

2017 Management's Discussion and Analysis

February 21, 2018

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the Company's 2017 audited annual consolidated financial statements and accompanying notes, and should therefore **be read in conjunction with these documents, and should also be read together with the text below on forward-looking statements**. Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on both the Company's website at www.snclavalin.com and through SEDAR at www.sedar.com. SEDAR is the electronic system for the official filing of documents by public companies with the Canadian securities regulatory authorities. None of the information contained on, or connected to the SNC-Lavalin website is incorporated by reference or otherwise part of this MD&A.

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

Comparative Figures

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

Non-IFRS Financial Measures and Additional IFRS Measures

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE

Performance

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

Liquidity

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

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in Section 13 to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS, refer to Section 13 for references to the sections of this MD&A where these reconciliations are provided.

Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on February 21, 2018. The assumptions are set out throughout this MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in this MD&A). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) a negative impact on the Company's public image could influence its ability to obtain future projects; (e) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements or to execute projects efficiently may increase the volatility and unpredictability of its revenue and profitability; (f) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (g) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (h) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (i) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (j) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (k) the Company is dependent on third parties to complete many of its contracts; (l) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (m) the competitive nature of the markets in which the Company does business could

adversely affect it; (n) the Company's project execution activities may result in professional liability or liability for faulty services; (o) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (p) the Company may not have in place sufficient insurance coverage to satisfy its needs; (q) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (r) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (s) work stoppages, union negotiations and other labour matters could adversely affect the Company; (t) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (u) any acquisition or other investment may present risks or uncertainties; (v) divestitures and the sale of significant assets may present risks or uncertainties; (w) possible failure to realize anticipated benefits of the acquisition and difficulties in the integration of Atkins; (x) increased indebtedness as a result of the Atkins Acquisition; (y) dependence on subsidiaries to help repay indebtedness as a result of the Atkins Acquisition; (z) security under the SNC-Lavalin Highway Holdings Loan being called at an inopportune time; (aa) ability to pay dividends; (bb) additional significant integration costs may be incurred following Atkins Acquisition; (cc) Atkins' pension-related obligations; (dd) a deterioration or weakening of the Company's financial position could have a material adverse effect on its business and results of operations; (ee) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (ff) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (gg) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (hh) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (ii) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (jj) inherent limitations to the Company's control framework could result in a material misstatement of financial information; and (kk) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services.

The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in this report.

The forward-looking statements herein reflect the Company's expectations as at February 21, 2018, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

Management's Discussion and Analysis – Table of Contents

1	Overview of Our Business and Strategy <i>A discussion of SNC-Lavalin's business and strategy</i>	34
2	How We Analyze and Report Our Results <i>A description of the Company's activities as well as a description of its budget process</i>	39
3	2017 Executive Summary <i>A summary of the Company's key results, figures and notable events for 2017</i>	43
4	Financial Performance Analysis <i>A detailed analysis of the Company's consolidated income statement</i>	48
5	Revenue Backlog <i>A description and accompanying discussion of the Company's revenue backlog recognition policy and revenue backlog position</i>	58
6	Geographic Breakdown of Revenues by Category of Activity <i>A discussion of the Company's revenues by geographic area</i>	61
7	Segmented Information <i>A detailed discussion of the Company's results by segment</i>	63
8	Fourth Quarter Results <i>An analysis of the Company's net income and operating results for the fourth quarter, as well as its revenue backlog and financial position as at December 31, 2017</i>	81
9	Liquidity and Capital Resources <i>A discussion of the Company's cash flows, liquidity and other financial disclosures</i>	83
10	Financial Position <i>A detailed analysis of the Company's consolidated financial position as at December 31, 2017</i>	96
11	Critical Accounting Judgments and Key Sources of Estimation Uncertainty <i>A description of the Company's critical accounting judgments and the accounting policies to which they relate</i>	99
12	Accounting Policies and Changes <i>A report on the accounting policies adopted in 2017 and to be adopted in future periods</i>	100
13	Non-IFRS Financial Measures and Additional IFRS Measures <i>A glossary of non-IFRS financial measures and additional IFRS measures and the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable</i>	106
14	Risks and Uncertainties <i>A description of the principal risks and uncertainties facing the Company</i>	108
15	Legal proceedings <i>A description of legal proceedings</i>	128
16	Controls and Procedures <i>A report on the Company's disclosure controls and procedures and internal control over financial reporting</i>	129
17	Quarterly Information <i>A summary of selected Company financial information by quarter for 2017 and 2016</i>	130

1 Overview of Our Business and Strategy

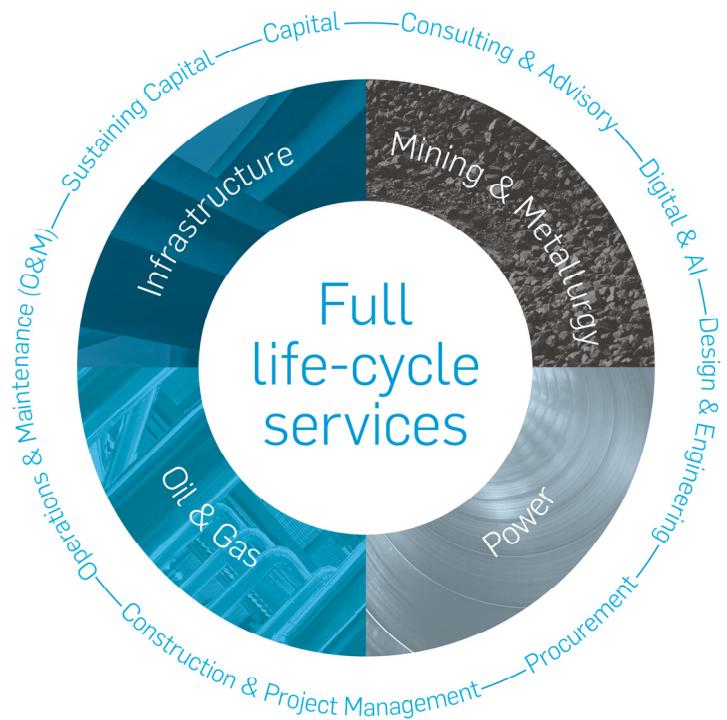
1.1 OUR BUSINESS

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

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

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

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



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

ATKINS

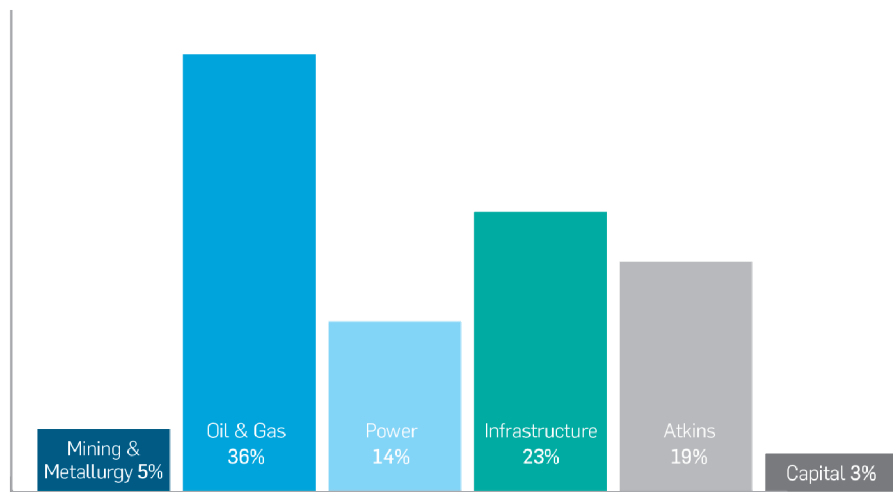
In certain parts of this MD&A, activities from Engineering and Construction, including Operations and Maintenance services, are collectively referred to as “E&C” to distinguish them from “Capital” activities.

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

1.2 DIVERSITY OF THE COMPANY’S REVENUE BASE

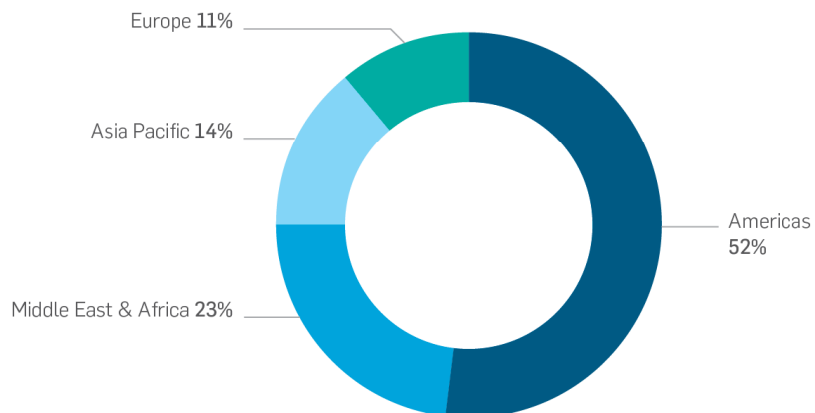
Serving multiple industry segments...

SEGMENTS



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

GEOGRAPHIC COVERAGE



1.3 BUSINESS STRATEGY

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

LEVERAGING STRONG PROFITABLE GROWTH

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

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

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

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

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

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

our entrance into the infrastructure fund management business. Further partnering opportunities are being explored in the power and global gas processing spaces.

