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**Interim Condensed Consolidated
Financial Statements** (unaudited)

As at and for the three-month periods ended
March 31, 2017 and 2016

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	March 31 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 810,533	\$ 1,055,484
Restricted cash		51,568	55,577
Trade receivables		874,332	935,983
Contracts in progress		1,423,676	1,188,912
Inventories		133,493	138,795
Other current financial assets		435,023	492,725
Other current non-financial assets		305,674	315,847
Assets held for sale	14	5,832	6,706
Total current assets		4,040,131	4,190,029
Property and equipment		310,440	298,333
Capital investments accounted for by the equity method	4	408,350	399,425
Capital investments accounted for by the cost method	4	50,618	48,325
Goodwill		3,247,080	3,268,214
Intangible assets related to Kentz acquisition		177,155	194,164
Deferred income tax asset		416,435	421,461
Non-current portion of receivables under service concession arrangements		378,969	356,847
Other non-current financial assets		47,388	58,523
Other non-current non-financial assets		63,008	62,998
Total assets		\$ 9,139,574	\$ 9,298,319
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 1,934,765	\$ 1,888,242
Downpayments on contracts		279,750	263,382
Deferred revenues		795,938	851,158
Other current financial liabilities		286,039	303,975
Other current non-financial liabilities		288,441	397,790
Current portion of provisions		208,295	236,594
Short-term debt and current portion of long-term debt:			
Non-recourse from Capital investments		22,030	21,011
Total current liabilities		3,815,258	3,962,152
Long-term debt:			
Recourse		349,428	349,369
Non-recourse from Capital investments		469,685	472,571
Other non-current financial liabilities		6,123	5,928
Non-current portion of provisions		307,972	326,401
Other non-current non-financial liabilities		15,675	15,846
Deferred income tax liability		261,582	269,718
Total liabilities		5,225,723	5,401,985
Equity			
Share capital		556,987	554,839
Retained earnings		3,007,060	2,959,366
Other components of equity	9	323,323	360,845
Other components of equity of asset held for sale	14	(1,828)	(1,828)
Equity attributable to SNC-Lavalin shareholders		3,885,542	3,873,222
Non-controlling interests		28,309	23,112
Total equity		3,913,851	3,896,334
Total liabilities and equity		\$ 9,139,574	\$ 9,298,319

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2017							
Equity attributable to SNC-Lavalin shareholders						Non- controlling interests	Total equity
Share Capital					Total		
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 9)			
Balance at beginning of the period	150,357	\$ 554,839	\$ 2,959,366	\$ 359,017	\$ 3,873,222	\$ 23,112	\$ 3,896,334
Net income for the period	-	-	89,713	-	89,713	5,359	95,072
Other comprehensive loss for the period	-	-	(644)	(37,522)	(38,166)	(178)	(38,344)
Total comprehensive income (loss) for the period	-	-	89,069	(37,522)	51,547	5,181	56,728
Dividends declared (Note 8)	-	-	(41,057)	-	(41,057)	-	(41,057)
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	(1)	(1)
Stock option compensation	-	-	103	-	103	-	103
Shares issued under stock option plans	46	2,148	(421)	-	1,727	-	1,727
Capital contributions by non-controlling interests	-	-	-	-	-	17	17
Balance at end of the period	150,403	\$ 556,987	\$ 3,007,060	\$ 321,495	\$ 3,885,542	\$ 28,309	\$ 3,913,851

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2016							
Equity attributable to SNC-Lavalin shareholders						Non- controlling interests	Total equity
Share Capital					Total		
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 9)			
Balance at beginning of the period	149,772	\$ 526,812	\$ 2,901,353	\$ 440,013	\$ 3,868,178	\$ 35,318	\$ 3,903,496
Net income for the period	-	-	122,107	-	122,107	5,280	127,387
Other comprehensive loss for the period	-	-	(2,869)	(88,901)	(91,770)	(360)	(92,130)
Total comprehensive income (loss) for the period	-	-	119,238	(88,901)	30,337	4,920	35,257
Dividends declared (Note 8)	-	-	(38,954)	-	(38,954)	-	(38,954)
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	(3,362)	(3,362)
Stock option compensation	-	-	306	-	306	-	306
Shares issued under stock option plans	66	3,127	(569)	-	2,558	-	2,558
Balance at end of the period	149,838	\$ 529,939	\$ 2,981,374	\$ 351,112	\$ 3,862,425	\$ 36,876	\$ 3,899,301

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
EARNINGS PER SHARE AND NUMBER OF SHARES)

