SNC·LAVALIN

Building what matters

Management's Discussion and Analysis

Second Quarter and First Six Months of 2017 versus
Second Quarter and First Six Months of 2016

August 2, 2017

All financial information in Canadian dollars, unless otherwise indicated

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Management's Discussion and Analysis

August 2, 2017

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the second quarter of 2017 and accompanying notes, and should therefore be read in conjunction with these documents, the Company's prospectus dated April 24, 2017, the Financial Report included in the Annual Report for the year ended December 31, 2016, and should also be **read with the text below on forward-looking statements** in mind. 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 comparative figures is not meaningful, or if the percentage change exceeds 1,000%.**

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 these indicators provide useful information because they allow for the evaluation of the performance of the Company and its components based on various aspects, such as past, current and expected profitability and financial position. These non-IFRS financial measures and additional IFRS measures should not be considered 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 › 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 EBIT
Liquidity	
› Cash net of recourse debt	

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in Section 10 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 10 for references to the sections of this MD&A where these reconciliations are provided.

Comparative figures

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 Engineering & Construction ("E&C") businesses and Capital investments, whereas in the past it only excluded disposals of activities that qualified as restructuring. Therefore, segment EBIT from Capital for the first quarter of 2016 has been restated to exclude a $58.5 million gain on disposals of Capital investments.

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.

Caution Regarding Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on August 2, 2017. The assumptions are set out throughout the Company's 2016 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 the Company's 2016 MD&A), as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the *Corruption of Foreign Public Officials Act* (Canada) (the "CFPOA") and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements or to execute projects efficiently may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control, (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) divestitures and the sale of significant assets may present risks or uncertainties; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (cc) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (dd) inherent limitations to the Company's control framework could result in a material misstatement of financial information; (ee) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services; as well as the risks related to the Company's acquisition of WS Atkins plc ("Atkins") identified in Section 11 of this MD&A (entitled "Risks and Uncertainties"). 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 the Company's 2016 MD&A, as updated in this MD&A and the Company's prospectus dated April 24, 2017, filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com and on the Company's website at www.snclavalin.com under the "Investors" section.

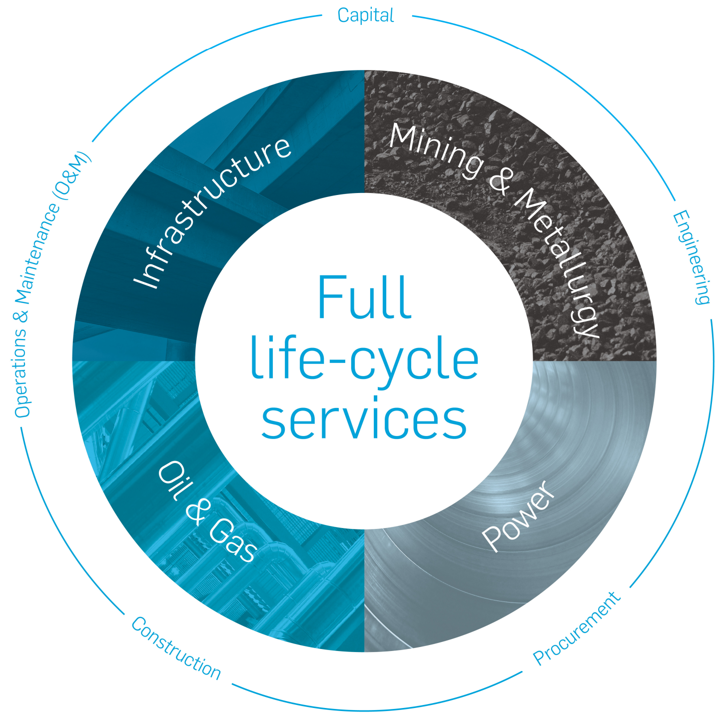
The forward-looking statements herein reflect the Company's expectations as at August 2, 2017, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake to update publicly or to revise any such forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

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.

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

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

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

- **Reimbursable contracts:** Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap.

- **Fixed-price contracts:** Under fixed-price contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company’s actual profit margin may vary based on its ability to achieve the project requirements at or below the initial estimated costs.

The Company presents the information in the way management performance is evaluated by regrouping its **E&C** projects within the following segments, which are as follows: i) **Mining & Metallurgy;** ii) **Oil & Gas**; iii) **Power;** and iv) **Infrastructure**.

CAPITAL

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

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

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

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

3 Second Quarter and First Six Months of 2017 Executive Summary

3.1 Executive Summary – Key Financial Indicators

FINANCIAL HIGHLIGHTS

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	SECOND QUARTER 2017	SECOND QUARTER 2016	SIX MONTHS ENDED JUNE 30 2017	SIX MONTHS ENDED JUNE 30 2016
Income Statement				
Revenues	**$ 1,934.9**	$ 2,103.0	**$ 3,784.1**	$ 4,091.2
Net income attributable to SNC-Lavalin shareholders	**136.4**	88.5	**226.1**	210.6
Adjusted net income attributable to SNC-Lavalin from E&C(1)	**64.2**	71.4	**124.9**	128.6
Earnings per share - diluted ("Diluted EPS") (in $)	**0.91**	0.59	**1.50**	1.40
Adjusted diluted EPS from E&C (in $)(1)	**0.43**	0.48	**0.83**	0.86
EBIT(1)	**145.3**	119.5	**262.3**	267.3
EBITDA(1)	**174.0**	151.9	**319.5**	340.0
Adjusted E&C EBITDA (% of revenues)(1)	**4.6%**	5.8%	**5.1%**	5.5%
Financial Position & Cash Flows				
Cash and cash equivalents (at June 30)			**$ 737.4**	$ 1,064.6
Cash net of recourse debt (at June 30)(1)			**385.8**	697.6
Net cash used for operating activities			**(269.3)**	(321.6)
Additional Indicators				
Revenue backlog (at June 30)(1)			**$ 9,576.6**	$ 12,544.3

(1) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 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.

- It should be noted that these financial highlights do not include the financial results of Atkins for the first six months ended June 30, 2017, since the acquisition was completed following the end of the second quarter of 2017, on July 3rd, 2017.

- **Revenues decreased by $168.1 million in the second quarter of 2017,** compared with the corresponding quarter of 2016. **For the first six months of 2017, revenues have decreased by $307.0 million** compared with the same period last year, mainly due to a decrease in revenues from Infrastructure following the sale, in the fourth quarter of 2016, of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations. Excluding the impact of these transactions, E&C revenues were in line compared with the same period of 2016.

- **Net income attributable to SNC-Lavalin shareholders increased by $47.9 million in the second quarter of 2017,** mainly due to an increase in net income from E&C and from Capital. **Net income attributable to SNC-Lavalin shareholders from E&C increased by $34.5 million in the second quarter of 2017,** compared with the corresponding quarter of 2016, primarily attributable to the favourable impact of the gain of $115.1 million ($101.5 million after taxes) generated from the disposal of the head office building and by higher contributions from Power and Infrastructure, partially offset by lower contributions from Oil & Gas and Mining & Metallurgy.

- **Net income attributable to SNC-Lavalin shareholders from Capital increased by $13.4 million in the second quarter of 2017,** compared with the corresponding period of 2016, primarily reflecting an increase in contributions from certain Capital investments and higher dividends received from Highway 407 ETR.

- **For the first six months of 2017, net income attributable to SNC-Lavalin shareholders increased by $15.5 million** due to an increase in net income from E&C, partially offset by a decrease in net income from Capital compared with the same period last year when the Company recorded a net gain of $53.6 million on disposal of its indirect ownership interest in MML Holdings Malta Limited [formerly, SNC-Lavalin (Malta) Limited ("SNCL Malta")]. **Net income attributable to SNC-Lavalin shareholders from E&C increased by $48.6 million in the first six months of 2017** mainly due to the gain on the disposal of the head office building, as explained above, and to an increase in contributions from Power, partially offset by lower contributions from Oil & Gas and Mining & Metallurgy.

