adjustments	(3,106)	3,429
Effect of foreign currency exchange differences	(33,906)	21,430
Pension benefit obligation at end of year	\$ 322,036	\$ 318,636
Change in pension plan assets:		
Fair value of pension plan assets at beginning of year	\$ 238,412	\$ 224,707
Interest income	7,806	7,669
Remeasurement:		
Return on plans assets (excluding interest income)	11,281	17
Administration costs	(594)	(677)
Benefits paid	(16,042)	(15,304)
Contributions by the employer	6,886	6,332
Contributions by plan participants	787	958
Effect of foreign currency exchange differences	(23,154)	14,710
Fair value of pension plans assets at end of year	\$ 225,382	\$ 238,412

AT DECEMBER 31	2016	2015
Funded status reflected in the statement of financial position:		
Present value of the pension benefit obligation	\$ 322,036	\$ 318,636
Fair value of pension plan assets	225,382	238,412
Funded status	96,654	80,224
Effect of the asset ceiling from remeasurement ⁽¹⁾	570	3,854
Additional liability due to minimum funding requirements	3,533	3,562
Net accrued pension benefit liability	\$ 100,757	\$ 87,640

⁽¹⁾ The economic benefit available has been determined as a reduction in future contributions. It represents the present value of the future service cost for each period, excluding amounts borne by plan participants, over the expected remaining life of the plan. The assumptions used to determine the future service costs are consistent with those used to determine the defined benefit obligation.

SNC-Lavalin's net defined benefit pension costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31	2016	2015
Current service cost	\$ 1,119	\$ 1,583
Net interest expense	2,731	2,837
Administration costs	594	677
Components of benefit pension costs recognized in net income	\$ 4,444	\$ 5,097

30. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SNC-Lavalin's net defined benefit pension costs recognized in other comprehensive income were comprised of:

YEAR ENDED DECEMBER 31	2016	2015
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding interest income)	\$ (11,281)	\$ (17)
Actuarial losses arising from changes in demographic assumptions	–	2,308
Actuarial (gains) losses arising from changes in financial assumptions	44,278	(12,172)
Actuarial (gains) losses arising from experience adjustments	(3,106)	3,429
Effect of the asset ceiling from remeasurement	(3,423)	(2,589)
Variation in liability due to minimum funding requirements	(157)	2,840
Components of benefit pension costs (reversal of costs) recognized in other comprehensive income	\$ 26,311	\$ (6,201)

SNC-Lavalin expects to make contributions of \$7.2 million in 2017 to its defined benefit pension plans.

The following table presents the fair value of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

	DECEMBER 31 2016	DECEMBER 31 2015
Asset category		
Equity securities	\$ 85,179	\$ 80,797
Debt securities	140,203	157,615
Total	\$ 225,382	\$ 238,412

The fair values of the above equity and debt instruments are determined based on quoted prices in active markets.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation:

	DECEMBER 31 2016	DECEMBER 31 2015
Accrued pension benefit obligation		
Discount rate	2.82%	3.53%
Rate of compensation increase ⁽¹⁾	2.36%	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 (2015: 3.11%).

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2016, 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 \$48.0 million (increase by an estimated amount of \$62.8 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$32.9 million (decrease by an estimated amount of \$25.0 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit pension obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit pension obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same method applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The weighted average duration of the pension benefit obligation as at December 31, 2016 was 16.7 years (2015: 16.4 years).

B) OTHER POST-EMPLOYMENT BENEFITS

SNC-Lavalin has a number of 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 post-employment benefit plans are unfunded plans.

As at December 31, 2016, the obligation for other post-employment benefits amounted to \$49.7 million (2015: \$49.4 million).

31. 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, referred to as Project Assistance by the RCMP, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018 but may be rescheduled to start in late 2017. 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”).

31. CONTINGENT LIABILITIES (CONTINUED)

In addition, as announced on February 5, 2014, certain subsidiaries of the Company obtained the requisite certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. Such certification is subject to periodic renewal by the AMF. 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.

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 does not include a financial penalty. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

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 settlement included the payment by SNC-Lavalin Group Inc. of \$1.9 million to the African Development Bank (the “African Development Bank Settlement”). The African Development Bank Settlement also 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 Corruption of Foreign Public Officials Act, 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 announced on December 10, 2015 that it 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.