THREE MONTHS ENDED MARCH 31

	Note	2017	2016
Revenues from:			
E&C		\$ 1,788,324	\$ 1,930,773
Capital investments accounted for by the consolidation or cost methods		12,432	12,889
Capital investments accounted for by the equity method		48,514	44,508
		1,849,270	1,988,170
Direct cost of activities		1,556,278	1,696,262
Gross margin		292,992	291,908
Selling, general and administrative expenses		157,090	168,107
Restructuring costs	5	2,825	13,015
Acquisition-related costs and integration costs		1,363	1,244
Amortization of intangible assets related to Kentz acquisition		15,363	20,289
Gain on disposals of Capital investments	4A	–	(58,539)
Gain from adjustment on disposals of E&C businesses	15	(719)	–
EBIT⁽¹⁾		117,070	147,792
Financial expenses	6	15,285	15,053
Financial income and net foreign exchange losses (gains)	6	(2,091)	(5,548)
Earnings before income taxes		103,876	138,287
Income taxes		8,804	10,900
Net income for the period		\$ 95,072	\$ 127,387
Net income attributable to:			
SNC-Lavalin shareholders		\$ 89,713	\$ 122,107
Non-controlling interests		5,359	5,280
Net income for the period		\$ 95,072	\$ 127,387
Earnings per share (in \$)			
Basic		\$ 0.60	\$ 0.82
Diluted		\$ 0.60	\$ 0.81
Weighted average number of outstanding shares (in thousands)			
Basic	7	150,380	149,787
Diluted		150,548	149,861

⁽¹⁾ Earnings before interest and income taxes (“EBIT”)

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

THREE MONTHS ENDED MARCH 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	2017		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 89,713	\$ 5,359	\$ 95,072
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 9)	(31,851)	(178)	(32,029)
Available-for-sale financial assets (Note 9)	2,618	–	2,618
Cash flow hedges (Note 9)	(7,814)	–	(7,814)
Share of other comprehensive income of investments accounted for by the equity method (Note 9)	11	–	11
Income taxes (Note 9)	(486)	–	(486)
Total of items that will be reclassified subsequently to net income	(37,522)	(178)	(37,700)
Remeasurement on defined benefit plans (Note 9)	(742)	–	(742)
Income taxes (Note 9)	98	–	98
Total of items that will not be reclassified subsequently to net income	(644)	–	(644)
Total other comprehensive loss for the period	(38,166)	(178)	(38,344)
Total comprehensive income for the period	\$ 51,547	\$ 5,181	\$ 56,728

THREE MONTHS ENDED MARCH 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	2016		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 122,107	\$ 5,280	\$ 127,387
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 9)	(100,003)	(360)	(100,363)
Available-for-sale financial assets (Note 9)	686	–	686
Cash flow hedges (Note 9)	22,809	–	22,809
Share of other comprehensive loss of investments accounted for by the equity method (Note 9)	(8,025)	–	(8,025)
Income taxes (Note 9)	(4,368)	–	(4,368)
Total of items that will be reclassified subsequently to net income	(88,901)	(360)	(89,261)
Remeasurement on defined benefit plans (Note 9)	(3,098)	–	(3,098)
Income taxes (Note 9)	229	–	229
Total of items that will not be reclassified subsequently to net income	(2,869)	–	(2,869)
Total other comprehensive loss for the period	(91,770)	(360)	(92,130)
Total comprehensive income for the period	\$ 30,337	\$ 4,920	\$ 35,257

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

THREE MONTHS ENDED MARCH 31

	Note	2017	2016
Operating activities			
Net income for the period		\$ 95,072	\$ 127,387
Income taxes received (paid)		(10,769)	5,940
Interest paid from E&C		(11,318)	(14,026)
Interest paid from Capital investments		(10,018)	(10,735)
Other reconciling items	10A	9,398	(47,097)
		72,365	61,469
Net change in non-cash working capital items	10B	(259,140)	(301,225)
Net cash used for operating activities		(186,775)	(239,756)
Investing activities			
Acquisition of property and equipment		(31,739)	(27,561)
Payments for Capital investments		-	(7,020)
Change in restricted cash position		4,226	(8,318)
Increase in receivables under service concession arrangements		(49,982)	(35,478)
Recovery of receivables under service concession arrangements		29,035	20,115
Decrease in short-term and long-term investments		21,740	24,264
Net cash inflow on disposals of Capital investments accounted for by the equity method	4A	-	101,851
Other		4,924	(9,105)
Net cash generated (used for) from investing activities		(21,796)	58,748
Financing activities			
Increase in recourse credit facility		-	4,876
Repayment of non-recourse debt from Capital investments	10C	(2,376)	(2,411)
Increase in advances under contract financing arrangements		-	24,674
Repayment of advances under contract financing arrangements		-	(8,076)
Proceeds from exercise of stock options		1,727	2,558
Dividends paid to SNC-Lavalin shareholders	8, 10C	(41,057)	(38,954)
Other	10C	37	5,777
Net cash used for financing activities		(41,669)	(11,556)
Increase (decrease) from exchange differences on translating cash and cash equivalents		5,289	(880)
Net decrease in cash and cash equivalents		(244,951)	(193,444)
Cash and cash equivalents at beginning of period		1,055,484	1,581,834
Cash and cash equivalents at end of period		\$ 810,533	\$ 1,388,390