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

SUPPORTING THE BUILDING BLOCKS OF OUR SUSTAINABLE AND PROFITABLE GROWTH

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

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

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

MEETING THE DIGITAL FUTURE HEAD-ON

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




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

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

PROGRESS ON DELIVERING ON OUR GROWTH STRATEGY

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

1.4 DELIVERING ON OUR GROWTH STRATEGY – SCORECARD

	GOALS	EXECUTION
Achieved in 2017	<p>What we did in 2017:</p> <ul style="list-style-type: none"> > Successful acquisition of Atkins in July 2017, the largest in SNC-Lavalin’s history, adding world-class experts to our team and further diversifying our service offerings; > Initiatives to improve project delivery and financial performance reflected in our 42,4% increase in adjusted diluted EPS from E&C, from \$1.51 in 2016 to \$2.15 in 2017; > Creation of SNC-Lavalin Infrastructure Partners LP to monetize our mature Capital investments; and > Sale-leaseback of Montreal Headquarters. 	 Completed
What We Are Working On	<p>Our ongoing projects:</p> <ul style="list-style-type: none"> > Integrate Atkins’ operations; > Refocus our business strategies on high-growth regions and in light of expanded capabilities; > Adjust our brand vision; > Continue our progress in operational excellence; > Generate organic growth as shown by being shortlisted on several major projects and by winning major contracts across all sectors in Canada, the Middle East, the United States, South America, Europe and Australia; > Concentrate our efforts in nuclear energy, clean power and engineering design and project management to create further opportunities and exit the low profit thermal EPC Power sector; > Repay debt and maximize cash flow efficiency; > Initiatives to decrease number of lost-time incidents in 2018, compared with 2017; > Evaluation of potential growth through token M&A; > Achieve revenues synergies with Atkins, as well as increase cross-selling opportunities across all sectors; and > Deliver an integrated and focused innovation and technology agenda, including a digital roadmap. 	 Underway
Where we are heading	<p>Deliver an adjusted consolidated EPS of \$5 by 2020:</p> <ul style="list-style-type: none"> > General and administrative expenses efficiency and operational excellence continuous improvement; > Project execution improvement; > Driving organic growth by increasing the Company’s share in nuclear through an expanded offering, capitalizing on infrastructure investments in Canada, the United Kingdom and the United States, maximizing Atkins/SNC-Lavalin revenue synergies, and a Mining & Metallurgy recovery; and > Mergers and acquisitions, post Atkins integration. 	 Planning

BE RECOGNIZED
AS A
CLIENT-CENTRIC

DELIVERY-FOCUSED
ORGANIZATION

STRONG,

PERFORMANCE-DRIVEN CULTURE

CONTINUOUS
FOCUS ON

OPERATIONAL EXCELLENCE

2 How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

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

E&C

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

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

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

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

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

CAPITAL

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

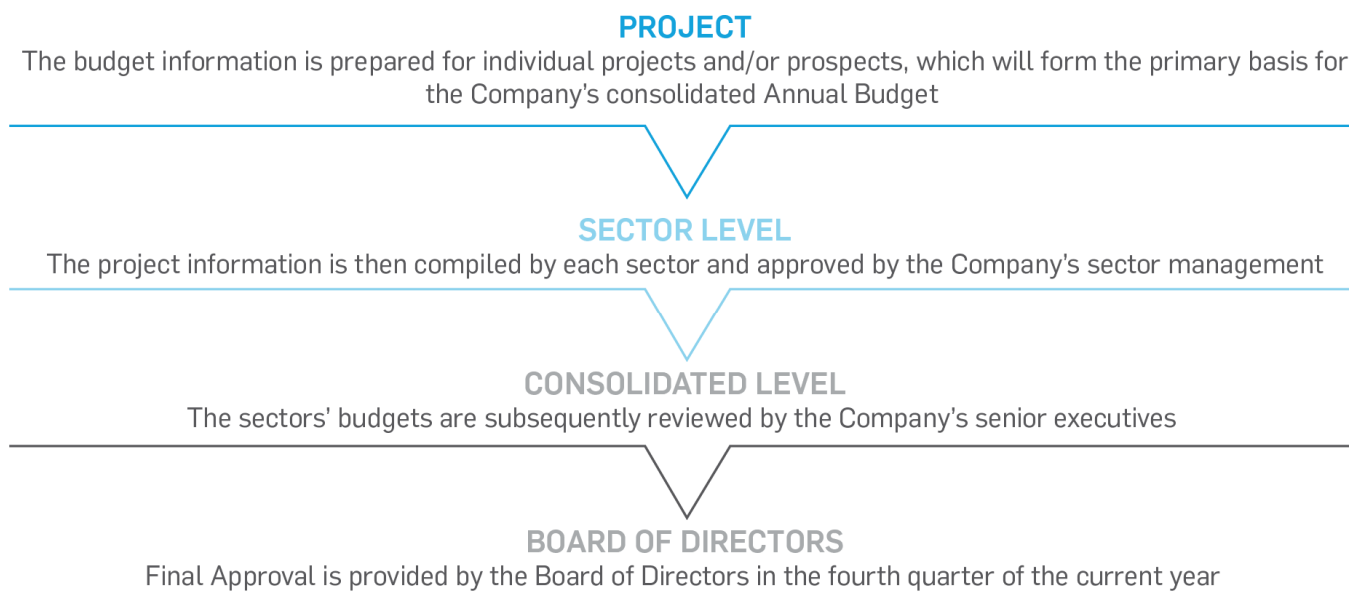
Capital’s business model incorporates new project creation in the Oil & Gas, Mining & Metallurgy, and Power sectors, as well as the Company’s geographical regions. Furthermore, many countries are turning to the private sector to take ownership, finance, operate and maintain their assets, usually for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

These arrangements allow for the transfer to the private sector of many of the risks associated with designing, building, operating, maintaining and financing such assets. In return, the client will either: i) commit to making regular payments, usually in the form of availability payments, upon the start of operations of the infrastructure for a defined period of time (typically 20 to 40 years); ii) authorize the infrastructure concession entity to charge users of the infrastructure for a defined period of time; or iii) a combination of both.

All investments are structured to earn a return on capital adequate for the risk profile of each individual project. **Capital investment revenues** are generated mainly from dividends or distributions received by SNC-Lavalin from the investment concession entities or from all or a portion of an investment concession entity’s revenues or net results, depending on the accounting method required by IFRS.

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

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



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

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

KEY ELEMENTS	IMPACT ON THE ANNUAL BUDGET
Backlog	Firm contracts used to estimate a portion of future revenues taking into account the execution and expected performance of each individual project.
Prospects list	Unsigned contracts that the Company is currently bidding on, and/or future projects on which it intends to bid. Management selects specific prospects, which are deemed representative of its upcoming activities, to include in the budget.
Execution and expected performance	Revenues and costs (or execution) of projects are determined on an individual project basis for major projects or by groups of projects and take into consideration assumptions on risks and uncertainties that can have an impact on the progress and/or profitability of that project. This includes, but is not limited to, performance of the Company's employees and of subcontractors or equipment suppliers, as well as price and availability of labour, equipment and materials.

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

One of the key management tools for monitoring the Company's performance is the monthly evaluation and analysis of actual results compared with the Annual Budget or the Quarterly Forecasts, for revenues, gross margin and profitability. This enables management to analyze its performance and, if necessary, take remedial actions.

Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
Level of activity for E&C	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period.
Changes in the estimated costs to complete each individual project (“cost reforecasts”)	Variation of the estimated costs to complete projects for fixed-price contracts result in either a positive or negative impact to a project’s results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution.
Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables, contracts in progress and other financial assets, may impact the financial results of the Company.
Changes in the results of its Capital investments	Variation in the financial results of each Capital investment accounted for under the consolidation or equity methods will impact the financial results of the Company. Additions to the Company’s Capital investments portfolio, or divestitures from it, can also impact the Company’s results.
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance that can be recurring or not.
Acquisition-related costs and integration costs	Business acquisitions might require the Company to incur significant acquisition-related costs and integration costs, which have an impact on actual and future results.
Restructuring costs and goodwill impairment	Changes made to the way the Company operates, closure of certain locations where it conducts business, modifications to its offerings and changes in market perspectives might result, amongst other factors, in restructuring costs and goodwill impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, as, amongst others, the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company as well as tax assessments made by authorities.
Finance expense	Variation in interest rates could have an impact on the Company’s results, as some of its financing bears interest at a variable rate.
Foreign exchange	As the Company operates in many countries, foreign currency exchange rates can cause variances to plan as the budgets and forecasts are prepared at specific rates. It should be noted that the Company has a foreign exchange hedging policy that limits the volatility in results caused by foreign exchange fluctuations.

3 2017 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

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

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

- **Revenues increased by 10.2%** compared with 2016, largely attributable to the incremental revenues from Atkins acquired on July 3, 2017, as well as higher revenues from Mining & Metallurgy attributable to revenues generated by recent contracts awards, partially offset by lower revenues from Infrastructure, mainly due to the sale of the Company’s non-core Real Estate Facilities Management business in Canada and of its local French operations in the fourth quarter of 2016, and a decrease in revenues from Oil & Gas, principally due to the completion or near completion of certain major projects and Power due to the Company exiting the EPC part of the thermal business.
- **Net income attributable to SNC-Lavalin shareholders increased by 49.5% (\$0.64 per diluted share)** compared with 2016, due to an increase in net income from E&C, mainly reflecting the incremental contribution of Atkins. The gain of \$115.1 million (\$101.5 million after taxes) generated from the disposal of the head office building and lower restructuring costs also favourably impacted net income from E&C, partially offset by higher acquisition-related costs and integration costs due to the Atkins Acquisition, as well as higher net financial expenses, largely attributable to the financing of the acquisition of Atkins and an increase in income taxes expense.
- **Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased by 55.2% (\$0.64 per diluted share)** compared with 2016, primarily attributable to the incremental contribution of Atkins, as well as the higher contribution from Oil and Gas and Infrastructure, partially offset by higher net financial expenses, a lower contribution from Power and Mining & Metallurgy, and an increase in income taxes expense.