- **Adjusted net income attributable to SNC-Lavalin shareholders from E&C was $64.2 million ($0.43 per diluted share) in the second quarter of 2017** compared with $71.4 million ($0.48 per diluted share) in the corresponding quarter of 2016, mainly due to lower contributions from Oil & Gas and Mining & Metallurgy, partially offset by higher contributions from Power and Infrastructure. In addition, the Company recorded an income tax benefit for the second quarter of 2017, as explained in Section 4.12.

- **For the first six months of 2017, adjusted net income attributable to SNC-Lavalin shareholders from E&C was $124.9 million ($0.83 per diluted share)** compared with $128.6 million ($0.86 per diluted share) in the corresponding period of 2016, mainly reflecting lower contributions from Oil & Gas and Mining & Metallurgy, partially offset by higher contributions from Power, as well as a decrease in income taxes from E&C.

- **Net cash used for operating activities improved by $52.3 million in the first six months of 2017**, compared with the corresponding period of 2016, partly attributable to an increase in net cash generated from operating activities before net change in non-cash working capital items.

- **EBIT and EBITDA have increased in the second quarter of 2017** compared to the same quarter of 2016, mainly reflecting the favourable impact of the gain on disposal of the head office building and higher contributions from Power and Infrastructure, partially offset by a decrease in contributions from Oil & Gas and Mining & Metallurgy.

- **Revenue backlog was $9.6 billion as at June 30, 2017**, compared with $12.5 billion at the end of June 2016 and $10.7 billion as at December 31, 2016. Revenue backlog has decreased at the end of the second quarter of 2017, compared with the corresponding period of 2016, partially due to the sale the Company's non-core Real Estate Facilities Management business in Canada and its local French operations in December 2016. However, **the Company's contract bookings amounted to $1.4 billion in the second quarter of 2017**.

3.2 Executive Summary – Other items

CHANGES TO THE BOARD OF DIRECTORS AND APPOINTMENT OF VICE-CHAIRMAN

On May 4, 2017, SNC-Lavalin announced the results of the vote for the election of directors held at the annual meeting of shareholders. Following the final voting results, three new directors were appointed to the Board: Benita M. Warmbold, Isabelle Courville and the Honorable Kevin G. Lynch.

- Ms. Warmbold has been Senior Managing Director and CFO of the Canada Pension Plan Investment Board ("CPPIB") from 2013 to her retirement as CFO in July 2017 and 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-Chair 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 comprehensive Board succession planning by the Governance & Ethics committee in 2017, the Board appointed the Honorable Kevin G. Lynch as Vice-Chairman with the expectations that Dr. Lynch will replace the current Chairman of the Board, Mr. Lawrence N. Stevenson, upon his planned retirement from the Board on December 31, 2017.

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.

CAPITAL INVESTMENTS PORTFOLIO

SNC-Lavalin Infrastructure Partners LP

On June 30, 2017, SNC-Lavalin announced the launch of a new infrastructure investment vehicle, 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 SIVAC S.A. (“BBGI”). This vehicle will hold 100% of SNC-Lavalin’s interests in a selection of its mature Canadian infrastructure assets and their holding companies.

The Partnership will initially hold a portfolio comprised of SNC-Lavalin’s interests in the following five assets: Okanagan Lake Concession Limited Partnership (“Okanagan”), InTransit BC Limited Partnership (“InTransit”), Chinook Roads Partnership (“Chinook”), Rainbow Hospital Partnership (“Rainbow”) and Groupe infrastructure santé McGill (“MIHG”), which will comprise the disposal group.

As per the strategic agreement, BBGI will purchase 80% of the Partnership for approximately $185 million, taking into account the partial deemed disposal of MIHG and reduction of the subordinated loan receivable from MIHG that occurred on June 30, 2017, subject to certain other adjustments, for the initial five transferred assets, while SNC-Lavalin will hold the remaining 20%. SNC-Lavalin will also retain the long-term management of the assets. This transaction is subject to certain customary approvals, notably from third party lenders.

Groupe infrastructure santé McGill

On June 30, 2017, the joint venture Groupe infrastructure santé McGill, in which SNC-Lavalin previously held 60% ownership interest, issued equity instruments to the other investor in MIHG, which resulted in a dilution of SNC-Lavalin’s ownership interest to 50%. In addition, the Company’s subordinated loan receivable from MIHG of $109.3 million (the “Subordinated Loan”) was partially sold to the other investor in MIHG and was partially reimbursed by MIHG for 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.

EVENT AFTER THE REPORTING PERIOD

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. Headquartered in the United Kingdom (“U.K.”), Atkins is a geographically diversified global company with approximately 18,000 employees in the US, Middle East and Asia, together with a leading position in the U.K. and Scandinavia. Please refer to Section 7.2, “Financing Related to the Acquisition of Atkins” and Section 14, “Event After the Reporting Period” for further details on the financing of the acquisition of Atkins.

CHANGES TO THE LEADERSHIP TEAM

On July 3, 2017, Heath Drewett, Group Finance Director and Executive Director of Atkins, became President of Atkins, SNC-Lavalin’s fifth E&C segment, and a member of SNC-Lavalin’s executive committee, reporting directly to Neil Bruce. Heath Drewett is responsible for the company’s engineering, design, project and program management business, with some 18,000 employees throughout the world. Mr. Drewett has 28 years of experience within various finance, corporate finance, business performance, financial and strategic planning roles. He has extensive international experience in both Mergers & Acquisitions (“M&A”) and corporate development activities.

4 Financial Performance Analysis

The financial information presented in the table below has been derived from the Company's unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34, *Interim financial reporting*, for the six-month periods ended June 30, 2017 and 2016, with the exception of the non-IFRS financial measures specifically identified in the "Additional financial indicators" section below.

It should be noted that the financial information presented in the table below does not include the financial results of Atkins for the first six months ended June 30, 2017, since the acquisition was completed on July 3rd, 2017.

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	**2017**	2016	**2017**	2016
Revenues	**$ 1,934.9**	$ 2,103.0	**$ 3,784.1**	$ 4,091.2
Gross margin	**$ 301.6**	$ 340.8	**$ 594.6**	$ 632.7
Selling, general and administrative expenses	**$ 185.3**	$ 201.1	**$ 342.4**	$ 369.2
Restructuring costs	**22.3**	2.7	**25.1**	15.7
Acquisition-related costs and integration costs	**55.3**	1.7	**56.6**	3.0
Amortization of intangible assets related to Kentz acquisition	**14.3**	15.8	**29.7**	36.1
Gain on disposals of Capital investments	**(5.4)**	–	**(5.4)**	(58.5)
Gain from adjustment on disposals of E&C businesses	**(0.3)**	–	**(1.0)**	–
Gain on disposal of the head office building	**(115.1)**	–	**(115.1)**	–
Earnings before interest and income taxes	**$ 145.3**	$ 119.5	**$ 262.3**	$ 267.3
Net financial expenses	**$ 13.4**	$ 12.3	**$ 26.6**	$ 21.8
Earnings before income taxes	**$ 131.9**	$ 107.2	**$ 235.7**	$ 245.5
Income taxes	**$ (2.5)**	$ 14.9	**$ 6.3**	$ 25.8
Net income for the period	**$ 134.4**	$ 92.3	**$ 229.5**	$ 219.7
Net income (loss) attributable to:				
SNC-Lavalin shareholders	**$ 136.4**	$ 88.5	**$ 226.1**	$ 210.6
Non-controlling interests	**(2.0)**	3.8	**3.4**	9.1
Net income for the period	**$ 134.4**	$ 92.3	**$ 229.5**	$ 219.7
Supplementary information:				
Earnings per share (in $):				
Basic	**$ 0.91**	$ 0.59	**$ 1.50**	$ 1.41
Diluted	**$ 0.91**	$ 0.59	**$ 1.50**	$ 1.40
Additional financial indicators:				
Diluted EPS from E&C (in $)(1)	**$ 0.58**	$ 0.35	**$ 0.88**	$ 0.56
Adjusted diluted EPS from E&C (in $)(1)	**0.43**	0.48	**0.83**	0.86
Adjusted EBITDA from E&C(1)	**86.8**	117.9	**186.8**	217.8

(1) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 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.