See accompanying notes to interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE	PAGE
1. DESCRIPTION OF BUSINESS	7
2. BASIS OF PREPARATION	7
3. SEGMENT DISCLOSURES	10
4. CAPITAL INVESTMENTS	12
5. RESTRUCTURING COSTS	13
6. NET FINANCIAL EXPENSES	13
7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	14
8. DIVIDENDS	14
9. OTHER COMPONENTS OF EQUITY	14
10. STATEMENTS OF CASH FLOWS	16
11. RELATED PARTY TRANSACTIONS	17
12. FINANCIAL INSTRUMENTS	18
13. CONTINGENT LIABILITIES	20
14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	25
15. GAIN FROM ADJUSTMENT ON DISPOSALS OF E&C BUSINESSES	25
16. EVENT AFTER THE REPORTING PERIOD	25

Notes to Interim Condensed Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS

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

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

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company’s annual audited consolidated financial statements for the year ended December 31, 2016 were consistently applied to all periods presented.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company’s annual audited consolidated financial statements for the year ended December 31, 2016 and remained unchanged for the three-month period ended March 31, 2017.

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

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

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s 2016 annual audited consolidated financial statements.

These Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 3, 2017.

B) CHANGE IN AN ACCOUNTING POLICY

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

2. BASIS OF PREPARATION (CONTINUED)

C) CHANGE IN PRESENTATION

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.

D) AMENDMENTS ADOPTED IN THE THREE-MONTH PERIOD ENDED MARCH 31, 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 (see Note 10C).

E) STANDARDS AND AMENDMENTS 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.
- IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipt in advance, a date of transaction is established for each payment or receipt.
- *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

Considerations for the implementation of IFRS 9 and IFRS 15

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

IFRS 9 is applicable retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to certain exemptions and exceptions. In general, the main impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, *Financial Instruments: Recognition and Measurement*), hedge accounting and significant additional disclosure requirements.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application. The Company is currently evaluating the transition methods prescribed under IFRS 15. For companies like SNC-Lavalin that are currently applying IAS 11, *Construction Contracts*, the main impacts of adopting IFRS 15 are expected to be on timing of revenue recognition, contract assets and liabilities, as well as disclosure.

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

3. SEGMENT DISCLOSURES

The following table presents revenues and EBIT according to the Company's segments for the three-month periods ended March 31, 2017 and 2016:

	2017				2016 ⁽¹⁾			
	REVENUES	SEGMENT EBIT			REVENUES	SEGMENT EBIT		
		E&C	CAPITAL	TOTAL		E&C	CAPITAL	TOTAL
Mining & Metallurgy	\$ 101,411	\$ 6,645	\$ –	\$ 6,645	\$ 117,469	\$ 5,652	\$ –	\$ 5,652
Oil & Gas	856,545	55,990	–	55,990	853,467	42,135	–	42,135
Power	373,469	32,257	–	32,257	383,265	29,179	–	29,179
Infrastructure	456,899	30,040	–	30,040	576,572	31,452	–	31,452
Total E&C segments	1,788,324	124,932	–	124,932	1,930,773	108,418	–	108,418
Capital	60,946	–	55,838	55,838	57,397	–	50,407	50,407
	\$ 1,849,270			180,770	\$ 1,988,170			158,825
Reversal of non-controlling interests before income taxes included above		5,359	–	5,359		5,301	–	5,301
Corporate selling, general and administrative expenses and others not allocated to the segments		(43,331)	(6,896)	(50,227)		(33,901)	(6,424)	(40,325)
Restructuring costs (Note 5)		(2,825)	–	(2,825)		(13,015)	–	(13,015)
Acquisition-related costs and integration costs		(1,363)	–	(1,363)		(1,244)	–	(1,244)
Amortization of intangible assets related to Kentz acquisition		(15,363)	–	(15,363)		(20,289)	–	(20,289)
Gain on disposals of Capital investments (Note 4A)		–	–	–		–	58,539	58,539
Gain from adjustment on disposals of E&C businesses (Note 15)		719	–	719		–	–	–
EBIT		68,128	48,942	117,070		45,270	102,522	147,792
Net financial expenses (Note 6)		10,053	3,141	13,194		6,111	3,394	9,505
Earnings before income taxes		58,075	45,801	103,876		39,159	99,128	138,287
Income taxes		7,379	1,425	8,804		2,680	8,220	10,900
Net income for the period		\$ 50,696	\$ 44,376	\$ 95,072		\$ 36,479	\$ 90,908	\$ 127,387
Net income attributable to:								
SNC-Lavalin shareholders				\$ 89,713				\$ 122,107
Non-controlling interests				5,359				5,280
Net income for the period				\$ 95,072				\$ 127,387