31. CONTINGENT LIABILITIES (CONTINUED)

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

The Company announced on May 10, 2016, through a Notice of Intention filed with the Director of the Program, its participation in the Voluntary Reimbursement Program ("Bill 26") which was put into force by the Government of Quebec on November 2, 2015. The Program provides for a period of 90 days within which the Government of Quebec and various municipalities, governmental agencies and others can assess whether settlement proposals by program participants should cover a governmental or municipal entity. An extension from that 90 day deadline was given to the Ministries of Sustainable Development, Environment and the Fight against Climate Change and of Transport, Urban Mobility and Electrification of Transportation of Quebec generally to assess whether they believe they should receive any Bill 26 proposal. The McGill University Health Centre ("MUHC") has notified the Director of the Program that unless it receives a proposal it will not waive its possible claims against the Company under Bill 26 for the 2010 public-private partnership agreement with Groupe infrastructure santé McGill (of which the Company is a shareholder) for the construction and on-going operation of the MUHC. The Company has advised the Bill 26 program management that the Company categorically rejects any claim by the MUHC under Bill 26 as being ill-founded. One additional municipality has requested that certain of its projects be included in the Company's settlement proposal. The Director of the Program continues to review the balance of the Company's settlement proposal for completeness and accuracy, and to review the Company's proposal with the concerned municipalities and government ministries.

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 has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA\$17.2 million (representing the equivalent of 12.9 million CHF and US\$2.0 million) plus interest. The Company has so far received CA\$15.2 million up to December 31, 2016 with the balance expected to be received upon the forced execution of seized assets.

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

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

B) CLASS ACTION LAWSUITS

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

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

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

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

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

In the course of 2016 both the Company and the plaintiffs in the Ontario Action filed motions for summary judgment in respect of the Ontario Action; the judge heard the motions in August 2016 and in September 2016 rendered judgement that both sets of motions should be permanently stayed – effectively rejecting them. The Ontario Action therefore will move to the stage of examinations for discovery by the plaintiffs commencing in the first quarter of 2017.

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.

31. CONTINGENT LIABILITIES (CONTINUED)

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.

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.

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.

A project-specific wholly-owned subsidiary of SNC-Lavalin (“SNC SUB”) has received a notice of arbitration from a client for, amongst other things, breach of contract and gross negligence in relation to the design and construction of a facility. SNC SUB has counterclaimed for unpaid invoices and costs arising from termination, plus the return of funds improperly drawn under a bank guarantee.

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.

32. 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, 2016 and 2015:

	DECEMBER 31 2016	DECEMBER 31 2015
Not later than 1 year	\$ 92,633	\$ 105,099
Later than 1 year and not later than 5 years	195,007	213,155
Later than 5 years	92,400	112,896
	\$ 380,040	\$ 431,150

SNC-Lavalin's payments under operating lease arrangements recognized as an expense in net income amounted to \$137.9 million for the year ended December 31, 2016 (2015: \$128.3 million).

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. As at December 31, 2015, future minimum sublease payments expected to be received under non-cancellable subleases totalled \$38.4 million and were as follows: \$6.2 million – not later than 1 year, \$22.4 million – later than 1 year and not later than 5 years, and \$9.8 million – later than 5 years.

33. 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	2016	2015
Short-term benefits ⁽¹⁾	\$ 3,579,804	\$ 3,784,939
Share-based payments	30,541	21,625
Defined contribution pension plans	53,297	58,536
Defined benefit pension plans and other post-employment benefits	21,256	13,592
	\$ 3,684,898	\$ 3,878,692

⁽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

In 2015, key management of the Company was defined as all members of its Company's Senior Management Committee and all directors of SNC-Lavalin Group Inc.'s Board of Directors. In 2016, the Company changed prospectively its definition of the Company's key management to include all employees that are classified at the executive levels, corresponding mainly to the senior vice-presidents and above, and all members of the Company's Board of Directors.

The number of individuals included as key management was 147 people in 2016 (2015: 131 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	2016	2015
Short-term benefits ⁽¹⁾	\$ 83,129	\$ 63,164
Share-based payments	27,900	13,137
Termination benefits	5,136	10,642
Defined benefit and defined contribution pension plans and other post-employment benefits	3,761	3,648
	\$ 119,926	\$ 90,591

⁽¹⁾ Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits.

34. RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of 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 Capital 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 Capital investment. Profits generated from transactions with Capital investments accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

CAPITAL 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, 2016, SNC-Lavalin recognized revenues of \$755.8 million (2015: \$733.9 million) from contracts with Capital investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these Capital investments accounted for by the equity method of \$182.8 million for the year ended December 31, 2016 (2015: \$157.1 million).

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to \$90.2 million as at December 31, 2016 (2015: \$65.4 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to \$83.0 million as at December 31, 2016 (2015: \$94.2 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was \$98.0 million as at December 31, 2016 (2015: \$113.9 million).

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

35. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2016 and 2015, 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	2016 %	2015 %	COUNTRY
Candu Energy Inc.	100.0	100.0	Canada
Evergreen Rapid Transit Holdings Inc.	100.0	100.0	Canada
Infrastructure Famille Santé Inc.	100.0	100.0	Canada
InPower BC General Partnership	100.0	100.0	Canada
Interfleet Technology Limited	100.0	100.0	United Kingdom
Itansuca Proyectos de Ingenieria S.A.	100.0	100.0	Colombia
Kentz Corporation Limited	100.0	100.0	Channel Islands
Kentz Pty Ltd.	100.0	100.0	Australia
Okanagan Lake Concession Limited Partnership	100.0	100.0	Canada
P.T. SNC-Lavalin TPS	95.0	95.0	Indonesia
Rainbow Hospital Partnership	100.0	100.0	Canada
S.A. SNC-Lavalin N.V.	100.0	100.0	Belgium
Saudi Arabian Kentz Company Limited ⁽¹⁾	49.0	49.0	Saudi Arabia
SNC-Lavalin (GB) Limited	100.0	100.0	England
SNC-Lavalin (Malaysia) Sdn. Bhd.	100.0	100.0	Malaysia
SNC-Lavalin (Proprietary) Limited	100.0	100.0	South Africa
SNC-Lavalin Aéroports S.A.S.U.	–	100.0	France
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 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 O&M Solutions Inc.	–	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	100.0	Canada
SNC-Lavalin Peru S.A.	100.0	100.0	Peru

⁽¹⁾ Although the Company's ownership interest in Saudi Arabia Kentz Company Limited is less than 50%, the Company does exercise control over this entity based on its contractual agreements.

35. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	2016	2015	
SUBSIDIARIES	%	%	COUNTRY
SNC-Lavalin Polska Sp. Z o.o.	100.0	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	100.0	100.0	Brazil
SNC-Lavalin Romania S.A.	100.0	100.0	Romania
SNC-Lavalin S.A.S.	—	100.0	France
SNC-Lavalin Stavibel Inc.	100.0	100.0	Canada
SNC-Lavalin UK Limited	100.0	100.0	United Kingdom
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	—	100.0	France
The SNC-Lavalin Corporation	100.0	100.0	United States
Valerus Field Solutions Holdings LLC	100.0	100.0	United States

	2016	2015	
JOINT VENTURES	%	%	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	50.0	Canada
Crosslinx Transit Solutions General Partnership	25.0	25.0	Canada
Groupe infrastructure santé McGill, S.E.N.C. ⁽²⁾	60.0	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 Fayeze Engineering Consultancies Company	50.0	50.0	Saudi Arabia
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	2016	2015	
JOINT OPERATIONS	%	%	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	50.0	Canada
SLN-Aecon JV	50.0	50.0	Canada
SNC-Lavalin Gulf Contractors LLC	49.0	49.0	U.A.E.
UGL Kentz Joint Venture	50.0	50.0	Australia

	2016	2015	
ASSOCIATES	%	%	COUNTRY
Capital investments			
InTransit BC Limited Partnership	33.3	33.3	Canada
Malta International Airport p.l.c. ⁽³⁾	—	15.5	Malta
Myah Tipaza S.p.A.	25.5	25.5	Algeria
Rayalseema Expressway Private Limited	—	36.9	India
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	26.0	Algeria

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

⁽²⁾ Although the Company's ownership interest in Groupe infrastructure santé McGill, S.E.N.C. and TC Dôme S.A.S. is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

⁽³⁾ Although the Company's ownership interest in Malta International Airport p.l.c. was less than 20%, the Company exercised significant influence over this entity based on its contractual agreements.

36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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.

37. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT

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.