4.1 Revenue and Gross Margin Analysis

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2017**	2016	**2017**	2016
Revenues:				
From E&C	**$ 1,868.2**	$ 2,045.2	**$ 3,656.5**	$ 3,976.0
From Capital	**66.7**	57.7	**127.7**	115.1
	$ 1,934.9	$ 2,103.0	**$ 3,784.1**	$ 4,091.2
Gross margin:				
From E&C	**$ 237.5**	$ 289.2	**$ 471.9**	$ 527.1
From Capital	**64.1**	51.6	**122.7**	105.6
	$ 301.6	$ 340.8	**$ 594.6**	$ 632.7
Gross margin-to-revenue ratio (%):				
From E&C	**12.7%**	14.1%	**12.9%**	13.3%
From Capital	**96.2%**	89.4%	**96.1%**	91.7%
	15.6%	16.2%	**15.7%**	15.5%

The Company analyses its revenue and gross margin separately for E&C and for Capital.

REVENUES AND GROSS MARGIN FROM E&C

Revenues from E&C for the second quarter of 2017 were $1.9 billion, compared with $2.0 billion for the same quarter of 2016, largely attributable to lower revenues from Infrastructure 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. Excluding the impact of these divested businesses, revenues from E&C for the second quarter of 2016 were in line with the same quarter last year, as higher revenues from Infrastructure were offset by lower revenues from Oil & Gas and Power, principally due to the completion or near completion of certain major projects.

Revenues from E&C for the first six months of 2017 were $3.7 billion, compared with $4.0 billion for the corresponding period of 2016, which is mainly due to the reasons explained above. Excluding the impact of the divested businesses, revenues from E&C for the first six months of 2017 were in line with the same period of 2016, as the increase in revenues from Infrastructure was offset by a decrease in Oil & Gas, Power and Mining & Metallurgy, mostly due to a lower level of activity on certain major projects reaching a stage of completion or near completion.

Gross margin from E&C for the second quarter of 2017 was $237.5 million, compared with $289.2 million for the corresponding quarter of 2016, principally reflecting lower revenues from E&C, as explained above, and a decrease in gross margin-to-revenue ratio from Mining & Metallurgy and Oil & Gas, partially offset by an increase in Power and Infrastructure.

Gross margin from E&C for the first six months of 2017 was $471.9 million, compared with $527.1 million for the corresponding period of 2016, mainly due to the reasons explained above.

REVENUES AND GROSS MARGIN FROM CAPITAL

Revenues from Capital for the second quarter of 2017 increased to $66.7 million, compared with $57.7 million for the same quarter of 2016, mainly reflecting a higher level of activity on certain Capital investments and an increase in the dividends received from Highway 407 ETR.

Revenues from Capital for the first six months of 2017 increased to $127.7 million, compared with $115.1 million for the corresponding period of 2016, primarily due to the reasons stated above.

Gross margin from Capital increased to $64.1 million for the second quarter of 2017, compared with $51.6 million for the corresponding period of 2016, primarily due to an increase in contributions from certain Capital investments and higher dividends received from Highway 407 ETR.

Gross margin from Capital for the first six months of 2017 increased to $122.7 million, compared with $105.6 million for the corresponding period of 2016, mainly attributable to the reasons explained above.

4.2 Net Income Analysis

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2017**	2016	**2017**	2016
Net income attributable to SNC-Lavalin shareholders:				
From E&C	**$ 87.4**	$ 52.9	**$ 132.7**	$ 84.1
From Capital	**49.0**	35.6	**93.4**	126.5
Net income attributable to SNC-Lavalin shareholders	**$ 136.4**	$ 88.5	**$ 226.1**	$ 210.6
Non-controlling interests	**$ (2.0)**	$ 3.8	**$ 3.4**	$ 9.1
Net income	**$ 134.4**	$ 92.3	**$ 229.5**	$ 219.7

The Company analyses its net income separately for E&C and for Capital.

Second Quarter of 2017

For the second quarter of 2017, net income attributable to SNC-Lavalin shareholders from E&C increased to $87.4 million, compared with $52.9 million for the corresponding period of 2016. For the second quarter of 2017, the net income from E&C was positively impacted by the gain of $115.1 million ($101.5 million after taxes) generated from the disposal of the head office building and by higher contributions from Power and Infrastructure, partially offset by lower contributions from Oil & Gas and Mining & Metallurgy, compared with the second quarter of 2016. In addition, the Company recorded an income tax benefit for the second quarter of 2017 compared with an income tax expense for the same period last year (refer to Section 4.12 for further details).

For the second quarter of 2017, net income attributable to SNC-Lavalin shareholders from Capital increased to $49.0 million, compared with $35.6 million for the same period last year, primarily due to an increase in contributions from certain Capital investments and higher dividends received from Highway 407 ETR, as previously mentioned.

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

› Restructuring costs amounted to $22.3 million ($17.6 million after taxes) in the second quarter of 2017, compared with $2.7 million ($2.5 million after taxes) in the second quarter of 2016, these were mainly for severances;

› Acquisition-related costs and integration costs amounted to $55.3 million ($44.5 million after taxes) in the second quarter of 2017, compared with $1.7 million ($1.4 million after taxes) in the same quarter of last year, mainly due to costs incurred in connection with the acquisition of Atkins, completed July 3, 2017; and

› Amortization of intangible assets related to Kentz acquisition amounted to $14.3 million ($11.5 million after taxes) in the second quarter of 2017, compared with $15.8 million ($12.6 million after taxes) for the corresponding period of 2016.

First Six Months of 2017

For the first six months of 2017, net income attributable to SNC-Lavalin shareholders from E&C increased to $132.7 million, compared with $84.1 million for the corresponding period of 2016. Net income from E&C for the first half of 2017 was favourably impacted by the gain on disposal of the head office building, as explained above, and by higher contributions from Power, partially offset by lower contributions from Oil & Gas and Mining & Metallurgy. In addition, the Company recorded an income tax benefit from E&C for the first six months of 2017 compared with an income tax expense from E&C for the same period last year (refer to Section 4.12 for further details).

For the first six months of 2017, net income attributable to SNC-Lavalin shareholders from Capital was $93.4 million, compared with $126.5 million for the same period in 2016, mainly attributable to the $53.6 million net gain on disposal of the Company's indirect ownership interest in SNCL Malta in the first quarter of 2016. There were also higher contributions from certain Capital investments in the first half of 2017 and dividends received from Highway 407 ETR have increased compared with the same period of 2016.

Additionally, certain significant items had an impact on net income attributable to SNC-Lavalin shareholders in the first six months of 2017 and 2016, namely:

› Restructuring costs amounted to $25.1 million ($20.2 million after taxes) in the first six months of 2017, compared with $15.7 million ($11.8 million after taxes) in the first six months of 2016;

› Acquisition-related costs and integration costs amounted to $56.6 million ($45.6 million after taxes) in the first half of 2017, compared with $3.0 million ($2.3 million after taxes) in the same period last year, mainly due to costs incurred in connection with the acquisition of Atkins, completed July 3, 2017; and

› Amortization of intangible assets related to Kentz acquisition amounted to $29.7 million ($23.8 million after taxes) in the first six months of 2017, compared with $36.1 million ($28.4 million after taxes) for the corresponding period of 2016.

4.3 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 10.

Second Quarter of 2017

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2017				2016			
				PER DILUTED SHARE				PER DILUTED SHARE
Net income	$	134.4		N/A	$	92.3		N/A
Less:								
Non-controlling interests		(2.0)		N/A		3.8		N/A
Net income attributable to SNC-Lavalin shareholders from Capital		49.0	$	0.33		35.6	$	0.24
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$	87.4	$	0.58	$	52.9	$	0.35
Adjustments (net of income taxes):								
Restructuring, right-sizing costs and other(1)	$	22.6	$	0.15	$	4.5	$	0.03
Acquisition-related costs and integration costs		44.5		0.30		1.4		0.01
Amortization of intangible assets related to Kentz acquisition		11.5		0.08		12.6		0.09
Gain from adjustment on disposals of E&C businesses		(0.3)		(0.01)		–		–
Gain on disposal of the head office building		(101.5)		(0.67)		–		–
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$	64.2	$	0.43	$	71.4	$	0.48

(1) It should be noted that this adjustment includes an amount of $4.0 million ($5.0 million after taxes) (2016: $4.3 million ($2.0 million after taxes)) which does 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 was $64.2 million ($0.43 per share on a diluted basis) for the second quarter of 2017, compared with $71.4 million ($0.48 per share on a diluted basis) for the second quarter of 2016, principally attributable to lower contributions from Oil & Gas and Mining & Metallurgy, partially offset by higher contributions from Power and Infrastructure, as well as an income tax benefit from E&C, as explained in Section 4.12.