- › **EBIT, EBITDA and Adjusted E&C EBITDA (% of revenues) have increased in 2017** compared to 2016, mainly due to the factors described above.
- › **Cash and cash equivalents decreased by \$349.0 million in 2017** compared with 2016, mainly attributable to cash used for investing and operating activities partly offset by cash generated from financing activities. The variations in investing and financing activities are mainly due to the Atkins Acquisition.
- › **Net recourse debt as at December 31, 2017 was \$640.8 million**, compared with cash net of recourse debt of \$694.9 million as at December 31, 2016, mainly reflecting an increase in recourse debt to finance the acquisition of Atkins and a decrease in cash and cash equivalents due to repayment of debt.
- › **Net cash used for operating activities increased by \$341.5 million in 2017** compared with 2016, mainly attributable to an increase in the net change in non-cash working capital items.
- › **Revenue backlog was \$10.4 billion as at December 31, 2017** compared with \$10.7 billion as at December 31, 2016, reflecting a decrease in Oil & Gas, Power and Infrastructure, partly offset by the incremental activities of Atkins and an increase in Mining & Metallurgy. The Company's contract bookings amounted to \$6.7 billion in 2017, compared with \$7.8 billion in 2016.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

CHANGES TO THE BOARD OF DIRECTORS AND APPOINTMENT OF CHAIRMAN

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

SALE-LEASEBACK OF MONTREAL HEADQUARTERS

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

ACQUISITION OF WS ATKINS PLC

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

ACQUISITION OF DATA TRANSFER SOLUTIONS LLC

- › On October 30, 2017, SNC-Lavalin completed the acquisition of Data Transfer Solutions LLC (“DTS”) for USD\$45 million (approximately CA\$59 million). This acquisition will add to the capabilities of SNC-Lavalin’s Atkins segment and will enhance service offerings in digital asset management for clients.
- › Headquartered in Orlando, Florida, with 78 employees, DTS is a leader in asset management and geographic information systems within the North American market. As the creator of *VueWorks*, a comprehensive enterprise asset management software solution, DTS provides state-of-the-art tools and solutions to clients with large, complex infrastructure assets. These solutions help to inventory, manage and optimize physical assets across their life cycle.

CAPITAL INVESTMENTS PORTFOLIO

SNC-Lavalin Infrastructure Partners LP

- › On June 30, 2017, SNC-Lavalin announced the launch of SNC-Lavalin Infrastructure Partners LP (the “Partnership”), established to efficiently redeploy capital back into development opportunities, and entered into a strategic agreement with a Canadian subsidiary of BBGI SICAV S.A. (“BBGI”). This Partnership holds 100% of SNC-Lavalin’s interests in a selection of its mature Canadian infrastructure assets and their holding companies.
- › On September 28, 2017, BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of the following four assets: Okanagan Lake Concession Limited Partnership (“Okanagan”), InTransit BC Limited Partnership (“InTransit”), Chinook Roads Partnership (“Chinook”) and Rainbow Hospital Partnership (“Rainbow”) and contemporaneously SNC-Lavalin transferred to the Partnership all of its ownership in the four assets. A fifth asset, McGill Healthcare Infrastructure Group, G.P. (“MHIG”), is currently expected to be transferred to the Partnership in 2018. The gain on partial disposal of the Partnership amounted to \$36.7 million (\$26.5 million after taxes) in the third quarter of 2017.

McGill Healthcare Infrastructure Group

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

CHANGES TO THE LEADERSHIP TEAM IN 2017

- › On August 2, 2017, Chantal Sorel was appointed Executive Vice-President, Capital, in addition to her current role as Managing Director. Ms. Sorel reports directly to Neil Bruce and serves as a member of SNC-Lavalin's Executive Committee. As Executive Vice-President and Managing Director, Capital, she is responsible for the investment and asset management business capability of SNC-Lavalin, consisting of investing capital in projects and managing its multi-billion dollar portfolio of infrastructure investments. Ms. Sorel joined SNC-Lavalin in 2007 and has held positions of increasing responsibility over the years. Most recently, she served as Senior Vice-President, Business Development, Infrastructure, and Vice-President and Project Director of the McGill University Health Centre, Glen site.
- › On September 14, 2017, Christian Brown was appointed President, Oil & Gas, effective that day, succeeding Martin Adler, who stepped down from his role. As President, Oil & Gas, Mr. Brown is responsible for developing and overseeing the Company's largest business unit, with approximately 20,000 employees and activities throughout the world. Mr. Brown joined SNC-Lavalin in 2014, when the Company acquired Kentz Corporation Limited ("Kentz") where he was Chief Executive Officer and member of the Board of Directors.
- › On November 2, 2017, Marie-Claude Dumas became Executive Vice-President of the Company's newly named Clean Power segment, which incorporates Hydro, Transmission & Distribution and Renewables. Effective January 1, 2018, Ms. Dumas is reporting directly to Neil Bruce. Ms. Dumas has held a number of senior leadership positions since joining SNC-Lavalin in 2006, most recently as Executive Vice-President, Human Resources. She previously served as Executive Vice-President of the Company's Hydro business unit, where she was responsible for growing the Hydro business to meet the needs of its customers in Canada and key international markets.
- › On November 2, 2017, James Cullens became Executive Vice-President, Human Resources, as planned at the start of the SNC-Lavalin and Atkins integration process. Formerly the Group Director Human Resources & Marcomms and Executive Director of Atkins, Mr. Cullens is responsible for all aspects of the Company's human resources function globally. Mr. Cullens continues to serve on the Executive Committee and reports directly to Neil Bruce. James Cullens has over 25 years of international human resources management experience. Before joining Atkins, he was Group HR Director at Hays plc, The BOC Group plc and Linde AG.

KEY ORGANISATIONAL CHANGES EFFECTIVE IN 2018

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

- › All Oil & Gas activities will be consolidated into one business led by Christian Brown. This will combine the world-class capabilities from both SNC-Lavalin and Atkins, including Atkins' Offshore Upstream technology and capabilities, creating a highly compelling offering across the entire supply chain.
- › The new Engineering, Design and Project Management activities will be led by Nick Roberts, formerly the CEO of Atkins' U.K. and European business. Mr. Roberts will oversee all infrastructure engineering and design services around the world, except for the Canadian market, which will remain fully integrated within the Company's Infrastructure sector.
- › The previous Power sector of SNC-Lavalin and the power element of Atkins' energy business create the foundation for two new sectors in the newly integrated organization: Nuclear and Clean Power.
- › Atkins' and SNC-Lavalin's nuclear businesses will be combined into a single Nuclear sector, under the leadership of Sandy Taylor, and will leverage the unique skills of these respective teams, creating a market-leading capability in this fast-growing sector. The Company will now be able to serve its clients across the full spectrum of six main business lines: consultancy, EPC(M), field services, technology services, reactor support and decontamination & decommissioning.
- › Clean Power activities will be led by Marie-Claude Dumas. These will incorporate SNC-Lavalin's activities in hydro, transmission & distribution, renewables and energy storage. The renewables market is growing at an unprecedented rate throughout the world and the Company has the skills and capabilities to deliver a fully integrated life of asset service to its clients.
- › The following sectors and project investment leadership team remain unchanged:
 - Infrastructure activities will continue to be led by Ian L. Edwards.
 - Mining & Metallurgy activities will continue to be led by José J. Suárez.
 - Capital will continue to be led by Chantal Sorel.

4 Financial Performance Analysis

4.1 SELECTED ANNUAL INFORMATION

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

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

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

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

4.2 REVENUE AND GROSS MARGIN ANALYSIS

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

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

E&C REVENUES AND GROSS MARGIN

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

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

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

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

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

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

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

REVENUES AND GROSS MARGIN FROM CAPITAL INVESTMENTS

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

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

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

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

4.3 NET INCOME ANALYSIS

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

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

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

an increase in contributions from Oil & Gas and Infrastructure, partially offset by a decrease in the contribution from Power and Mining & Metallurgy. Net income attributable to SNC-Lavalin shareholders from E&C included cost synergies of \$40.3 million generated by the integration of Atkins.

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

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

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

- › **Acquisition-related and integration costs** totalling \$124.3 million (\$97.2 million after taxes) in 2017, compared with \$4.4 million (\$3.4 million after taxes) in 2016 and \$19.6 million (\$15.2 million after taxes) in 2015. These costs were mainly professional fees and other related costs that were incurred in connection with the acquisition of Atkins in 2017 and with the acquisition of Kentz in 2016 and 2015;
- › **Restructuring costs** amounted to \$26.4 million (\$20.1 million after taxes) in 2017, compared with \$115.4 million (\$83.5 million after taxes) in 2016 and \$116.4 million (\$87.7 million after taxes) in 2015;
- › **Amortization of intangible assets related to business combinations** amounted to \$138.9 million (\$112.6 million after taxes) in 2017, compared with \$68.8 million (\$54.5 million after taxes) in 2016 and \$94.0 million (\$72.0 million after taxes) in 2015. These costs were related to Kentz acquisition in 2016 and 2015 and increased in 2017 due to the added expenses related to the acquisitions of Atkins and DTS;
- › **Impact of U.S. corporate tax reform** resulting in an increase of income taxes expense of \$42.5 million in 2017, explained in Section 4.11; and
- › **Net foreign exchange gain** of \$37.0 million (\$32.6 million after taxes) in 2015.

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

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

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$, EXCEPT PER DILUTED SHARE INFORMATION (\$))	2017		2016	
		PER DILUTED SHARE		PER DILUTED SHARE
Net income	\$ 383.2	N/A	\$ 256.6	N/A
Less:				
Non-controlling interests	1.1	N/A	1.0	N/A
Net income attributable to SNC-Lavalin shareholders from Capital	206.0	\$ 1.26	209.2	\$ 1.39
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	\$ 176.0	\$ 1.08	\$ 46.3	\$ 0.31
Adjustments (net of income taxes):				
Restructuring, right-sizing costs and other ⁽¹⁾	\$ 25.4	\$ 0.15	\$ 77.6	\$ 0.52
Acquisition-related costs and integration costs	97.2	0.60	3.4	0.02
Amortization of intangible assets related to business combinations	112.6	0.69	54.5	0.36
Loss (gain) on disposals of E&C businesses	(0.9)	(0.01)	44.6	0.30
Impact of U.S. corporate tax reform	42.5	0.26	-	-
Gain on disposal of the head office building	(101.5)	(0.62)	-	-
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	\$ 351.3	\$ 2.15	\$ 226.4	\$ 1.51

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

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

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

- › **\$25.4 million (\$0.15 per diluted share) of restructuring, right-sizing costs and other**, compared with \$77.6 million (\$0.52 per diluted share) in 2016. These costs were mainly for severances;
- › **Acquisition-related costs and integration costs of \$97.2 million (\$0.60 per diluted share)**, mainly attributable to the acquisition of Atkins, compared with \$3.4 million (\$0.02 per diluted share), attributable to the integration of Kentz in 2016;
- › **Amortization of intangible assets related to business combinations of \$112.6 million (\$0.69 per diluted share)**, compared with \$54.5 million (\$0.36 per diluted share) in 2016, an increase due to the acquisition of Atkins;
- › **A gain on disposals of E&C businesses in 2017 of \$0.9 million (\$0.01 per diluted share)** and a loss of \$44.6 million (\$0.30 per diluted share) in 2016, further explained in Section 4.9;

- › **Impact of U.S. corporate tax reform resulting in an increase of income taxes expense of \$42.5 million (\$0.26 per diluted share) in 2017**, explained in Section 4.11; and
- › **A gain of \$101.5 million (\$0.62 per diluted share) on the disposal of the head office building in 2017**, further explained in Section 4.9.