⁽¹⁾ Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B) and a change made to the Company's reporting of its financial results related to the Infrastructure segment (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

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

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

THREE MONTHS ENDED MARCH 31	2017	2016
Supplementary information:		
Net gain from adjustment on disposals of E&C businesses (Note 15)	\$ 612	\$ –
Excluding the net gain listed above	44,725	31,199
Net income attributable to SNC-Lavalin shareholders from E&C	45,337	31,199
Net gain on disposals of Capital investments (Note 4A)	–	51,045
Highway 407 ETR dividends	34,806	31,452
Excluding the items listed above	9,570	8,411
Net income attributable to SNC-Lavalin shareholders from Capital investments	44,376	90,908
Net income attributable to SNC-Lavalin shareholders for the period	\$ 89,713	\$ 122,107

4. CAPITAL INVESTMENTS

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

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) are all accounted for under the financial asset model. The Société d’Exploitation de l’Aéroport de Mayotte S.A.S. concession was accounted for under the bifurcated model and was disposed of in the fourth quarter of 2016. The Rayalseema Expressway Private Limited (“Rayalseema”) concession was accounted for under the intangible asset model and was disposed of in the first quarter of 2016, as described below.

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

A) DECREASES IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

MALTA INTERNATIONAL AIRPORT

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

Net gain on disposal of SNCL Malta

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

Net cash inflow on disposal of SNCL Malta

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

RAYALSEEMA

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

Gain on disposals of Capital investments

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

THREE MONTHS ENDED MARCH 31	2016		
	BEFORE TAXES	INCOME TAXES	NET OF TAXES
Gain on disposal of SNCL Malta	\$ 61,089	\$ (7,494)	\$ 53,595
Loss on disposal of Rayalseema	(2,550)	–	(2,550)
Gain on disposals of Capital investments	\$ 58,539	\$ (7,494)	\$ 51,045

4. CAPITAL INVESTMENTS (CONTINUED)

Net cash inflow on disposals of Capital investments

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

THREE MONTHS ENDED MARCH 31	2016
Net cash inflow on disposal of SNCL Malta	\$ 93,810
Cash inflow on disposal of Rayalseema	8,041
Net cash inflow on disposals of Capital investments accounted for by the equity method	\$ 101,851

B) NET BOOK VALUE OF CAPITAL INVESTMENTS

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

	MARCH 31 2017	DECEMBER 31 2016
Net liabilities from Capital investments accounted for by the consolidation method	\$ (25,230)	\$ (31,231)
Net book value of Capital investments accounted for by the equity method ^{(1), (2), (3)}	408,350	399,425
Net book value of Capital investments accounted for by the cost method	50,618	48,325
Total net book value of Capital investments	\$ 433,738	\$ 416,519

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

⁽²⁾ Includes the Company's subordinated loan receivable from a Capital investment of \$109.3 million as at March 31, 2017 and December 31, 2016.

⁽³⁾ Excludes the Company's investment in TC Dôme S.A.S., which is included in the "Assets held for sale" in the Company's consolidated statement of financial position, as at March 31, 2017 and December 31, 2016.

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 March 31, 2017 and December 31, 2016, no liability was recorded in relation to this agreement as the conditions have not been met yet.

5. RESTRUCTURING COSTS

The Company incurred restructuring costs totalling \$2.8 million in the first quarter of 2017 (2016: \$13.0 million).

The restructuring costs recognized in the first quarters of 2017 and 2016 were mainly for severances.