For the second quarter of 2017, adjusted net income attributable to SNC-Lavalin shareholders from E&C included the following adjustments, for a net total of negative $23.2 million (negative $0.15 per diluted share):

- $22.6 million ($0.15 per diluted share) that pertained to restructuring, right-sizing costs and other, compared with $4.5 million ($0.03 per diluted share) in the corresponding quarter of 2016. These were mainly for severances.
- Acquisition-related costs and integration costs of $44.5 million ($0.30 per diluted share), largely due to the acquisition of Atkins, compared with $1.4 million ($0.01 per diluted share), attributable to the integration of Kentz, for the corresponding period of 2016.
- Amortization of intangible assets related to Kentz acquisition of $11.5 million ($0.08 per diluted share), compared with $12.6 million ($0.09 per diluted share) for the second quarter of 2016.

- $0.3 million ($0.01 per diluted share) adjustment to a gain on disposals of E&C businesses in the second quarter of 2017, further explained in Section 4.8.
- A gain of $101.5 million ($0.67 per diluted share) on the disposal of the head office building in the second quarter of 2017, further explained in Section 4.10.

First Six Months of 2017

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2017				2016			
			PER DILUTED SHARE				PER DILUTED SHARE	
Net income	$	229.5		N/A	$	219.7		N/A
Less:								
Non-controlling interests		3.4		N/A		9.1		N/A
Net income attributable to SNC-Lavalin shareholders from Capital		93.4	$	0.62		126.5	$	0.84
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$	132.7	$	0.88	$	84.1	$	0.56
Adjustments (net of income taxes):								
Restructuring, right-sizing costs and other(1)	$	25.2	$	0.17	$	13.8	$	0.09
Acquisition-related costs and integration costs		45.6		0.31		2.3		0.02
Amortization of intangible assets related to Kentz acquisition		23.8		0.16		28.4		0.19
Gain from adjustment on disposals of E&C businesses		(0.9)		(0.01)		–		–
Gain on disposal of the head office building		(101.5)		(0.67)		–		–
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$	124.9	$	0.83	$	128.6	$	0.86

(1) It should be noted that this adjustment includes an amount of $4.0 million ($5.0 million after taxes) (2016: $4.3 million ($2.0 million after taxes)) which does 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 was $124.9 million ($0.83 per share on a diluted basis) for the first six months of 2017, compared with $128.6 million ($0.86 per share on a diluted basis) for the same period of 2016, mainly reflecting lower contributions from Oil & Gas and Mining & Metallurgy, partially offset by a higher contribution from Power and an income tax benefit from E&C, as explained in Section 4.12.

For the first six months of 2017, adjusted net income attributable to SNC-Lavalin shareholders from E&C included the following adjustments, for a net total of negative $7.8 million (negative $0.04 per diluted share):

- $25.2 million ($0.17 per diluted share) of restructuring, right-sizing costs and other, compared with $13.8 million ($0.09 per diluted share) in the first six months of 2016;
- Acquisition-related costs and integration costs of $45.6 million ($0.31 per diluted share), mainly attributable to the acquisition of Atkins, compared with $2.3 million ($0.02 per diluted share), attributable to the integration of Kentz, for the same period last year;
- Amortization of intangible assets related to Kentz acquisition of $23.8 million ($0.16 per diluted share), compared with $28.4 million ($0.19 per diluted share) in the corresponding period of 2016;
- $0.9 million ($0.01 per diluted share) adjustment to a gain on disposals of E&C businesses in the first half of 2017, further explained in Section 4.8; and

› A gain of $101.5 million ($0.67 per diluted share) on the disposal of the head office building in the second quarter of 2017, further explained in Section 4.10.

4.4 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 10.

Second Quarter of 2017

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income	**$ 85.4**	**$ 49.0**	**$ 134.4**	$ 56.7	$ 35.6	$ 92.3
Net financial expenses	**10.5**	**2.9**	**13.4**	8.6	3.6	12.3
Income taxes	**(3.9)**	**1.3**	**(2.5)**	13.0	1.8	14.9
EBIT	**$ 92.0**	**$ 53.3**	**$ 145.3**	$ 78.4	$ 41.1	$ 119.5
Depreciation and amortization	**$ 14.4**	**$ –**	**$ 14.4**	$ 15.0	$ 1.7	$ 16.7
Amortization of intangible assets related to Kentz acquisition	**14.3**	**–**	**14.3**	15.8	–	15.8
EBITDA	**$ 120.7**	**$ 53.3**	**$ 174.0**	$ 109.1	$ 42.8	$ 151.9
(as % of Revenues)	**6.5%**	**N/A**	**9.0%**	5.3%	N/A	7.2%
Restructuring, right-sizing costs and other[(1)]	**$ 26.2**	**$ –**	**$ 26.2**	$ 7.1	$ –	$ 7.1
Acquisition-related costs and integration costs	**$ 55.3**	**–**	**55.3**	1.7	–	1.7
Gain on disposals of Capital investments	**$ –**	**(5.4)**	**(5.4)**	–	–	–
Gain from adjustment on disposals of E&C businesses	**$ (0.3)**	**–**	**(0.3)**	–	–	–
Gain on disposal of the head office building	**$ (115.1)**	**–**	**(115.1)**	–	–	–
Adjusted EBITDA	**$ 86.8**	**$ 47.9**	**$ 134.7**	$ 117.9	$ 42.8	$ 160.7
(as % of Revenues)	**4.6%**	**N/A**	**7.0%**	5.8%	N/A	7.6%

(1) It should be noted that this adjustment includes an amount of $4.0 million ($5.0 million after taxes) (2016: $4.3 million ($2.0 million after taxes)) which does not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

For the second quarter of 2017, EBIT from E&C amounted to $92.0 million compared with $78.4 million for the corresponding period of 2016, mainly reflecting the favourable impact of the gain on disposal of the head office building and higher contributions from Power and Infrastructure, partially offset by a decrease in contributions from Oil & Gas and Mining & Metallurgy. EBIT from E&C included $28.7 million of amortization of intangible assets related to the Kentz acquisition and depreciation and amortization expenses in the second quarter of 2017, compared with $30.7 million in the second quarter of 2016. As a result, **EBITDA from E&C was $120.7 million for the second quarter of 2017,** compared with $109.1 million for the corresponding period of 2016. EBITDA from E&C included $26.2 million in restructuring, right-sizing costs and other in the second quarter of 2017, compared with $7.1 million in the corresponding quarter of 2016. Also, in the second quarter of 2017, the Company incurred $55.3 million in acquisition-related costs and integration costs, compared with $1.7 million in the second quarter of 2016. Furthermore, the Company has disposed of its head office building in a sale-leaseback transaction during the second quarter of 2017, resulting in a gain of $115.1 million which was included in EBITDA from E&C. As such, the **Adjusted EBITDA from E&C amounted to $86.8 million for the second quarter of 2017,** compared with $117.9 million for the second quarter of 2016.

For the second quarter of 2017, EBIT from Capital amounted to $53.3 million compared with $41.1 million for the corresponding period of 2016. **EBITDA from Capital amounted to $53.3 million for the second quarter of 2017,** compared with $42.8 million for the same period of 2016. Both variances were mainly due to higher contributions from certain Capital investments, as well as an increase in dividends received from Highway 407 ETR. In addition, EBIT and EBITDA from Capital were favourably impacted by a gain of $5.4 million on the partial disposal of MIHG in the second quarter of 2017.