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)

37. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT (CONTINUED)

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)

Glossary

Adjusted diluted earnings (loss) per share from E&C

Non-IFRS financial measure defined by the Company as the adjusted net income attributable to SNC-Lavalin shareholders from E&C, divided by the 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 one-time net foreign exchange gains, charges related to restructuring and right-sizing and other, as well as the acquisition-related costs and integration costs incurred in connection with the acquisition of Kentz in 2014 and the gains (losses) on disposals of E&C businesses and Capital investments.

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 one-time net foreign exchange gains, charges related to restructuring, right-sizing and other, as well as amortization of intangible assets, the financing, acquisition-related costs and integration costs incurred in connection with the acquisition of Kentz in 2014 and the loss on disposals of E&C businesses.

Booking-to-revenue ratio

Ratio obtained by dividing the contract bookings by the revenues, for a given period.

Capital

Refers to the investment and asset management arm of the Company. The Company 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.

Cash Net of Recourse Debt

Cash and cash equivalents less cash and cash equivalents from Capital investments accounted for by the consolidation method and recourse debt.

EBIT

Income before net financial expenses and income taxes.

EBITDA

Income before net financial expenses, income taxes, depreciation and amortization.

Engineering & Construction ("E&C")

Refers to the activities in which the Company provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, 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.

EPC

Type of agreement whereby the Company provides Engineering, Procurement and Construction.

Glossary (continued)

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 & Construction

Part of E&C activities, Infrastructure & Construction includes projects and professional services in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering and materials testing as well as water infrastructure and treatment facilities. In addition, Infrastructure & Construction includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.

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 and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects.

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 (capital and operational expenditures).

Operations and Maintenance ("O&M")

Part of E&C activities, O&M includes contracts under which the Company provides Operations and Maintenance in the following lines of businesses: i) Integrated Real Estate Solutions, ii) Industrial, iii) Transportation, and iv) Defence and logistics.

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

ROASE

Return on Average Shareholders' Equity, corresponding to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

Segment or Sub-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. Corporate selling, general and administrative expenses that are not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs, integration costs and amortization of intangible assets related to Kentz acquisition, as well as gains (losses) on disposals of E&C businesses and Capital investments are not allocated to the Company's segments.

Ten-year statistical summary

YEAR ENDED DECEMBER 31 (IN MILLIONS \$, UNLESS OTHERWISE INDICATED)	IFRS							CANADIAN GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
From E&C	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	6,420.2
From Capital	247.7	223.4	904.1	763.8	565.1	501.4	442.7	380.2	347.0	309.4
	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	6,729.6
Gross margin	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	565.3
Selling, general and administrative expenses	724.1	855.6	841.4	836.6	855.5	656.6	583.2	545.6	515.2	392.8
Restructuring costs and goodwill impairment	115.4	116.4	109.9	123.5	—	—	—	—	—	—
Impairment of investments	—	—	28.5	—	—	—	—	—	—	—
Acquisition-related costs and integration costs	4.4	19.6	62.5	—	—	—	—	—	—	—
Amortization of intangible assets related to Kentz acquisition	68.8	94.0	36.5	—	—	—	—	—	—	—
(Gain) loss from disposal of Capital investments	(55.9)	(174.4)	(1,615.4)	(73.0)	—	—	(29.6)	—	—	—
Loss on disposals of E&C businesses	37.1	—	—	—	—	—	—	—	—	—
EBIT ⁽¹⁾	312.1	521.6	1,877.4	228.8	499.5	595.6	717.8	605.5	497.7	172.5
Net financial expenses:										
From E&C	27.9	(7.7)	38.9	19.5	13.7	15.5	26.0	16.0	(13.7)	(32.1)
From Capital	14.2	8.0	180.9	131.2	112.5	99.7	85.1	112.2	108.2	104.6
Earnings before income taxes	270.0	521.3	1,657.6	78.1	373.4	480.3	606.7	477.3	403.2	100.0
Income taxes	13.4	83.7	323.0	41.7	67.0	94.4	120.4	108.2	85.1	23.5
Non-controlling interests	—	—	—	—	—	—	—	9.7	5.6	9.2
Net income from continuing operations	256.6	437.5	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5	67.3
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	84.1
Net income	256.6	437.5	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5	151.4
Net income attributable to:										
SNC-Lavalin shareholders	255.5	404.3	1,333.3	35.8	305.9	377.4	475.5	359.4	312.5	151.4
Non-controlling interests	1.0	33.2	1.2	0.6	0.4	8.5	10.7	—	—	—
Net income	256.6	437.5	1,334.6	36.4	306.3	385.9	486.3	359.4	312.5	151.4
Return on average shareholders' equity ⁽²⁾	7.1%	12.0%	58.7%	1.6%	14.6%	19.1%	28.2%	27.3%	29.1%	16.4%
Acquisition of property and equipment:										
From E&C	151.4	116.0	70.2	55.5	96.2	67.2	46.0	32.4	46.3	41.2
From Capital	—	—	1,522.4	1,545.9	849.2	545.8	402.0	274.1	193.5	308.6
	151.4	116.0	1,592.5	1,601.5	945.4	613.0	448.0	306.5	239.8	349.8
Depreciation of property and equipment and amortization of other non-current assets:										
From E&C	140.6	162.4	113.7	67.9	61.6	45.4	39.6	43.5	41.9	35.2
From Capital	2.5	—	53.5	133.1	99.2	93.1	86.9	86.6	88.1	76.9
	143.1	162.4	167.2	201.0	160.8	138.5	126.5	130.1	130.0	112.1
EBITDA ⁽¹⁾ :										
From E&C	219.1	333.7	(160.0)	(131.6)	273.1	389.9	513.7	482.7	388.9	70.1
From Capital	236.1	350.3	2,233.1	617.8	387.2	344.1	330.6	252.9	238.8	214.5
	455.2	684.0	2,073.1	486.2	660.3	734.0	844.3	735.6	627.7	284.6