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED MARCH 31	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	\$ 5,443	\$ –	\$ 5,443	\$ 5,470	\$ –	\$ 5,470
Non-recourse	–	6,083	6,083	–	6,557	6,557
Other	3,664	95	3,759	2,783	243	3,026
Financial expenses	9,107	6,178	15,285	8,253	6,800	15,053
Financial income	(2,724)	(3,037)	(5,761)	(2,747)	(3,406)	(6,153)
Net foreign exchange losses (gains)	3,670	–	3,670	605	–	605
Financial income and net foreign exchange losses (gains)	946	(3,037)	(2,091)	(2,142)	(3,406)	(5,548)
Net financial expenses	\$ 10,053	\$ 3,141	\$ 13,194	\$ 6,111	\$ 3,394	\$ 9,505

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the first quarters of 2017 and 2016 used to calculate the basic and diluted earnings per share were as follows:

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS)	2017	2016
Weighted average number of outstanding shares - basic	150,380	149,787
Dilutive effect of stock options	168	74
Weighted average number of outstanding shares - diluted	150,548	149,861

In the first quarter of 2017, all outstanding stock options have been included in the computation of diluted earnings per share. In the first quarter of 2016, 677,263 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive.

8. DIVIDENDS

During the three-month period ended March 31, 2017, the Company recognized as distributions to its equity shareholders dividends of \$41.1 million or \$0.273 per share (2016: \$39.0 million or \$0.26 per share).

THREE MONTHS ENDED MARCH 31	2017	2016
Dividends payable at January 1	\$ -	\$ -
Dividends declared during the period	41,057	38,954
Dividends paid during the period	(41,057)	(38,954)
Dividends payable at March 31	\$ -	\$ -

9. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at March 31, 2017 and December 31, 2016:

	MARCH 31 2017	DECEMBER 31 2016
Exchange differences on translating foreign operations	\$ 357,875	\$ 389,726
Available-for-sale financial assets	3,817	2,384
Cash flow hedges	(562)	6,695
Share of other comprehensive loss of investments accounted for by the equity method	(39,635)	(39,788)
Other components of equity	\$ 321,495	\$ 359,017
Presented on the statement of financial position as follows:		
Other components of equity	\$ 323,323	\$ 360,845
Other components of equity of asset classified as held for sale (Note 14)	\$ (1,828)	\$ (1,828)

- Exchange differences on translating foreign operations component represents exchange differences relating to the translation from the functional currencies of the Company's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal. Exchange differences also include gains and losses on the hedging instrument relating to the effective portion of hedges of net investments of foreign operations, which are reclassified to net income on the disposal of the foreign operation.
- Available-for-sale financial assets component arises upon the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. When a revalued financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's share of the other comprehensive income (loss) from its investments accounted for by the equity method.

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the three-month periods ended March 31, 2017 and 2016:

THREE MONTHS ENDED MARCH 31	2017		2016	
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$	389,726	\$	472,355
Current period losses		(31,851)		(114,477)
Reclassification to net income		-		5,776
Net investment hedge - current period gains		-		8,698
Income taxes relating to current period gains		-		(2,339)
Balance at end of period		357,875		370,013
Available-for-sale financial assets:				
Balance at beginning of period		2,384		1,768
Current period gains (losses) ⁽¹⁾		2,283		(929)
Income taxes relating to current period gains (losses)		(1,185)		(274)
Reclassification to net income ⁽¹⁾		335		1,615
Balance at end of period		3,817		2,180
Cash flow hedges:				
Balance at beginning of period		6,695		10,036
Current period gains (losses)		(4,263)		17,650
Income tax relating to current period gains (losses)		(236)		(24)
Reclassification to net income		(3,551)		5,159
Income taxes relating to amounts reclassified to net income		793		(3,805)
Balance at end of period		(562)		29,016
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period		(39,788)		(44,146)
Current period share		(1,922)		(10,133)
Income taxes relating to current period share		656		2,636
Reclassification to net income		1,933		2,108
Income taxes relating to amounts reclassified to net income		(514)		(562)
Balance at end of period		(39,635)		(50,097)
Other components of equity	\$	321,495	\$	351,112
Presented on the statement of financial position as follows:				
Other components of equity	\$	323,323	\$	351,112
Other components of equity of asset held for sale (Note 14)	\$	(1,828)	\$	-

⁽¹⁾ For the three-month period ended March 31, 2017, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to \$0.3 million (2016: \$1.6 million) and the loss arising on adjustments for the hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to \$0.3 million (2016: \$1.6 million).