First Six Months of 2017

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income	**$ 136.1**	**$ 93.4**	**$ 229.5**	$ 93.2	$ 126.5	$ 219.7
Net financial expenses	**20.5**	**6.1**	**26.6**	14.8	7.0	21.8
Income taxes	**3.5**	**2.7**	**6.3**	15.7	10.1	25.8
EBIT	**$ 160.1**	**$ 102.2**	**$ 262.3**	$ 123.7	$ 143.6	$ 267.3
Depreciation and amortization	**$ 27.5**	**$ –**	**$ 27.5**	$ 35.0	$ 1.7	$ 36.7
Amortization of intangible assets related to Kentz acquisition	**29.7**	**–**	**29.7**	36.1	–	36.1
EBITDA	**$ 217.2**	**$ 102.2**	**$ 319.5**	$ 194.7	$ 145.3	$ 340.0
(as % of Revenues)	**5.9%**	**N/A**	**8.4%**	4.9%	N/A	8.3%
Restructuring, right-sizing costs and other(1)	**$ 29.1**	**$ –**	**$ 29.1**	$ 20.1	$ –	$ 20.1
Acquisition-related costs and integration costs	**56.6**	**–**	**56.6**	3.0	–	3.0
Gain on disposals of Capital investments	**–**	**(5.4)**	**(5.4)**	–	(58.5)	(58.5)
Gain from adjustment on disposals of E&C businesses	**(1.0)**	**–**	**(1.0)**	–	–	–
Gain on disposal of the head office building	**(115.1)**	**–**	**(115.1)**	–	–	–
Adjusted EBITDA	**$ 186.8**	**$ 96.8**	**$ 283.7**	$ 217.8	$ 86.8	$ 304.5
(as % of Revenues)	**5.1%**	**N/A**	**7.5%**	5.5%	N/A	7.4%

(1) It should be noted that this adjustment includes an amount of $4.0 million ($5.0 million after taxes) (2016: $4.3 million ($2.0 million after taxes)) which does not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

For the first six months of 2017, EBIT from E&C amounted to $160.1 million compared with $123.7 million for the corresponding period of 2016, mainly reflecting the positive impact of the gain on disposal of the head office building and higher contributions from Power, partially offset by a decrease in contributions from Oil & Gas and Mining & Metallurgy. EBIT from E&C included $57.1 million of amortization of intangible assets related to the Kentz acquisition and depreciation and amortization expenses in the first six months of 2017, compared with $71.1 million in the corresponding period of 2016. As a result, **for the first six months of 2017, EBITDA from E&C amounted to $217.2 million** compared with $194.7 million for the corresponding period of 2016. EBITDA from E&C included $29.1 million in restructuring, right-sizing costs and other in the first six months of 2017, compared with $20.1 million in the corresponding period of 2016. Also, in the first six months of 2017, the Company incurred $56.6 million in acquisition-related costs and integration costs, compared with $3.0 million in the first six months of 2016. Furthermore, the Company has disposed of its head office building in a sale-leaseback transaction in the second quarter of 2017, resulting in a gain of $115.1 million which was included in EBITDA from E&C. As such, the **Adjusted EBITDA from E&C amounted to $186.8 million for the first six months of 2017,** compared with $217.8 million for the first six months of 2016.

For the first six months of 2017, EBIT from Capital amounted to $102.2 million compared with $143.6 million for the corresponding period of 2016. **EBITDA from Capital amounted to $102.2 million for the first six months of 2017,** compared with $145.3 million for the same period of 2016. The difference in EBIT and EBITDA for the first half of 2017, compared with the corresponding period of 2016, was mainly due to the positive impact of the gain on disposal of the Company's indirect ownership interest in SNCL Malta in the first quarter of 2016.

4.5 Selling, General and Administrative Expenses Analysis

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Selling costs	**$ 49.7**	**$ 3.3**	**$ 53.0**	$ 46.8	$ 3.4	$ 50.2
General and administrative expenses	**119.3**	**12.9**	**132.3**	143.7	7.2	150.9
Selling, general and administrative expenses	**$ 169.0**	**$ 16.3**	**$ 185.3**	$ 190.5	$ 10.5	$ 201.1

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Selling costs	**$ 97.0**	**$ 5.3**	**$ 102.3**	$ 88.9	$ 6.7	$ 95.6
General and administrative expenses	**219.5**	**20.6**	**240.0**	259.8	13.8	273.6
Selling, general and administrative expenses	**$ 316.5**	**$ 25.9**	**$ 342.4**	$ 348.7	$ 20.5	$ 369.2

For the first six months of 2017, selling, general and administrative expenses decreased to $342.4 million, compared with $369.2 million for the corresponding period of 2016, a decrease that was mainly explained by the following:

- **General and administrative expenses have decreased to $240.0 million in the first six months of 2017,** compared with $273.6 million for the first six months of 2016, **a decrease of 12.3%** that was mainly due to the successful implementation of the "STEP Change" program in 2015 and the "Operational Excellence" program launched in 2016, which aims to improve and sustain a culture of efficiency and execution;

- **Selling costs have increased to $102.3 million in the first six months of 2017,** compared with $95.6 million for the first six months of 2016, **an increase of 7.1%** that was primarily attributable to higher proposals and business development costs related to bids on large scale projects, mainly in the Infrastructure segment.

4.6 Restructuring Costs

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2017**	2016	**2017**	2016
Restructuring costs	**$ 22.3**	$ 2.7	**$ 25.1**	$ 15.7

The Company incurred restructuring costs totalling $22.3 million in the second quarter of 2017 (2016: $2.7 million) and $25.1 million in the six-month period ended June 30, 2017 (2016: $15.7 million).

The restructuring costs recognized in the six-month periods ended June 30, 2017 and 2016 were mainly for severances.

4.7 Acquisition-Related Costs and Integration Costs

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2017**	2016	**2017**	2016
Professional fees and other related costs	**$ 6.5**	$ 1.7	**$ 7.9**	$ 3.0
Remeasurement of a foreign exchange option	**48.7**	–	**48.7**	–
Acquisition-related costs and integration costs	**$ 55.3**	$ 1.7	**$ 56.6**	$ 3.0

In the first six months of 2017, the Company incurred $56.6 million in acquisition-related costs and integration costs, compared with $3.0 million in the corresponding period of 2016, a variance that was largely attributable to the remeasurement of a foreign exchange option that was entered into by the Company to hedge the foreign currency exposure associated with the acquisition of Atkins.

4.8 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 yet been finalized as at June 30, 2017, certain assumptions used to estimate such adjustments have been revised, resulting in a gain of $0.3 million before income taxes ($0.3 million net of taxes) in the second quarter of 2017 and of $1.0 million before income taxes ($0.9 million net of taxes) in the six-month period ended June 30, 2017.

4.9 Gain on Disposals of Capital Investments

Groupe infrastructure santé McGill

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

Malta International Airport

On March 30, 2016, SNC-Lavalin announced that it has reached financial close on the sale of its indirect ownership interest in SNCL Malta to an affiliate of Flughafen Wien AG for total cash consideration of approximately €64 million (approximately CA$98.7 million). SNCL Malta is the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c. The gain on disposal of SNC-Lavalin's indirect ownership interest in SNCL Malta amounted to $61.1 million ($53.6 million after taxes).

Rayalseema Expressway Private Limited ("Rayalseema")

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

4.10 Gain on Disposal of the Head Office Building

On June 22, 2017, SNC-Lavalin announced that it completed the sale of its Montreal head office building and 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.

4.11 Net Financial Expenses Analysis

Second Quarter of 2017

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	**$ (0.2)**	**$ (2.7)**	**$ (2.9)**	$ (3.2)	$ (3.3)	$ (6.5)
Net foreign exchange losses (gains)	**0.1**	**(0.1)**	**–**	2.0	–	2.0
Interest on debt:						
Recourse	**5.5**	**–**	**5.5**	5.5	–	5.5
Non-recourse	**–**	**5.9**	**5.9**	–	7.1	7.1
Other	**5.1**	**(0.1)**	**5.0**	4.4	(0.2)	4.2
Net financial expenses	**$ 10.5**	**$ 2.9**	**$ 13.4**	$ 8.6	$ 3.6	$ 12.3

For the second quarter of 2017, net financial expenses from E&C were $10.5 million, compared with $8.6 million for the second quarter of 2016, a variation that was primarily attributable to a decrease in interest revenues.