4.5 EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

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

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

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

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

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

4.6 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

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

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

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

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

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

4.7 RESTRUCTURING COSTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CAS)	2017	2016
Restructuring costs	\$ 26.4	\$ 115.4

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

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

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

4.8 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

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

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

4.9 NET GAINS (LOSSES) ON DISPOSALS

E&C BUSINESSES

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

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

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

CAPITAL INVESTMENTS

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

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

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

HEAD OFFICE BUILDING

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

4.10 NET FINANCIAL EXPENSES

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

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

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

4.11 INCOME TAXES ANALYSIS

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

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

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

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

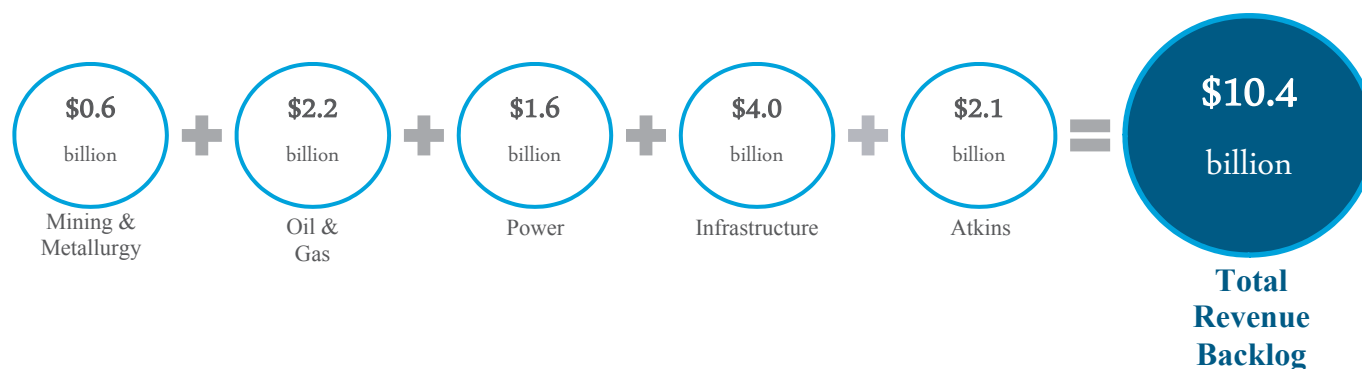
4.12 ACQUISITION OF NON-CONTROLLING INTEREST

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

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

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

5 Revenue Backlog



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

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

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

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

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

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

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

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

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

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

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

BACKLOG RECONCILIATION

In the following section, the Company presents its "booking-to-revenue ratio", a non-IFRS measure, which corresponds to the contract bookings divided by the revenues for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in Section 2.2, which can be a significant portion of the budgeted and/or forecasted revenues.

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

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

MAJOR CONTRACT AWARDS

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

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

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

O&M CONTRACTS

It should be noted that O&M activities are provided under contracts that can cover a period of up to 40 years. A large number of the Company's O&M contracts have been signed for a period that extends well beyond the five-year timeframe for which revenues are included in the Company's O&M backlog. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M revenue backlog to the earlier of: i) **the contract term**; and ii) **the next five years**.

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

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

BACKLOG BY TYPES OF CONTRACTS

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

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

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

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

6 Geographic Breakdown of Revenues by Category of Activity

YEAR ENDED DECEMBER 31
(IN MILLIONS CAS)

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

YEAR ENDED DECEMBER 31
(IN MILLIONS CAS)

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

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

AMERICAS:

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

MIDDLE EAST AND AFRICA:

- › **Revenues in Saudi Arabia increased in 2017** compared with 2016, primarily due to an increase in Oil & Gas and the incremental activities of Atkins, partially offset by a decrease in Mining & Metallurgy and Infrastructure.
- › **Revenues in other Middle East countries increased in 2017** compared with 2016, mainly attributable to the incremental activities of Atkins, partially offset by a decrease in Oil & Gas.
- › **Revenues in Africa increased in 2017** compared with 2016, primarily due to an increase in Infrastructure and Power, partially offset by a decrease from Capital and Mining & Metallurgy.

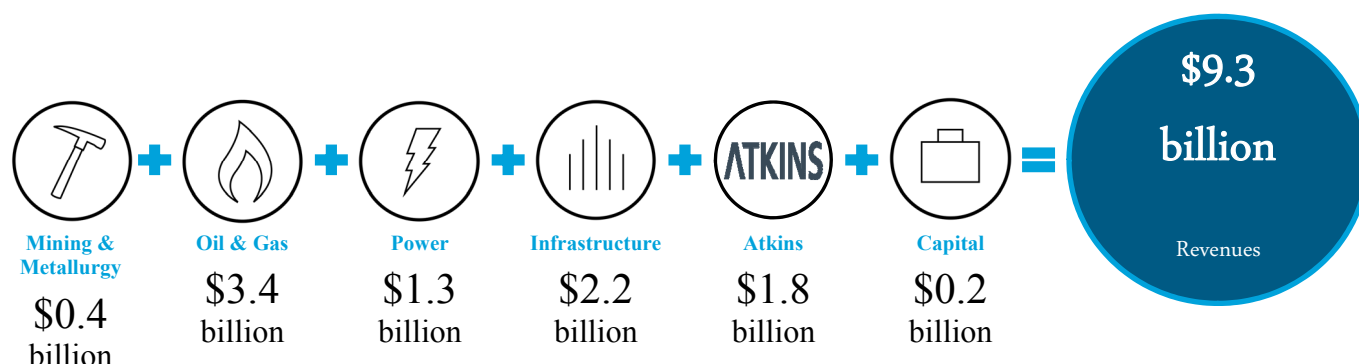
ASIA PACIFIC:

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

EUROPE:

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

7 Segmented Information



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

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

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

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

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

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

SNC-LAVALIN

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

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

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

7.1 MINING & METALLURGY

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

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

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

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

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

7.2 OIL & GAS

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

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

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

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

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

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

7.3 POWER

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

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

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

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

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

7.4 INFRASTRUCTURE

Infrastructure provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects. The Infrastructure segment derives its revenues from both reimbursable contracts (2017: 30%; 2016: 35%) and fixed-price contracts (2017: 70%; 2016: 65%).

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

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

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

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

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

7.5 ATKINS

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

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

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

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

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

7.6 CAPITAL

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

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

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

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

AT DECEMBER 31 (IN MILLIONS CAS)	NET BOOK VALUE	
	2017	2016
Highway 407 ETR ⁽¹⁾	\$ -	\$ -
Others	316.2	416.5
Total	\$ 316.2	\$ 416.5

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

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

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

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

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

REVENUES, SEGMENT EBIT AND DIVIDENDS OF THE CAPITAL SEGMENT

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

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

(1) EBIT from other Capital investments is net of divisional and allocated corporate selling, general and administrative expenses, as well as from selling, general and administrative expenses from all other capital investments accounted for by the consolidation method.

Under the equity method of accounting, distributions from a joint venture reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends payable by the joint venture are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to \$nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. In these situations, the Company no longer recognizes its share of net income of a Capital investment based on its ownership, but rather recognizes the excess amount of dividends payable by a joint venture in its net income.

The Company recognized in its income statement dividends received from Highway 407 ETR of \$141.7 million in 2017 (2016: \$132.5 million). The Company did not recognize its share of Highway 407 ETR's net income of \$78.9 million (2016: \$62.6 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was \$nil at December 31, 2017 and December 31, 2016.

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

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

CAPITAL INVESTMENTS PORTFOLIO

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

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP ("407 EDGGP")	50%	Equity	Yes	2012	2045	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
MCGILL HEALTHCARE INFRASTRUCTURE GROUP ("MHIG")	50%	Equity	Yes	2010	2044	In operation	Operates and maintains the McGill University Health Centre's new Glen Campus.
INPOWER BC GENERAL PARTNERSHIP ("INPOWER BC")	100%	Consolidation	Yes	2014	2033	Under construction	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility, in Canada.
RIDEAU TRANSIT GROUP PARTNERSHIP ("RIDEAU")	40%	Equity	Yes	2013	2043	Under construction	Designs, builds, finances and, once construction is completed, will maintain the Confederation Line, City of Ottawa's light rail transit system.
ASTORIA PROJECT PARTNERS II LLC ("ASTORIA II")	6.2%	Cost	No	2008	N/A	In operation	Astoria II owns and operates a 550-MW natural gas-fired combined cycle power plant in Queens, New York. Astoria II signed a 20-year firm Power Purchase Agreement with the New York Power Authority ("NYPA").
407 INTERNATIONAL INC. ("HIGHWAY 407 ETR")	16.77%	Equity	No	1999	2098	In operation	Operates, maintains and manages Highway 407 ETR, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m ³ /day seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
SHARIKET KAHRABA HADJRET EN NOUSS S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227-MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
TC DÔME S.A.S. ("TC DÔME")	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3-km electric cog railway in France.
HIGHWAY CONCESSIONS ONE PRIVATE LIMITED	10%	Cost	N/A	2012	N/A	Ongoing activities (construction and operation)	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India.
SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")	50%	Equity	Yes	2015	2049	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the New Champlain Bridge Corridor project.
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINTON CROSSTOWN")	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.