REMEASUREMENT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the three-month periods ended March 31, 2017 and 2016:

THREE MONTHS ENDED MARCH 31	2017			2016		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (74,020)	\$ 10,096	\$ (63,924)	\$ (33,519)	\$ 6,241	\$ (27,278)
Gains (losses) recognized during the period	(742)	98	(644)	(3,098)	229	(2,869)
Cumulative amount at end of period	\$ (74,762)	\$ 10,194	\$ (64,568)	\$ (36,617)	\$ 6,470	\$ (30,147)

10. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

The following table presents the items to reconcile net income to cash flows from operating activities presented in the statements of cash flows:

THREE MONTHS ENDED MARCH 31	2017	2016
Depreciation of property and equipment and amortization of other non-current assets:		
From E&C	\$ 28,394	\$ 40,321
Income taxes recognized in net income	8,804	10,900
Net financial expenses recognized in net income (Note 6)	13,194	9,505
Share-based expense	13,895	3,628
Income from Capital investments accounted for by the equity method	(48,514)	(44,508)
Dividends and distributions received from Capital investments accounted for by the equity method	38,300	31,832
Net change in provisions related to forecasted losses on certain contracts	(12,311)	(4,608)
Gain on disposals of Capital investments (Note 4A)	-	(58,539)
Restructuring costs recognized in net income (Note 5)	2,825	13,015
Restructuring costs paid	(29,811)	(33,447)
Gain from adjustment on disposals of E&C businesses (Note 15)	(719)	-
Other	(4,659)	(15,196)
Other reconciling items	\$ 9,398	\$ (47,097)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

THREE MONTHS ENDED MARCH 31	2017	2016
Decrease in trade receivables	\$ 64,428	\$ 119,201
Increase in contracts in progress	(217,439)	(159,558)
Decrease (increase) in inventories	2,315	(4,232)
Decrease in other current financial assets	41,993	9,891
Decrease (increase) in other current non-financial assets	(28,796)	18,706
Increase (decrease) in trade payables	1,832	(267,780)
Increase (decrease) in downpayments on contracts	12,351	(23,671)
Decrease in deferred revenues	(58,046)	(12,580)
Increase in other current financial liabilities	188	2,890
Increase (decrease) in other current non-financial liabilities	(77,966)	15,908
Net change in non-cash working capital items	\$ (259,140)	\$ (301,225)

10. STATEMENTS OF CASH FLOWS (CONTINUED)

C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Non-recourse short-term debt and long-term debt from Capital investments ⁽¹⁾	Recourse long-term debt	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities ⁽²⁾	Other non-current non-financial liabilities ⁽²⁾
Balance at January 1, 2017	\$ 493,582	\$ 349,369	\$ –	\$ 5,928	\$ 15,846
Changes arising from cash flows:					
Increase in debt / liabilities	–	–	–	299	114
Repayment of debt / liabilities	(2,376)	–	(41,057)	(86)	(290)
Total - changes arising from cash flows	(2,376)	–	(41,057)	213	(176)
Non-cash changes:					
Declaration of dividends to SNC-Lavalin shareholders	–	–	41,057	–	–
Effect of foreign currency exchange differences	275	–	–	(18)	5
Amortization of deferred financing costs and discounts	234	59	–	–	–
Balance at March 31, 2017	\$ 491,715	\$ 349,428	\$ –	\$ 6,123	\$ 15,675

(1) Non-recourse short-term debt and long-term debt from Capital investments were presented in the Company's consolidated statements of financial position as follows:

	MARCH 31 2017	JANUARY 1 2017
Non-recourse short-term debt and current portion of long-term debt from Capital investments	\$ 22,030	\$ 21,011
Non-recourse long-term debt from Capital investments	469,685	472,571
Total	\$ 491,715	\$ 493,582

(2) Change arising from cash flows of other non-current financial liabilities and other non-current non-financial liabilities was presented in the financing activities in the Company's consolidated statement of cash flows as follows:

THREE MONTHS ENDED MARCH 31	2017
Other non-current financial liabilities	\$ 213
Other non-current non-financial liabilities	(176)
Total	\$ 37

11. RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

11. RELATED PARTY TRANSACTIONS (CONTINUED)

For the first three months of 2017, SNC-Lavalin recognized revenues of \$209.6 million (2016: \$173.6 million) from contracts with Capital investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these Capital investments accounted for by the equity method of \$48.5 million for the three-month period ended March 31, 2017 (2016: \$44.5 million).

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to \$100.2 million as at March 31, 2017 (December 31, 2016: \$90.2 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to \$83.4 million as at March 31, 2017 (December 31, 2016: \$83.0 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was \$98.0 million at March 31, 2017 (December 31, 2016: \$98.0 million).