For the second quarter of 2017, net financial expenses from Capital decreased to $2.9 million, compared with $3.6 million for the second quarter of 2016, primarily due to a decrease in interest on non-recourse debt.

First Six Months of 2017

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	**$ (2.9)**	**$ (5.7)**	**$ (8.7)**	$ (5.9)	$ (6.7)	$ (12.7)
Net foreign exchange losses (gains)	**3.8**	**(0.1)**	**3.6**	2.6	–	2.6
Interest on debt:						
Recourse	**10.9**	**–**	**10.9**	11.0	–	11.0
Non-recourse	**–**	**11.9**	**11.9**	–	13.7	13.7
Other	**8.8**	**–**	**8.8**	7.2	0.1	7.2
Net financial expenses	**$ 20.5**	**$ 6.1**	**$ 26.6**	$ 14.8	$ 7.0	$ 21.8

For the first six months of 2017, net financial expenses from E&C were $20.5 million, compared with $14.8 million for the first six months of 2016, primarily reflecting a decrease in interest revenues compared with the same period last year.

For the first six months of 2017, net financial expenses from Capital decreased to $6.1 million, compared with $7.0 million for the first six months of 2016, a variation that was mainly due to a decrease in interest on non-recourse debt.

4.12 Income Taxes Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
		2017		2016		2017		2016
Earnings before income taxes from E&C	$	81.5	$	69.7	$	139.6	$	108.9
Earnings before income taxes from Capital		50.4		37.5		96.2		136.6
Earnings before income taxes	$	131.9	$	107.2	$	235.7	$	245.5
Income taxes from E&C	$	(3.9)	$	13.0	$	3.5	$	15.7
Income taxes from Capital		1.3		1.8		2.7		10.1
Income taxes	$	(2.5)	$	14.9	$	6.3	$	25.8
Effective income tax rate from E&C (%)		(4.7)%		18.7 %		2.5 %		14.4 %
Effective income tax rate from Capital (%)		2.6 %		4.9 %		2.9 %		7.4 %
Effective income tax rate (%)		(1.9)%		13.9 %		2.7 %		10.5 %

For the second quarter of 2017, there was an income tax benefit from E&C of $3.9 million, compared with an income tax expense of $13.0 million for the corresponding period of 2016. The effective income tax rate was lower than the Canadian statutory income tax rate of 26.6% for the second quarter of 2017, principally due to the non-taxable portion of the gain on the disposal of the head office building, other non-taxable items and tax recoveries, partially offset by the impact of geographic mix of earnings before income taxes.

For the first six months of 2017, the income tax expense from E&C was $3.5 million, compared with $15.7 million for the first six months of 2016. In the first six months of 2017, the effective income tax rate from E&C was lower than the Canadian statutory income tax rate of 26.6%, mainly due to the non-taxable portion of the gain on the disposal of the head office building, other non-taxable items and the geographic mix of earnings before income taxes. The effective income tax rate from E&C was lower than the Canadian statutory income tax rate in the first six months of 2016 mainly due to the geographic mix of earnings before income taxes and tax benefits arising from the use of previous losses on which no deferred tax asset was recognized, partially offset by net losses that did not generate an income tax benefit, non-deductible expenses and other permanent differences.

For the second quarter of 2017, the income tax expense from Capital was $1.3 million, compared with $1.8 million for the second quarter of 2016.

For the first six months of 2017, the income tax expense from Capital was $2.7 million, compared with $10.1 million for the corresponding period of 2016. The decrease in income tax expense from Capital in the first six months of 2017, compared with the same period last year, was primarily attributable to the tax effect from the gain on disposal of the Company's indirect ownership interest in SNCL Malta in 2016.

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 10.

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 45% of reimbursable contracts as at June 30, 2017 and 2016, and 55% of fixed-price contracts as at June 30, 2017 and 2016.

The following table provides a breakdown of the Company's revenue backlog by segment:

(IN MILLIONS OF CA$)	JUNE 30 2017	MARCH 31 2017	DECEMBER 31 2016(1)
BY SEGMENT			
Mining & Metallurgy	**$ 400.9**	$ 451.1	$ 294.0
Oil & Gas	**3,286.2**	3,416.8	3,909.6
Power	**1,985.6**	2,222.0	2,353.2
Infrastructure	**3,903.9**	3,988.8	4,120.6
Total	**$ 9,576.6**	$ 10,078.7	$ 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 9.1 for further details.

As at June 30, 2017, the Company reported a revenue backlog of $9.6 billion, compared with $10.7 billion at the end of December 2016, mainly reflecting a decrease in Oil & Gas, Power and Infrastructure, partially offset by an increase in revenue backlog in Mining & Metallurgy. Contract bookings amounted to $2.6 billion for the first six months of 2017, with $1.1 billion in Oil & Gas, $0.8 billion in Infrastructure, $0.4 billion in Power and $0.3 billion in Mining & Metallurgy.

It should be noted that the revenue backlog disclosed as at June 30, 2017 does not include the revenue backlog of Atkins, since the acquisition was completed on July 3rd, 2017, subsequent to the end of the second quarter of 2017.

In the first six months of 2017, new additions to revenue backlog included major contract awards for the construction of two sulphuric acid plants in Latin America in the Mining & Metallurgy segment and Phase 2 of a mass transit system project in Central Canada in the Infrastructure segment.

It should be noted that O&M activities, included in the Infrastructure backlog, are provided under contracts that can cover a period of up to 40 years. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M revenue backlog to the earlier of: i) the contract term; and ii) the next 5 years.

The following table shows the proportions of reimbursable contracts and fixed-price contracts included in each segment's backlog as at June 30, 2017:

	REIMBURSABLE CONTRACTS(1)	FIXED-PRICE CONTRACTS(1)
BY SEGMENT		
Mining & Metallurgy	**20%**	**80%**
Oil & Gas	**55%**	**45%**
Power	**70%**	**30%**
Infrastructure	**20%**	**80%**
Total	**45%**	**55%**

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

6 Segmented Information

As mentioned in Section 2, the Company's results are analyzed by segment, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated.

The Company evaluates segment performance, using **segment EBIT**, which is a non-IFRS financial measure defined in Section 10. 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. Therefore, segment EBIT from Capital for the first six months of 2016 has been restated to exclude the $58.5 million gain on disposals of Capital investments, mainly due to the sale of the Company's indirect ownership interest in SNCL Malta.

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 9.2 for further details.

The Company derives its revenues from both reimbursable contracts (first six months of 2017: 50%, 2016: 55%) and fixed-price contracts (first six months of 2017: 50%, 2016: 45%).

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

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

Such investments are grouped into the Capital segment wherein its performance is evaluated, as follows:

ACCOUNTING METHOD	PERFORMANCE EVALUATION
Cost method	Dividends or distributions received from investments
Equity method	SNC-Lavalin's share of the net results of its investments, or dividends from Capital investments for which the carrying amount is $ nil (such as Highway 407 ETR), before taxes
Consolidation method	EBIT from investments

The following table summarizes the Company's **revenues and segment EBIT and reconciles the segment EBIT to the Company's EBIT** for the **second quarters** ended June 30, 2017 and 2016:

SECOND QUARTER

(IN MILLIONS OF CA$)	2017				2016[1]			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	**$ 94.8**	**$ 7.5**	**$ –**	**$ 7.5**	$ 92.1	$ 15.2	$ –	$ 15.2
Oil & Gas	**807.2**	**29.0**	**–**	**29.0**	900.0	71.4	–	71.4
Power	**366.6**	**43.2**	**–**	**43.2**	415.2	28.7	–	28.7
Infrastructure	**599.5**	**31.3**	**–**	**31.3**	637.9	29.3	–	29.3
Total E&C segments	**$ 1,868.2**	**$ 111.1**	**$ –**	**$ 111.1**	$ 2,045.2	$ 144.6	$ –	$ 144.6
Capital	**66.7**	**–**	**55.1**	**55.1**	57.7	–	46.8	46.8
Total revenues and segment EBIT	**$ 1,934.9**	**$ 111.1**	**$ 55.1**	**$ 166.2**	$ 2,103.0	$ 144.6	$ 46.8	$ 191.4
Less:								
Corporate selling, general and administrative expenses and others not allocated to the segments		**$ (40.6)**	**$ (7.3)**	**$ (47.9)**		$ (49.8)	$ (5.7)	$ (55.5)
Restructuring costs		**(22.3)**	**–**	**(22.3)**		(2.7)	–	(2.7)
Acquisition-related costs and integration costs		**(55.3)**	**–**	**(55.3)**		(1.7)	–	(1.7)
Amortization of intangible assets related to Kentz acquisition		**(14.3)**	**–**	**(14.3)**		(15.8)	–	(15.8)
Gain on disposals of Capital investments		**–**	**5.4**	**5.4**		–	–	$ –
Gain from adjustment on disposals of E&C businesses		**0.3**	**–**	**0.3**		–	–	–
Gain on disposal of the head office building		**115.1**		**115.1**		–	–	–
Reversal of non-controlling interests before income taxes included above		**(2.0)**	**–**	**(2.0)**		3.8	–	3.8
EBIT		**$ 92.0**	**$ 53.3**	**$ 145.3**		$ 78.4	$ 41.1	$ 119.5