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

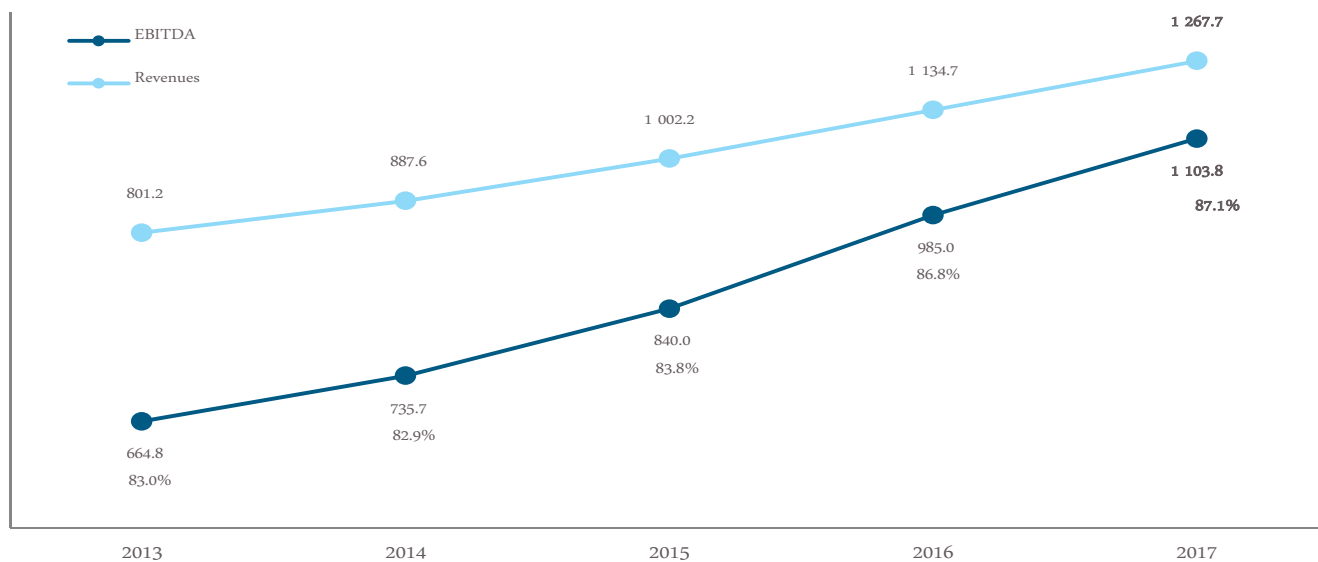
N/A: not applicable

HIGHWAY 407 ETR

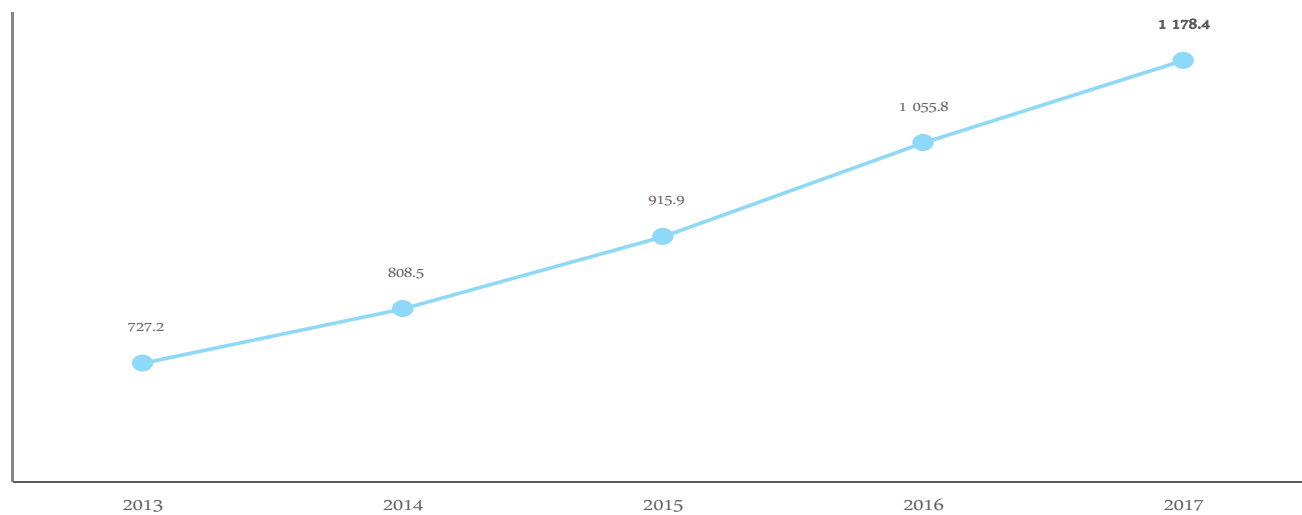
The following information is intended to provide the reader with a general understanding of the operations and key metrics of Highway 407 ETR. As 407 International Inc. issues public debt, 407 International Inc. financial statements, MD&A and other relevant financial materials can be found on www.sedar.com,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

407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS

Total Revenues / EBITDA
(in millions CA\$)

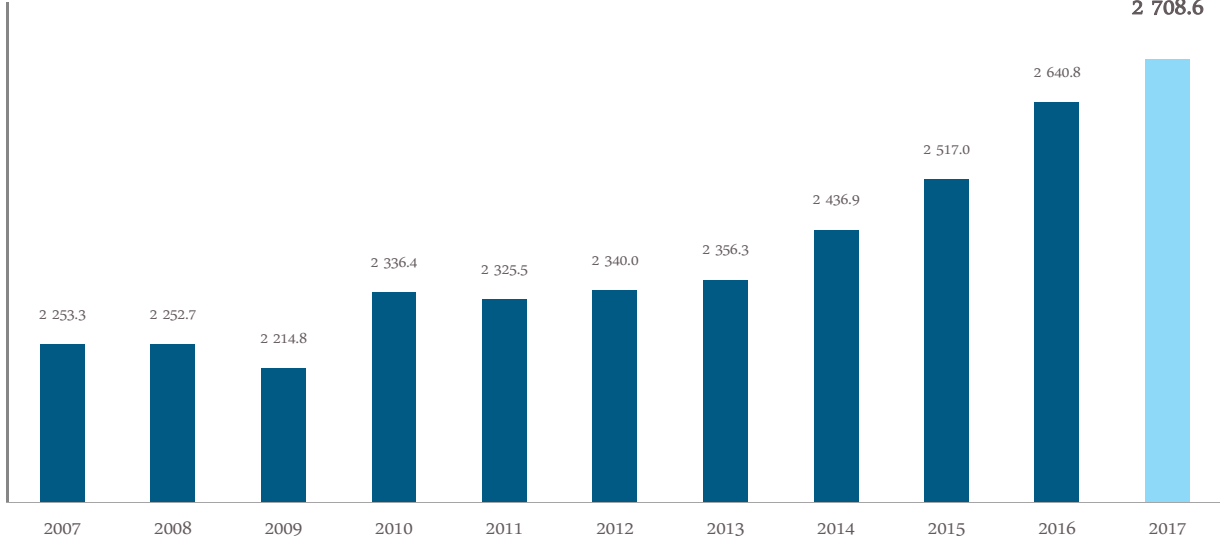


Toll revenues
(in millions CA\$)