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

12. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at March 31, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

	2017						
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY						FAIR VALUE
	FVTPL ⁽¹⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL		
Cash and cash equivalents	\$ 810,533	\$ –	\$ –	\$ –	\$ 810,533	\$ 810,533	
Restricted cash	51,568	–	–	–	51,568	51,568	
Trade receivables	–	–	874,332	–	874,332	874,332	
Other current financial assets	–	–	428,410	6,613	435,023	436,357	
Capital investments accounted for by the equity method	–	–	109,306	–	109,306	109,306	
Capital investments accounted for by the cost method ⁽²⁾	–	50,030	588	–	50,618	See ⁽²⁾	
Non-current portion of receivables under service concession arrangements ⁽³⁾	–	–	378,969	–	378,969	426,288	
Other non-current financial assets ^{(3), (4)}	26,349	–	21,039	–	47,388	47,388	
Total	\$ 888,450	\$ 50,030	\$ 1,812,644	\$ 6,613	\$ 2,757,737		

	2016						
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY						FAIR VALUE
	FVTPL ⁽¹⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL		
Cash and cash equivalents	\$ 1,055,484	\$ –	\$ –	\$ –	\$ 1,055,484	\$ 1,055,484	
Restricted cash	55,577	–	–	–	55,577	55,577	
Trade receivables	–	–	935,983	–	935,983	935,983	
Other current financial assets	–	–	490,352	2,373	492,725	493,665	
Capital investments accounted for by the equity method	–	–	109,306	–	109,306	109,306	
Capital investments accounted for by the cost method ⁽²⁾	–	47,732	593	–	48,325	See ⁽²⁾	
Non-current portion of receivables under service concession arrangements ⁽³⁾	–	–	356,847	–	356,847	397,271	
Other non-current financial assets ⁽³⁾	38,187	–	20,336	–	58,523	58,523	
Total	\$ 1,149,248	\$ 47,732	\$ 1,913,417	\$ 2,373	\$ 3,112,770		

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

⁽²⁾ These available-for-sale financial assets represent mainly equity instruments that do not have a quoted market price in an active market.

⁽³⁾ For non-current portion of receivables under service concession arrangements and most of the other non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

⁽⁴⁾ For the three-month period ended March 31, 2017, the net loss on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company's share unit plans amounted to \$11.7 million (2016: net gain of \$10.7 million), while the net gain on corresponding share unit plans' liabilities amounted to \$7.4 million (2016: net loss of \$6.1 million).

12. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at March 31, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

AT MARCH 31		2017			
CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY					
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE	
Trade payables	\$ —	\$ 1,934,765	\$ 1,934,765	\$ 1,934,765	
Downpayments on contracts	—	279,750	279,750	279,750	
Other current financial liabilities	20,871	265,168	286,039	286,039	
Provisions	—	77,748	77,748	77,748	
Short-term debt and long-term debt ⁽¹⁾	—	841,143	841,143	927,000	
Other non-current financial liabilities	—	6,123	6,123	6,123	
Total	\$ 20,871	\$ 3,404,697	\$ 3,425,568		

AT DECEMBER 31		2016			
CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY					
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE	
Trade payables	\$ —	\$ 1,888,242	\$ 1,888,242	\$ 1,888,242	
Downpayments on contracts	—	263,382	263,382	263,382	
Other current financial liabilities	39,216	264,759	303,975	303,975	
Provisions	—	103,791	103,791	103,791	
Short-term debt and long-term debt ⁽¹⁾	—	842,951	842,951	925,216	
Other non-current financial liabilities	—	5,928	5,928	5,928	
Total	\$ 39,216	\$ 3,369,053	\$ 3,408,269		

(1) The fair value of short-term debt and long-term debt classified in the “other financial liabilities” category was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the Capital investments, depending on which entity has issued the debt instrument, for debt with the similar terms and conditions.

For the three-month periods ended March 31, 2017 and 2016, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

13. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

Charges and RCMP investigation

On February 19, 2015, the Royal Canadian Mounted Police (the “RCMP”) and the Public Prosecution Service of Canada laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under section 380 of the Criminal Code (Canada) (the “Criminal Code”) and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the “CFPOA”), (the “Charges”). These Charges follow the RCMP’s formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation, referred to as Project Assistance by the RCMP, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018 but may be rescheduled to start in late 2017. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company’s customers or other third parties as a result of the Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

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

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

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

13. CONTINGENT LIABILITIES (CONTINUED)

Certain subsidiaries of the Company require certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. Such certification is subject to periodic renewal by the AMF. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract. 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 does not include a financial penalty. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

African Development Bank Settlement

On October 1, 2015, the Company announced a settlement with the African Development Bank relating to allegations of corruption in two African countries. The settlement included the payment by SNC-Lavalin Group Inc. of \$1.9 million to the African Development Bank (the “African Development Bank Settlement”). The African Development Bank Settlement also requires that the Company cooperate with the African Development Bank on various compliance matters in the future.