⁽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 CAS, UNLESS OTHERWISE INDICATED)	IFRS							CANADIAN GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Supplementary information:										
Net income attributable to SNC-Lavalin shareholders from E&C	46.3	95.8	(300.5)	(245.8)	149.0	246.2	340.6	322.5	275.3	128.1
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407 ETR	132.5	125.8	122.5	114.1	100.6	77.2	50.3	9.8	20.0	10.1
From AltaLink	–	–	175.6	91.8	54.5	33.8	22.9	20.7	11.4	11.2
From other Capital investments	76.7	182.7	1,335.9	75.7	1.8	20.2	61.7	6.4	5.8	2.1
Net income attributable to SNC-Lavalin shareholders	255.5	404.3	1,333.3	35.8	305.9	377.4	475.5	359.4	312.5	151.4
Earnings per share (\$):										
Basic	1.70	2.68	8.76	0.24	2.03	2.50	3.15	2.38	2.07	1.00
Diluted	1.70	2.68	8.74	0.24	2.02	2.48	3.12	2.36	2.05	0.99
Weighted average number of outstanding shares (in thousands):										
Basic	150,077	150,918	152,218	151,497	151,058	150,897	151,020	151,042	150,925	151,172
Diluted	150,279	150,988	152,605	151,814	151,304	151,940	152,277	151,992	152,265	152,697
Annual dividends declared per share (\$)	1.053	1.01	0.97	0.93	0.89	0.85	0.72	0.62	0.51	0.39

AT DECEMBER 31 (IN MILLIONS CAS, UNLESS OTHERWISE INDICATED)	IFRS							CANADIAN GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of employees	34,952	36,754	42,003	29,714	33,909	28,100	23,923	21,948	21,260	18,691
Revenue backlog	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	8,527.4
Cash and cash equivalents	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	1,088.6
Working capital	227.9	108.1	(365.4)	(527.0)	(267.9)	32.0	679.9	544.1	276.4	270.2
Property and equipment:										
From E&C	298.3	265.1	246.1	180.4	193.1	159.9	115.2	114.0	123.4	112.0
From Capital	–	–	–	5,132.0	3,470.0	2,637.7	2,072.8	2,217.0	1,750.7	1,640.7
	298.3	265.1	246.1	5,312.4	3,663.1	2,797.6	2,188.0	2,331.0	1,874.1	1,752.7
Recourse long-term debt	349.4	349.1	348.9	348.7	348.5	348.4	348.2	452.9	104.7	104.6
Non-recourse long-term debt from Capital	472.6	525.8	530.7	3,536.9	2,000.7	1,561.4	1,529.0	2,005.5	2,003.3	1,971.0
Equity attributable to SNC-Lavalin shareholders	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	922.4
Book value per share (\$)	25.76	25.83	21.73	13.42	13.74	12.47	12.03	9.50	7.21	6.11
Number of outstanding common shares (in thousands)	150,357	149,772	152,465	151,807	151,069	151,034	151,034	151,033	151,033	151,038
Closing market price per share (\$)	57.79	41.12	44.31	47.79	40.32	51.08	59.77	53.99	39.69	48.14
Market capitalization	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	7,271.0