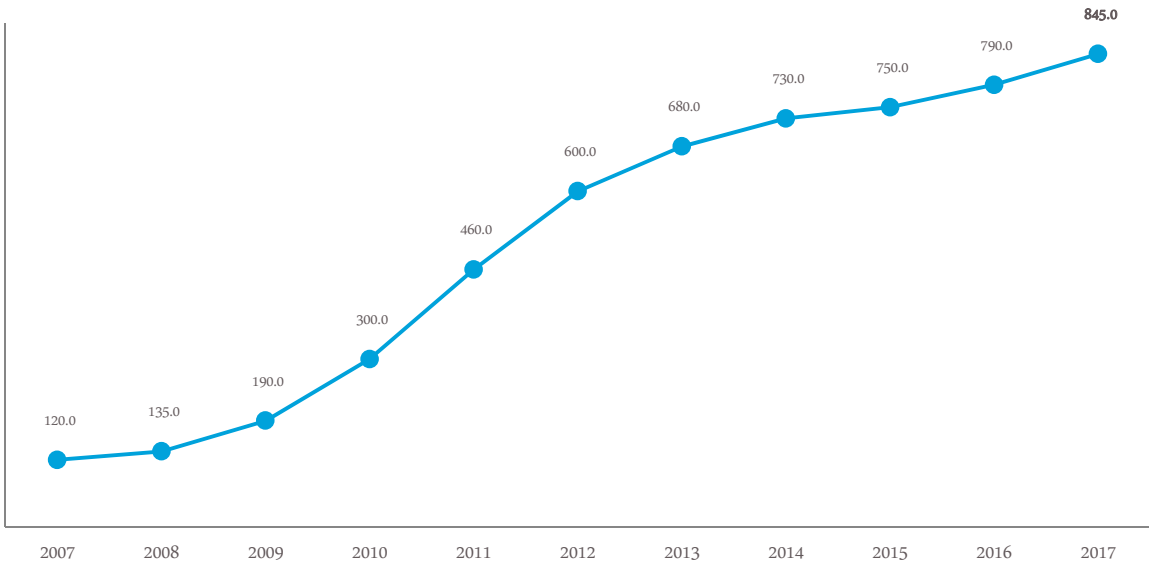


407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS

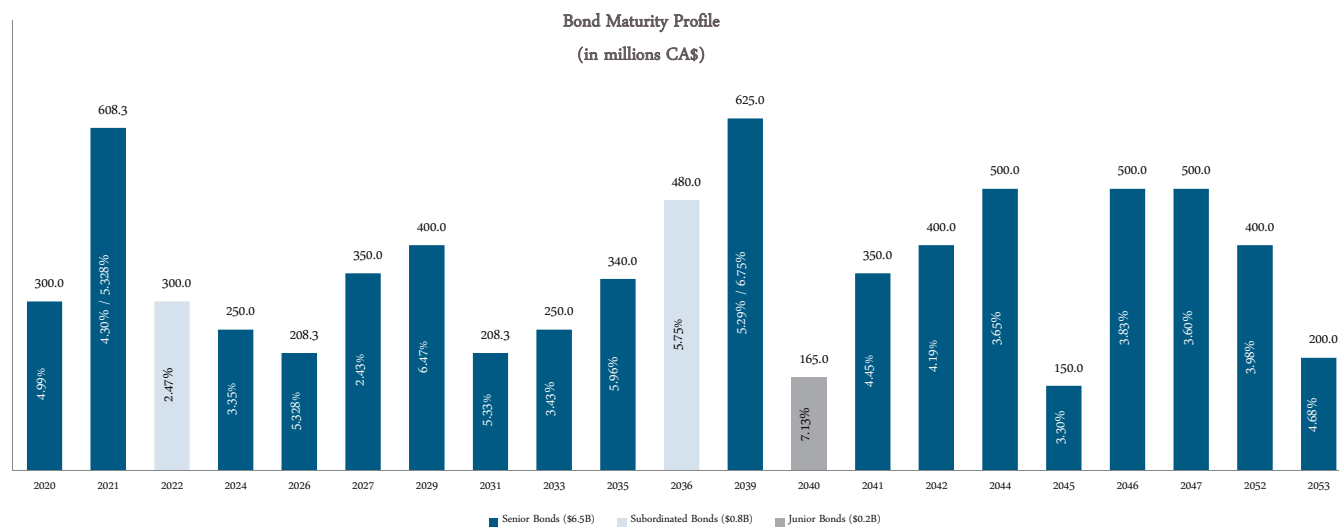
Gross Vehicle Kilometres Travelled
(in millions - km)



Dividends Paid
(in millions CA\$)



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

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

Highway 407 ETR's net income because the carrying amount of its investment was \$nil at the end of each of these years. The dividends received by SNC-Lavalin are not taxable.

407 INTERNATIONAL INC. TRAFFIC RESULTS

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

407 International Inc. is owned by Cintra Global, a wholly-owned subsidiary of Ferrovial, S.A. (43.23%), by indirectly owned subsidiaries of Canada Pension Plan Investment Board (40.00%), and by SNC-Lavalin (16.77%). 407 International Inc., through its wholly-owned subsidiary, 407 ETR, operates, maintains and owns the right to toll an all-electronic, open-access toll highway which is situated just north of Toronto.

Based on Government of Ontario reports, the population of the Greater Toronto Area ("GTA") exceeds seven million and is projected to exceed nine million by the year 2031. Future growth in the GTA is expected to continue further north, north-west and north-east in areas proximate to the highway corridor, as Lake Ontario prevents growth to the south. What makes Highway 407 ETR particularly attractive is that unlike many other toll roads, Highway 407 ETR is an "urban highway", i.e. the majority of users make it an integral part of their daily routine, providing stable and recurring revenues. Another attractive factor is that the GTA road network is already congested and this situation will only worsen over time. Highway 401, QEW and several other main arteries are already running at full capacity. The Province has few alternatives to add capacity on the existing road network and is limited to 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 2017

SNC-Lavalin Infrastructure Partners LP

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

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

McGill Healthcare Infrastructure Group

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

RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

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

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

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

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

ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

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

Consolidated statement of financial position	<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 audited 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.

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

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

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

8 Fourth Quarter Results

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

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

- › **The higher contribution from Infrastructure** was mainly due to an increase of the gross margin-to-revenue ratio and a decrease in selling, general and administrative expenses, partly offset by a lower level of activities due the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations at the end of 2016.
- › **The higher contribution from Mining & Metallurgy** was mainly due to a higher level of activities and lower selling, general and administrative expenses, partly offset by a lower gross margin-to-revenue ratio. In the fourth quarter of 2016, a lower level of activity due to persisting difficult market conditions in this sector and the completion or near completion of certain major projects had a negative impact on the contribution from Mining & Metallurgy.
- › **The loss from Power in the fourth quarter of 2017** is due to losses from the thermal operations, mainly driven by the loss on one gas-fired combined-cycle power plant project in the United States. Segment EBIT from Power was also negatively impacted by a decrease in the level of activities, a decrease of gross margin-to-revenue ratio and an increase in selling, general and administrative expenses. In 2016, the increase in gross margin-to-revenue ratio coupled with the decrease in selling, general and administrative expenses were offset by a decrease in volume, due to certain major projects reaching completion, principally work on transmission lines in Western Canada.
- › **The contribution from Oil & Gas were in line with the fourth quarter of 2016** due to a lower level of activities following completion or near completion of certain major projects, most notably LNG projects in Australia and a lower gross margin-to-revenue ratio, offset by lower selling, general and administrative expenses. In the fourth quarter of 2016, a lower level of activity on certain major projects that were completed or near completion and the challenging market conditions in the Company's production and processing solutions activities had a negative impact on the contribution from Oil & Gas.

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

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

- › **\$25.4 million (\$21.6 million after taxes) of acquisition-related costs and integration costs in the fourth quarter of 2017**, compared with \$0.3 million (\$0.2 million after taxes) in the same period last year, mainly due to costs incurred in connection with the acquisition of Atkins, completed on July 3, 2017;
- › **\$73.8 million (\$61.3 million after taxes) of amortization of intangible assets related to business combinations**, compared with \$16.5 million (\$13.2 million after taxes) in the corresponding quarter of 2016, an increase also attributable to the acquisition of Atkins; and
- › **Impact of U.S. corporate tax reform resulting in a non-cash income taxes expense of \$42.5 million in 2017**, explained in Section 4.11.

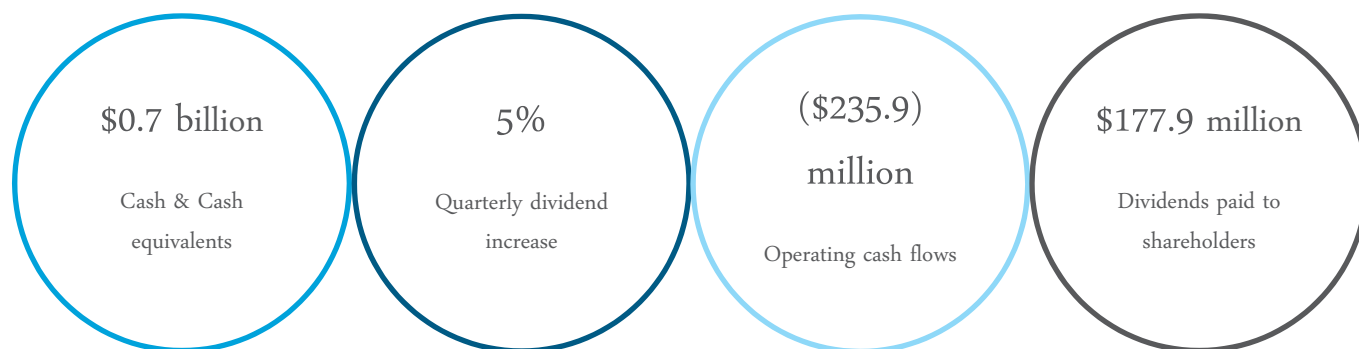
Net income attributable to SNC-Lavalin shareholders from Capital amounted to \$38.1 million in the fourth quarter of 2017, compared with \$40.0 million for the fourth quarter of 2016. The decrease in contributions from certain Capital investments and from Capital investments partially disposed in 2017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

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

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

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

9 Liquidity and Capital Resources



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

- › A **cash flow** analysis, providing details on how the Company generated and used its cash and cash equivalents;
- › A discussion on the Company's **capital structure management** and its **capital resources**;
- › A description of the Company's **debt and financing agreements** and its **capital management indicators**;
- › An update on the Company's **credit ratings**;
- › A review of the Company's **contractual obligations** and **derivative financial instruments**, which provides additional information for a better understanding of the Company's financial situation; and
- › The presentation of the Company's **dividends declared** over the past three years and its **normal course issuer bid**.

9.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

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

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

OPERATING ACTIVITIES

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

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

- › **Net cash generated from operating activities before net change in non-cash working capital items, totalled \$405.2 million in 2017**, compared with \$166.3 million in 2016, a variance of \$238.9 million, mainly explained by the elements in the table above, most notably by an increase in net income, partially attributable to the incremental results of Atkins, acquired in July 2017;
- › As detailed in Note 29B to the Company's 2017 audited annual consolidated financial statements, **changes in non-cash working capital items used cash of \$641.1 million in 2017**, compared with \$60.7 million in 2016. This difference reflected mainly a decrease in deferred revenues on certain major projects, trade payables and downpayments on contracts, partly offset by a decrease in other current financial assets and contracts in progress. The negative net change in non-cash working capital items was mainly reflecting working capital requirements on certain major projects in 2017.