The following table summarizes the Company's **revenues and segment EBIT and reconciles the segment EBIT to the Company's EBIT** for the **first six months** ended June 30, 2017 and 2016:

SIX MONTHS ENDED JUNE 30

(IN MILLIONS OF CA$)	2017				2016[1]			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	**$ 196.2**	**$ 14.2**	**$ –**	**$ 14.2**	$ 209.6	$ 20.9	$ –	$ 20.9
Oil & Gas	**1,663.8**	**85.0**	**–**	**85.0**	1,753.5	113.5	–	113.5
Power	**740.1**	**75.5**	**–**	**75.5**	798.4	57.9	–	57.9
Infrastructure	**1,056.4**	**61.4**	**–**	**61.4**	1,214.5	60.7	–	60.7
Total E&C segments	**$ 3,656.5**	**$ 236.0**	**$ –**	**$ 236.0**	$ 3,976.0	$ 253.0	$ –	$ 253.0
Capital	**127.7**	**–**	**111.0**	**111.0**	115.1	–	97.2	97.2
Total revenues and segment EBIT	**$ 3,784.1**	**$ 236.0**	**$ 111.0**	**$ 347.0**	$ 4,091.2	$ 253.0	$ 97.2	$ 350.2
Less:								
Corporate selling, general and administrative expenses and others not allocated to the segments		**$ (84.0)**	**$ (14.1)**	**$ (98.1)**		$ (83.7)	$ (12.1)	$ (95.8)
Restructuring costs		**(25.1)**	**–**	**(25.1)**		(15.7)	–	(15.7)
Acquisition-related costs and integration costs		**(56.6)**	**–**	**(56.6)**		(3.0)	–	(3.0)
Amortization of intangible assets related to Kentz acquisition		**(29.7)**	**–**	**(29.7)**		(36.1)	–	(36.1)
Gain on disposals of Capital investments		**–**	**5.4**	**5.4**		–	58.5	58.5
Gain from adjustment on disposals of E&C businesses		**1.0**	**–**	**1.0**		–	–	–
Gain on disposal of the head office building		**115.1**	**–**	**115.1**		–	–	–
Reversal of non-controlling interests before income taxes included above		**3.4**	**–**	**3.4**		9.1	–	9.1
EBIT		**$ 160.1**	**$ 102.2**	**$ 262.3**		$ 123.7	$ 143.6	$ 267.3

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and to reflect a change made to the Company's reporting of its financial results related to the Infrastructure segment. Please refer to Section 9 for further details.

6.1 Mining & Metallurgy

(IN MILLIONS OF CA$)	SECOND QUARTER 2017	SECOND QUARTER 2016	SIX MONTHS ENDED JUNE 30 2017	SIX MONTHS ENDED JUNE 30 2016
Revenues from Mining & Metallurgy	**$ 94.8**	$ 92.1	**$ 196.2**	$ 209.6
Segment EBIT from Mining & Metallurgy	**$ 7.5**	$ 15.2	**$ 14.2**	$ 20.9
Segment EBIT over revenues from Mining & Metallurgy (%)	**7.9%**	16.5%	**7.2%**	10.0%

Mining & Metallurgy revenues for the second quarter of 2017 totalled $94.8 million, in line with the corresponding period of 2016. **For the first six months of 2017, revenues were $196.2 million,** compared with $209.6 million for the first six months of 2016. The decrease in revenues was attributable to a lower level of activity due to the near completion of certain major projects, notably sulphuric acid plants in the Middle East, partially offset by the revenues generated by contracts awarded in 2016, namely the construction of sulphuric acid plants in Chile and a sulphur dioxide mitigation project in Russia. Furthermore, global commodity prices remained low in the first six months of 2017 which has an adverse impact on capital expenditures and investments of companies operating in the mining and metallurgy industry.

Mining & Metallurgy Segment EBIT was $7.5 million for the second quarter of 2017, compared with $15.2 million for the corresponding period of 2016, mainly attributable to a decrease in gross margin-to-revenue ratio, partially offset by a decrease in selling, general and administrative expenses.

For the first six months of 2017, Mining & Metallurgy Segment EBIT was $14.2 million, compared with $20.9 million for the first six months of 2016, as a decrease in gross margin-to-revenue ratio and a lower level of activity, due to the reasons stated above, were partly offset by a decrease in selling, general and administrative expenses.

The Mining & Metallurgy segment derives its revenues from both reimbursable contracts, 25% for the first six months of 2017 (2016: 35%), and fixed-price contracts, 75% for the first six months of 2017 (2016: 65%).

6.2 Oil & Gas

(IN MILLIONS OF CA$)	SECOND QUARTER 2017	SECOND QUARTER 2016	SIX MONTHS ENDED JUNE 30 2017	SIX MONTHS ENDED JUNE 30 2016
Revenues from Oil & Gas	**$ 807.2**	$ 900.0	**$ 1,663.8**	$ 1,753.5
Segment EBIT from Oil & Gas	**$ 29.0**	$ 71.4	**$ 85.0**	$ 113.5
Segment EBIT over revenues from Oil & Gas (%)	**3.6%**	7.9%	**5.1%**	6.5%

Revenues from Oil & Gas were $807.2 million for the second quarter of 2017, compared with $900.0 million for the second quarter of 2016. **For the first six months of 2017, revenues were $1,663.8 million,** compared with $1,753.5 million for the first six months of 2016, mainly attributable to lower revenues from certain major projects nearing completion, most notably Liquefied Natural Gas ("LNG") projects, partly offset by higher revenues from contracts that were awarded in 2016, principally in the Middle East.

For the second quarter of 2017, Oil & Gas Segment EBIT was $29.0 million, compared with $71.4 million for the second quarter of 2016, primarily due to a decrease in gross margin-to-revenue ratio and a lower level of activity, partially offset by a decrease in selling, general and administrative expenses. For the second quarter of 2017, gross margin from Oil & Gas was negatively impacted by provisions recorded on aged receivables in Venezuela and delays in commercial settlements on certain projects in the Middle East.

For the first six months of 2017, Oil & Gas Segment EBIT was $85.0 million, compared with $113.5 million for the corresponding period of 2016, mainly due to a decrease in gross margin-to-revenue ratio and a lower level of activity, partially offset by a decrease in selling, general and administrative expenses. In the first half of 2017, gross margin from Oil & Gas was unfavourably impacted by the elements described above.

The Oil & Gas segment derives its revenues from both reimbursable contracts, 65% for the first six months of 2017 (2016: 80%), and fixed-price contracts, 35% for the first six months of 2017 (2016: 20%).

6.3 Power

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2017**		2016		**2017**		2016
Revenues from Power	**$**	**366.6**	$	415.2	**$**	**740.1**	$	798.4
Segment EBIT from Power	**$**	**43.2**	$	28.7	**$**	**75.5**	$	57.9
Segment EBIT over revenues from Power (%)		**11.8%**		6.9%		**10.2%**		7.2%

Power revenues were $366.6 million for the second quarter of 2017, compared with $415.2 million for the second quarter of 2016. **For the first six months of 2017, revenues were $740.1 million,** compared with $798.4 million for the corresponding period of 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 Latin America and Canada.