Canada’s Integrity Regime

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

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

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

The Company announced on December 10, 2015 that it has signed an administrative agreement with Public Services and Procurement (PSP) of the Government of Canada under the Integrity Regime.

Failure of the Company to abide by the terms of any of its certification from the AMF, the World Bank Settlement, the African Development Bank Settlement and/or the PSP Administrative Agreement could result in serious consequences for the Company, including new sanctions, legal actions and/or suspension from eligibility to carry on business with the government or agency involved or to work on projects funded by them. The Company is taking steps that are expected to mitigate this risk.

13. CONTINGENT LIABILITIES (CONTINUED)

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

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

Other Investigations

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

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA\$17.2 million 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. The Company has so far received CA\$15.2 million up to March 31, 2017 with the balance expected to be received upon the forced execution of seized assets.

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

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

13. CONTINGENT LIABILITIES (CONTINUED)

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

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

B) CLASS ACTION LAWSUITS

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

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

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

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

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

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

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

13. CONTINGENT LIABILITIES (CONTINUED)

C) OTHER

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

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

Legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings, including the general cautionary language relating to the risks inherent to all litigation and proceedings against SNC-Lavalin, which is equally applicable to the legal proceedings described below.

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

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

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

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

The Company is a party to other claims and litigation arising in the normal course of operations, including by clients, subcontractors, and vendors presenting claims for, amongst other things, recovery of costs related to certain projects. Due to the inherent uncertainties of litigation and-or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of any potential losses, if any. With respect to claims or litigation arising in the normal course of operations which are at a more advanced stage and which permit a better assessment of potential outcome, the Company does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations.

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at March 31, 2017, “Assets held for sale” of \$5.8 million (December 31, 2016: \$6.7 million) included in the Company’s consolidated statement of financial position included: i) the net book value of \$1.9 million (December 31, 2016: \$1.9 million) related to a Capital investment in France accounted for by the equity method, namely TC Dôme S.A.S.; and ii) the net book value of \$3.9 million (December 31, 2016: \$4.8 million) of other non-current assets, mainly project equipment, included in the Oil & Gas segment.

As at March 31, 2017 and December 31, 2016, a deferred loss of \$1.8 million included in “Other components of equity of asset held for sale” presented in the Company’s consolidated statement of financial position related solely to TC Dôme S.A.S.

15. GAIN FROM ADJUSTMENT ON DISPOSALS OF E&C BUSINESSES

In the fourth quarter of 2016, the Company disposed of its ongoing local activities in France and in Monaco and of its non-core Real Estate Facilities Management business in Canada. The consideration receivable (payable) from these transactions is subject to certain adjustments. While the adjustments have not been finalized yet as at March 31, 2017, certain assumptions used to estimate such adjustments have been revised, resulting in a gain of \$0.7 million before income taxes (\$0.6 million after income taxes) in the first quarter of 2017.

16. EVENT AFTER THE REPORTING PERIOD

On April 20, 2017, SNC-Lavalin announced that it has reached an agreement with WS Atkins plc (“Atkins”), approved by the boards of directors of both companies, on the terms of a cash acquisition by which SNC-Lavalin will acquire the entire issued and to be issued share capital of Atkins for £20.80 per share in cash, representing an aggregate cash consideration of approximately \$3.6 billion based on the GBP:CAD exchange rate of 1.7229 on that date (the “Acquisition”). Headquartered in the United Kingdom (“U.K.”), Atkins is a global design, engineering and project management consultancy, with a position across the infrastructure, transportation and energy sectors. Subject, among other things, to the satisfaction of waiver of the conditions, the approval of the scheme of arrangement by the Atkins shareholders, the receipt of applicable regulatory approvals and the High Court of Justice in England and Wales’ (the “U.K. Court”) sanction of the scheme of arrangement, it is expected that the Acquisition will be completed in the third quarter of 2017.

The Acquisition will be funded through a combination of equity and debt issuance and is supported by Caisse de dépôt et placement du Québec (“Caisse”), SNC-Lavalin’s largest shareholder. The funding includes a \$1.5 billion loan from Caisse, an \$800 million public bought deal offering, a \$400 million private placement with Caisse, as well as £300 million (CA\$517 million) term loan, and approximately £350 million (CA\$603 million) draw on the Company’s unsecured revolving credit facility.

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

On April 27, 2017, the Company announced that it has closed its previously announced \$800 million public offering which, including the over-allotment option exercised in full by the syndicate of underwriters, resulted in aggregate gross proceeds of \$880 million.

On April 27, 2017, SNC-Lavalin also completed its previously announced private placement with Caisse for aggregate gross proceeds of \$400 million.



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