INVESTING ACTIVITIES

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

(IN MILLIONS CAS)

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

- › The changes in cash flows related to investing activities between 2016 and 2017 were primarily explained by the elements in the table above, most notably by the \$3,119.4 million cash used to acquire Atkins in July 2017, partially offset by the proceeds of \$173.3 million received from the sale of the Company's head office building in 2017;
- › In 2017, the Company entered into a foreign exchange option to hedge the foreign exchange exposure related to the acquisition of Atkins. This foreign exchange option was settled during the second quarter of 2017, resulting in a cost, net of recovery, of \$48.7 million;
- › In 2017, SNC-Lavalin completed the acquisition of Data Transfer Solutions LLC ("DTS") for \$57.3 million. This transaction is described in Note 6B to the Company's 2017 audited annual consolidated financial statements;
- › In 2017, inflows on disposals of Capital investments accounted for by the equity method were \$78.6 million lower compared to 2016. In 2017, the Company received a \$23.3 million cash consideration in reduction of the subordinated loan receivable from MHIG and in 2016, the Company received \$101.9 million on disposals of Capital investments, mainly

reflecting the disposal of the Company's indirect ownership interest in SNCL Malta. Both transactions are described in Note 5A to the Company's 2017 audited annual consolidated financial statements; and

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

FINANCING ACTIVITIES

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

(IN MILLIONS CAS)

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

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

- › In 2016, the Company repaid in full the outstanding balance of advances under contract financing arrangements related to the Ste-Justine and Evergreen projects amounting to \$395.7 million, therefore financing arrangements did not have any cash flow impact in 2017;
- › In 2017, SNC-Lavalin acquired the non-controlling interest of Saudi Arabia Kentz Co. LLC for total cash consideration of US\$45.8 million (CA\$59.5 million). This transaction is described in Note 25 to the Company's 2017 audited annual consolidated financial statements;
- › Dividends paid to SNC-Lavalin shareholders increased by \$21.8 million in 2017, totalling \$177.9 million compared with \$156.1 million in 2016, mainly reflecting an increase in dividends paid per share. The increase in dividends reflects dividends paid of \$1.092 per share in 2017 compared with \$1.04 per share for 2016; and
- › The issuance of shares pursuant to the exercise of stock options generated \$9.7 million in cash in 2017 (251,402 stock options at an average price of \$38.69), compared with \$22.6 million in 2016 (585,428 stock options at an average price of \$38.60). As at February 13, 2018, there were 288,663 stock options outstanding with an exercise price of \$40.98 per common share. At that same date, there were 175,526,455 common shares issued and outstanding, including the equity issued in connection with the acquisition of Atkins.

9.2 CAPITAL STRUCTURE MANAGEMENT

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

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

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

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

9.3 CAPITAL RESOURCES

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

(1) Including cash draws and letters of credit issued on a committed basis, but excluding bilateral letters of credit that can be issued on a non-committed basis.

(2) Before considering potential limitations resulting from contractual covenants.

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

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

9.4 DEBT AND FINANCING AGREEMENTS

CHANGES IN 2017

Financing Related to the Acquisition of Atkins

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

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

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

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

Revolving Facility

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

Term Facility

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

Bilateral Letters of Credit

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

CDPQ Loan

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

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

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

Private Placement and Public Offering

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

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

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

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

Repayment of Senior Notes

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

Unsecured Debentures

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

CHANGES IN 2016

Recourse Revolving Credit Facility

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

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

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

NON-RECOURSE AND LIMITED RECOURSE DEBT

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

9.5 CAPITAL MANAGEMENT INDICATORS

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

NET RECOURSE DEBT

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

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

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

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

NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO

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

AT DECEMBER 31 (IN MILLIONS CAS, EXCEPT NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO)	2017
Net recourse debt ⁽¹⁾	\$ 640.8
Trailing 12-month ("TTM") adjusted EBITDA ⁽¹⁾	\$ 815.9
Less: Interest on limited recourse debt (TTM)	(49.0)
Adjusted EBITDA, less interest on limited recourse debt (TTM) ⁽²⁾	\$ 766.9

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

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

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

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

RECOURSE DEBT TO CAPITAL RATIO

The recourse debt to capital ratio, an additional IFRS measure, compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. Refer to Section 13 for further information on non-IFRS financial measures or additional IFRS measures. Recourse debt to capital ratio is calculated as follows:

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

Recourse debt has increased by \$996.2 million and the total amount of capital has increased by \$2,429.1 million as at December 31, 2017, compared with the previous year, largely attributable to the debt contracted to finance the acquisition of Atkins and the additional financing obtained through the issuance of common shares. As at December 31, 2017, the Company maintained an adequate mix of debt and equity with a recourse debt to capital ratio of 18:82, below its objective, which is not to surpass a ratio of 30:70.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

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

9.6 CREDIT RATING

IN 2017

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

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

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

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

IN 2016

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

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

9.7 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

CONTRACTUAL OBLIGATIONS

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

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

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 21E to the Company's 2017 audited annual consolidated financial statements. The commitments to invest in Capital investments result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to the Company's 2017 audited annual consolidated financial statements. The commitments to invest in Capital investments are recognized for investments accounted for by the equity or cost methods and mainly related to Rideau, 407 EDGGP, SSL and Eglinton Crosstown in 2017 and 2016. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 35 to the Company's 2017 audited annual consolidated financial statements.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US\$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects

related to energy, power and other natural resources that include a significant amount of greenfield development, construction or other capital expenditures programs. As at December 31, 2017, no liability was recorded in relation to this agreement, as the conditions have not been met yet.

FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 31 to the Company's 2017 audited annual consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS

SNC-Lavalin enters or may enter into derivative financial instruments, namely:

- › Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates;
- › Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements; and
- › Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company's share price.

Refer to Note 23C to the Company's 2017 audited annual consolidated financial statements for further details.

All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

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

9.8 DIVIDENDS DECLARED

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

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

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

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

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

9.9 NORMAL COURSE ISSUER BID

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

10 Financial Position

10.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

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

ASSETS (CONTINUED)

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

LIABILITIES

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

LIABILITIES (CONTINUED)

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

EQUITY

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

WORKING CAPITAL

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

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

11 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the Company's 2017 audited annual consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the Company's 2017 audited annual consolidated financial statements.

12 Accounting Policies and Changes

12.1 CHANGE IN AN ACCOUNTING POLICY

In 2017, the Company updated its definition of the segment EBIT, which now excludes the gain on disposal of the head office building. This change in the definition was made to take into consideration a transaction that took place in 2017. This change in the definition did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

12.2 CHANGE IN PRESENTATION

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

12.3 NEW ACCOUNTING POLICY ADOPTED IN 2017

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

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

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

Where a leaseback transaction results in an operating lease:

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

12.4 AMENDMENTS ADOPTED IN 2017

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

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

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

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

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

- › IFRS 9, *Financial Instruments*, ("IFRS 9") covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model. Refer to considerations for the implementation of IFRS 9 and IFRS 15 below for more information.
- › IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations. Refer to considerations for the implementation of IFRS 9 and IFRS 15 below for more information.
- › Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- › Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.
- › Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- › IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- › *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change in use

occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

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

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

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

- › *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.
- › *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- › Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.
- › Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- › Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- › Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
- › *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

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

IFRS 9

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

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

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

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

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

IFRS 15

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

Transition considerations

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

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

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

Quantification of impact

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

Change orders and claims

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

Measure of anticipated revenues and determination of progress

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

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

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

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

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

Presentation and disclosures

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

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

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

Procedures and controls

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

13 Non-IFRS Financial Measures and Additional IFRS Measures

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

Performance

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

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

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

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

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

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

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

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

Return on Average Shareholders' Equity ("ROASE") corresponds to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity". The Company excludes "other components of equity" because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the "other components of equity" are not representative of the Company's financial position.

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

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

Liquidity

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

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

Recourse debt to capital ratio compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. Refer to [Section 9.5](#) for the detailed calculation of this ratio.

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

14 Risks and Uncertainties

14.1 PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties in carrying out its activities. SNC-Lavalin has measures in place to identify, monitor and, to a certain extent, mitigate such risks and uncertainties. Such measures include, among others, the maintenance of an enterprise risk register, the work performed by various committees at the Board and management levels, as well as the enforcement of numerous policies and procedures. You should carefully consider the risks and uncertainties below before investing in the Company's securities. Additional risks not currently known or that the Company currently believes are immaterial may also impair its business, results of operations, financial condition and liquidity.

RISKS RELATED TO LITIGATION, REGULATORY MATTERS AND INVESTIGATIONS

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

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

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

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

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

the Company is required or determines to pay amounts in connection with these lawsuits or other litigation, such amounts could be significant and may have a material adverse impact on SNC-Lavalin's liquidity and financial results.

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately \$168 million in damages apportioned amongst the then-known defendants, on an *in solidum* basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). In addition to the appeal of the decision, recourses in warranty were filed against another party, which may result in reduction of SNC-Lavalin's share of the damages. The appeal hearing has started in October 2017 and will be completed in April 2018.

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

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

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

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

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

The Company is also subject to other ongoing investigations that could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business.

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

Charges and RCMP investigation

On February 19, 2015, the Royal Canadian Mounted Police (the “RCMP”) and the Public Prosecution Service of Canada laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under Section 380 of the Criminal Code (Canada) (the “Criminal Code”) and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the “CFPOA”), (the “Charges”). These Charges follow the RCMP’s formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company’s customers or other third parties as a result of the Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

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

AMF Investigation; AMF Certification under the Quebec Act Respecting Contracting by Public Bodies

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

Certain subsidiaries of the Company require certification from the AMF, subject to periodic renewal, to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be

automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract. Those subsidiaries of the Company that need to be certified by the AMF have obtained that certification.

World Bank Settlement

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

African Development Bank Settlement

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

Canada’s Integrity Regime

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

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

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

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

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

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

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

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

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aïssa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec.

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

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

A significant portion of the Company's business and revenues is dependent on fixed-price contracts. The Company bears the risk for cost overruns from fixed-price contracts. Contract revenues and costs are established, in part, based on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, productivity, performance of the Company's employees and of subcontractors or equipment suppliers, price, availability of labour, equipment and materials and other requirements that may affect project costs or schedule, such as obtaining the required environmental permits and approvals on a timely basis. Cost overruns may also occur when unforeseen circumstances arise. In addition, reimbursable contracts such as unit-rate contracts for which a fixed amount per quantity is charged to the customer and reimbursable contracts with a cap bear some risks that are similar to those related to fixed-price contracts, as the estimates used to establish the contract unit-rate and/or the contractual cap are also subject to the assumptions listed above.