Information for shareholders

Common Share Information

LISTED: [Toronto Stock Exchange](#)

SYMBOL: **SNC**

SHARES OUTSTANDING: **150.4 million** (December 31, 2016)

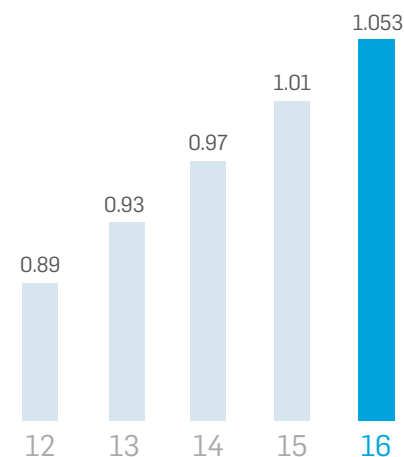
MARKET CAPITALIZATION: **\$8,689 million** (December 31, 2016)

Trading Activity and Market Capitalization

	VOLUME (M)	HIGH (\$)	LOW (\$)	CLOSE (\$)	MARKET CAPITALIZATION AT DECEMBER 31 (M\$)
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
2012	222.7	55.95	34.36	40.32	6,091

Dividends

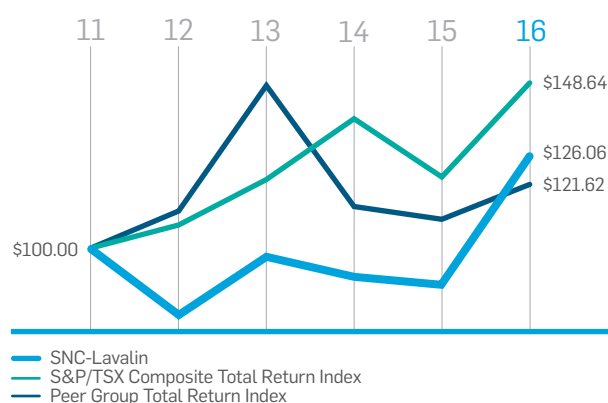
Dividends Declared for the Last Five Years
(IN CA\$)



Performance Graph

The following performance graph illustrates the five-year cumulative total return assuming \$100 was invested on December 31, 2011, 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)



Debt Instrument

\$350 million principal amount of debentures, 6.19%, due July 2019.

Credit Ratings

	RATING AGENCY	RATING AND OUTLOOK
	Standard & Poor's Ratings Services	BBB / stable
	DBRS	BBB / stable

Annual Meeting

The Annual Shareholders' Meeting will be held at 11:00 a.m. Eastern Daylight Time on Thursday, May 4, 2017, at Palais des congrès, 1001 Place Jean-Paul-Riopelle.

Key Dates for 2017

	EARNINGS ANNOUNCEMENT	DIVIDEND RECORD	DIVIDEND PAYMENT
Q1	May 4	May 18	June 1
Q2	August 3	August 17	October 31
Q3	November 2	November 16	November 30

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.


72 TREES SAVED 
(enough to cover the area of 5 tennis court)

 3,209 kg
REDUCTION IN SOLID WASTE
(or 65 waste containers)

261,754 L  OF WATER SAVED
(or 748 days of water consumption)

 14 kg NO_x REDUCTION
IN ATMOSPHERIC EMISSIONS
(or emissions of 1 truck for 42 days)

10,526 kg CO₂ 
REDUCTION IN
ATMOSPHERIC EMISSIONS
(or emissions of 4 cars per year)

 63 GJ
NET ENERGY SAVED
(or 290,887 60W light bulbs for one hour)

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.

Using recycled paper for our annual report rather than virgin fibre paper protects the environment in a number of ways.

We invite you to visit our website at www.snc-lavalin.com for a list of our offices and to learn more about SNC-Lavalin.

Cover page photo credit: Rick Radell

Impacts are calculated by comparing Cascades' Rolland Enviro100 paper, which is made from FSC-certified 100% post-consumer fibre, with a baseline "uncoated freesheet" paper containing no recycled material. Environmental gain estimates were made using the Rolland Entreprises Environmental Calculator.

www.papercalculator.org



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