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

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

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

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

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

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

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

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

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

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

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

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting. SNC-Lavalin's failure to comply with the terms of one or more government contracts or government statutes and regulations could result in the Company's contracts with government agencies being terminated or the Company being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties and the risk of public scrutiny of the Company's performance, and potential harm to its reputation, each of which could have a material adverse effect on SNC-Lavalin's business. Other remedies that the Company's government clients may seek for improper activities or performance issues include sanctions such as forfeiture of profits and suspension of payments. In addition, virtually

all of the Company's contracts with governments contain "termination for convenience" provisions, as described in the risk factor above entitled "*The Company's backlog is subject to unexpected adjustments and cancellations, including under 'termination for convenience' provisions, and does not represent a guarantee of the Company's future revenues or profitability*".

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

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

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

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

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

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

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

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

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

The Company's non-recourse debt from Capital investments can be affected by fluctuations in interest rates. A hedging strategy is in place when the Capital investment's management deems it appropriate. However, the assumptions and estimates inherent to the hedging strategy could be erroneous, thus rendering the hedging strategy ineffective or partially ineffective. Furthermore, the financial instruments associated with the hedging strategy contain an inherent credit risk related to defaults on obligations by the counterparties to such instruments.

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

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

SNC-Lavalin undertakes contracts wherein it subcontracts a portion of the project or the supply of material and equipment to third parties. If the amount the Company is required to pay for subcontractors or equipment and supplies exceeds what was estimated, the Company may suffer losses on these contracts. If a supplier or subcontractor fails to provide supplies, equipment or services as required under a negotiated contract for any reason, or provides supplies, equipment or services that are not of an acceptable quality, the Company may be required to source those supplies, equipment or services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. In addition, faulty equipment or materials could impact the overall project, resulting in claims against SNC-Lavalin for failure to meet required project specifications. These risks may be intensified during an economic downturn if these suppliers or subcontractors experience financial difficulties or find it

difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the services or supplies necessary for the Company's business. In addition, in instances where SNC-Lavalin relies on a single contracted supplier or subcontractor or a small number of subcontractors, there can be no assurance that the marketplace can provide these products or services on a timely basis, or at the costs the Company had anticipated. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact SNC-Lavalin's business and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on the Company.

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

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

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

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

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

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

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

The Company's failure to act or to make judgments and recommendations in accordance with applicable professional standards could result in large monetary damages awards against the Company. The Company's business involves making professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and

public infrastructure projects. A failure or event at one of SNC-Lavalin's project sites or completed projects resulting from the work it has performed could result in significant professional or product liability, warranty or other claims against the Company as well as reputational harm, especially if public safety is impacted. These liabilities could exceed the Company's insurance limits or the fees it generates, or could impact the Company's ability to obtain insurance in the future. In addition, clients or subcontractors who have agreed to indemnify SNC-Lavalin against any such liabilities or losses might refuse or be unable to pay. An uninsured claim, either in part or in whole, if successful and of a material magnitude, could have a material adverse impact on the Company's financial condition and results of operations.

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

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

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

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

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

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

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

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

adversely impact the Company's business, financial condition and operating results as well as its ability to obtain future projects.

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

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

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

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

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

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

Any acquisition or other investment may present risks or uncertainties.

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

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

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

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

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

The Company believed that the Acquisition would provide certain benefits to the Company. Achieving the benefits of the Acquisition depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the growth opportunities from combining the Atkins businesses and operations with those of the Company. To effectively integrate Atkins' business into its current operations, the

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

Increased Indebtedness as a result of the Atkins Acquisition

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

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

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

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

- › it may have a negative effect on the current credit ratings of the Company's rated long-term debt;
- › it may limit the Company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes on commercially reasonable terms, if at all;
- › most of the Company's borrowings are at variable rates of interest and expose the Company to the risk of increased interest rates;

- › it may limit the Company's ability to adjust to changing market conditions and place the Company at a competitive disadvantage (including if the Company's investment grade credit rating is negatively affected) compared to its competitors that have less debt or greater financial resources;
- › it may limit the Company's ability to declare and pay dividends on its Common Shares;
- › the Company may be vulnerable in a downturn in general economic conditions; and
- › the Company may be unable to make capital expenditures that are important to its growth and strategies.

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

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

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

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

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

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

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

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

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

Ability to pay Dividends

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

Additional Significant Unanticipated integration costs may be incurred following Atkins Acquisition

The Company incurred costs associated with the Acquisition and is incurring costs for integrating the operations of the Company and Atkins. The substantial majority of such costs are non-recurring expenses resulting from the Acquisition and

consist of transaction costs related to the Acquisition, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of the Company and Atkins' respective businesses.

Atkins' Pension-Related Obligations

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

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

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

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

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

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

A deterioration in the Company's financial condition could also result in a reduction or downgrade of its credit ratings, including to below investment grade, which could limit the Company's ability to issue new letters of credit or performance guarantees or accessing external sources of short-term and long-term debt financing or could significantly increase the costs

associated with utilizing such letters of credit and performance guarantees, bank credit facilities and issuing long-term debt, which would in turn have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

GLOBAL / MACROECONOMIC RISKS

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

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

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

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

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

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

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

errors, circumvention of controls or omission of disclosure can and will be prevented or detected. Such fraud, errors, circumvention of controls or omission of disclosure could result in a material misstatement of financial information. Also, projections of any evaluation of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

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

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

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

15 Legal proceedings

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

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

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

16 Controls and Procedures

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

16.1 DISCLOSURE CONTROLS AND PROCEDURES

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

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

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2017.

16.2 INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2017, using the *Internal Control - Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

16.3 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, other than changes resulting from the acquisition of Atkins described below.

The Company completed its acquisition of Atkins in July 2017 and DTS in October 2017. As a result, management's assessment and conclusion on the design of disclosure controls and procedures, and internal control over financial reporting, excludes the controls, policies and procedures of Atkins and DTS. Atkins and DTS represent 19% of revenues, 31% of net income attributable to SNC-Lavalin shareholders and 10% of total assets of the consolidated figures reported in the Company's 2017 audited annual consolidated financial statements. Note 6 to the audited annual consolidated financial statements presents summary financial information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about the acquisitions and business impact on the consolidated results of the Company.

17 Quarterly Information

YEAR ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT PER SHARE AMOUNTS)	2017					2016				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues :										
From E&C	1,788.3	1,868.2	2,572.5	2,867.7	9,096.7	1,930.8	2,045.2	2,100.6	2,146.5	8,223.1
From Capital	60.9	66.7	60.3	50.1	238.0	57.4	57.7	67.9	64.7	247.7
	1,849.3	1,934.9	2,632.7	2,917.8	9,334.7	1,988.2	2,103.0	2,168.5	2,211.1	8,470.8
Gross margin	293.0	301.6	622.9	675.9	1,893.4	291.9	340.8	212.7	360.7	1,206.1
Selling, general and administrative expenses	157.1	185.3	399.0	417.3	1,158.7	168.1	201.1	141.1	213.9	724.1
Restructuring costs	2.8	22.3	1.7	(0.4)	26.4	13.0	2.7	11.8	87.8	115.4
Acquisition-related costs and integration costs	1.4	55.3	42.3	25.4	124.3	1.2	1.7	1.1	0.3	4.4
Amortization of intangible assets related to business combinations	15.4	14.3	35.4	73.8	138.9	20.3	15.8	16.2	16.5	68.8
(Gain) loss on disposals of Capital investments	-	(5.4)	(36.7)	-	42.1	(58.5)	-	-	2.7	(55.9)
Gain on disposal of the head office building	-	(115.1)	-	-	(115.1)	-	-	-	-	-
(Gain) loss on disposals of E&C businesses	(0.7)	(0.3)	-	-	(1.0)	-	-	-	37.1	37.1
EBIT	117.1	145.3	181.3	159.8	603.4	147.8	119.5	42.5	2.3	312.1
Net financial expenses	13.2	13.4	40.9	50.4	117.8	9.5	12.3	9.9	10.5	42.1
Earnings (Loss) before income taxes	103.9	131.9	140.4	109.4	485.5	138.3	107.2	32.6	(8.1)	270.0
Income taxes	8.8	(2.5)	39.2	56.9	102.4	10.9	14.9	(2.6)	(9.8)	13.4
Net income	95.1	134.4	101.2	52.5	383.2	127.4	92.3	35.2	1.6	256.6
Net income attributable to:										
SNC-Lavalin shareholders	89.7	136.4	103.6	52.4	382.0	122.1	88.5	43.3	1.6	255.5
Non-controlling interests	5.4	(2.0)	(2.4)	0.1	1.1	5.3	3.8	(8.1)	0.1	1.0
Net income	95.1	134.4	101.2	52.5	383.2	127.4	92.3	35.2	1.6	256.6
Basic earnings per share (\$)	0.60	0.91	0.59	0.30	2.35	0.82	0.59	0.29	0.01	1.70
Diluted earnings (loss) per share(\$):										
From E&C	0.30	0.58	0.17	0.08	1.08	0.21	0.35	-	(0.26)	0.31
From Capital	0.30	0.33	0.42	0.22	1.26	0.60	0.24	0.29	0.27	1.39
Diluted earnings per share (\$)	0.60	0.91	0.59	0.30	2.34	0.81	0.59	0.29	0.01	1.70
Dividend declared per share (\$)	0.273	0.273	0.273	0.287	1.106	0.26	0.26	0.26	0.273	1.053
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	45.3	87.4	29.0	14.3	176.0	31.2	52.9	0.7	(38.4)	46.3
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407 ETR	34.8	34.8	36.1	36.0	141.7	31.5	31.5	34.8	34.8	132.5
From other Capital investments	9.6	14.2	38.5	2.1	65.2	59.5	4.2	7.8	5.2	76.7
Net income attributable to SNC-Lavalin shareholders	89.7	136.4	103.6	52.4	382.0	122.1	88.5	43.3	1.6	255.5
Additional indicators										
Adjusted diluted EPS from E&C (in \$)	0.40	0.43	0.51	0.78	2.15	0.38	0.48	0.16	0.49	1.51
Adjusted EBITDA	148.9	134.7	250.0	282.8	816.5	143.8	160.7	93.0	154.5	552.1
Revenue backlog (at end of quarter)	10,078.7	9,576.6	11,336.3	10,406.4		13,417.3	12,544.3	11,776.6	10,677.4	