For the second quarter of 2017, Power Segment EBIT increased to $43.2 million, compared with $28.7 million for the corresponding quarter of 2016, primarily due to an increase in gross margin-to-revenue ratio and a decrease in selling, general and administrative expenses, partly offset by a lower level of activity, due to the reasons stated above. An unfavourable reforecast on a now completed project related to a power plant outside Canada had a negative impact on the gross margin-to-revenue ratio for the second quarter of 2016.

For the first six months of 2017, Power Segment EBIT increased to $75.5 million, compared with $57.9 million for the corresponding period of 2016, mainly attributable to an increase in gross margin-to-revenue ratio and a decrease in selling, general and administrative expenses, partially offset by lower level of activity, due to the completion or near completion of certain major projects, as explained above.

The Power segment derives its revenues from both reimbursable contracts, 45% for the first six months of 2017 (2016: 40%), and fixed-price contracts, 55% for the first six months of 2017 (2016: 60%).

6.4 Infrastructure

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2017**		2016 (1)		**2017**		2016 (1)
Revenues from Infrastructure	**$**	**599.5**	$	637.9	**$**	**1,056.4**	$	1,214.5
Segment EBIT from Infrastructure	**$**	**31.3**	$	29.3	**$**	**61.4**	$	60.7
Segment EBIT over revenues from Infrastructure (%)		**5.2%**		4.6%		**5.8%**		5.0%

(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 9 for further details.

Infrastructure revenues for the second quarter of 2017 were $599.5 million, compared with $637.9 million for the corresponding period of 2016. **For the first six months of 2017, revenues were $1,056.4 million,** compared with $1,214.5 million for the first six months of 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 have increased in the first half of 2017, compared with the same period of 2016, mainly due to an increase in revenues from certain major projects, most notably mass transit systems in Central Canada 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.

For the second quarter of 2017, Infrastructure Segment EBIT increased to $31.3 million, compared with $29.3 million for the corresponding quarter of 2016, principally reflecting a higher gross margin-to-revenue ratio and lower general and administrative expenses, partly offset by a lower level of activity and an increase in selling expenses. Selling expenses were higher in the second quarter of 2017 compared with the same period last year, which was primarily attributable to an increase in proposals and business development costs related to bids on large scale projects.

For the first six months of 2017, Infrastructure Segment EBIT was $61.4 million, in line with the first six months of 2016, as an increase in gross margin-to-revenue ratio and lower general and administrative expenses were offset by a lower level of activity and an increase in selling expenses, attributable to the same reasons stated above.

The Infrastructure segment derives its revenues from both reimbursable contracts, 30% for the first six months of 2017 (2016: 35%), and fixed-price contracts, 70% for the first six months of 2017 (2016: 65%).

6.5 Capital

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes Capital investments in a variety of infrastructure assets such as bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants. These investments are grouped together in the Capital segment and described in Section 7.5 of the Company's 2016 annual Management's Discussion and Analysis.

SNC-LAVALIN INFRASTRUCTURE PARTNERS LP

On June 30, 2017, SNC-Lavalin announced the launch of a new infrastructure investment vehicle, 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. This vehicle will hold 100% of SNC-Lavalin’s interests in a selection of its mature Canadian infrastructure assets and their holding companies.

The Partnership will initially hold a portfolio comprised of SNC-Lavalin’s interests in the following five assets: Okanagan, InTransit, Chinook, Rainbow and MIHG, which will comprise the disposal group.

As per the strategic agreement, BBGI will purchase 80% of the Partnership for approximately $185 million, taking into account the partial deemed disposal of MIHG and reduction of the subordinated loan receivable from MIHG that occurred on June 30, 2017, subject to certain other adjustments, for the initial five transferred assets, while SNC-Lavalin will hold the remaining 20%. SNC-Lavalin will also retain the long-term management of the assets. This transaction is subject to certain customary approvals, notably from third party lenders.

GROUPE INFRASTRUCTURE SANTÉ MCGILL

On June 30, 2017, the joint venture Groupe infrastructure santé McGill, in which SNC-Lavalin previously held 60% ownership interest, issued equity instruments to the other investor in MIHG, which resulted in a dilution of SNC-Lavalin’s ownership interest to 50%. In addition, the Company’s subordinated loan receivable from MIHG of $109.3 million (the “Subordinated Loan”) was partially sold to the other investor in MIHG and was partially reimbursed by MIHG for 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.

NET BOOK VALUE OF CAPITAL INVESTMENTS

The Company provides additional information on the net book value of its Capital investments in Note 4 to its unaudited interim condensed consolidated financial statements for the second quarter of 2017.

The following table presents the net book value of Capital investments segregated by the method used to account for the investments:

(IN MILLIONS OF CA$)		**JUNE 30 2017**		DECEMBER 31 2016
Capital investments accounted for by the consolidation method	**$**	**(64.7)**	$	(31.2)
Capital investments accounted for by the equity method		**268.8**		399.4
Capital investments accounted for by the cost method		**48.8**		48.3
Total net book value of Capital investments	**$**	**252.9**	$	416.5

The decrease in the total net book value of Capital investments presented in the table above was largely attributable to the net book value of five Capital investments that were reclassified as a disposal group classified as held for sale as at June 30, 2017, as explained above.

As at June 30, 2017, the Company estimated that the fair value of its Capital investments portfolio was much higher than its net book value, with the Company's investment in Highway 407 ETR having the highest estimated fair value of its portfolio. The net book value of the Company's investment in Highway 407 ETR was $ nil as at June 30, 2017 and as at December 31, 2016.

SEGMENT EBIT - CAPITAL

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		2017		2016 [1]		2017		2016 [1]
Revenues from Capital	$	66.7	$	57.7	$	127.7	$	115.1
Segment EBIT:								
From Highway 407 ETR	$	34.8	$	31.5	$	69.6	$	62.9
From other Capital investments [2]		20.3		15.3		41.4		34.3
Segment EBIT from Capital	$	55.1	$	46.8	$	111.0	$	97.2

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

(2) Segment EBIT from other Capital investments is net of divisional and certain directly related 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.

The Company's Capital investments are accounted for by the cost, equity or consolidation methods depending on whether or not SNC-Lavalin exercises significant influence, joint control or control. In evaluating the performance of the segment, the relationship between revenues and segment 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.

Capital Segment EBIT increased to $55.1 million for the second quarter of 2017, compared with $46.8 million for the same period last year. The variation was essentially due to a higher level of activity on certain Capital investments and an increase in the dividends received from Highway 407 ETR.

Capital Segment EBIT increased to $111.0 million for the first six months of 2017, compared with $97.2 million for the corresponding period of 2016 for the same reasons explained above.

6.6 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 decreased to $47.9 million for the second quarter of 2017, compared with $55.5 million for the second quarter of 2016. The decrease of $7.6 million was mainly due to a higher amount of allocation of benefits, incentives, social security charges and other costs to projects or segments in the second quarter of 2017, compared with the corresponding quarter of 2016.

Corporate selling, general and administrative expenses and others not allocated to projects or segments totalled $98.1 million for the first six months of 2017, compared with $95.8 million for the corresponding period of 2016.

7 Liquidity and Capital Resources

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

- A **cash flows analysis**, providing details on how the Company generated and used its cash and cash equivalents;
- A discussion on the Company's recourse **revolving credit facility**, its new **term loan** and an update on its **credit ratings**;
- A review of the **cash net of recourse debt** of the Company;
- The presentation of the Company's **dividends declared, normal course issuer bid** and **Return on Average Shareholders' Equity ("ROASE")**; and
- A discussion on the Company's **financial position** at the end of the second quarter of 2017, compared with its financial position as at December 31, 2016.

7.1 Cash Flows Analysis

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)		**2017**		2016
Net cash flows generated from (used for):				
Operating activities	**$**	**(269.3)**	$	(321.6)
Investing activities		**99.9**		18.6
Financing activities		**(109.6)**		(175.7)
Increase (decrease) from exchange differences on translating cash and cash equivalents		**6.1**		(5.1)
Net decrease in cash and cash equivalents		**(272.9)**		(483.9)
Cash and cash equivalents at beginning of period		**1,055.5**		1,581.8
Cash and cash equivalents at end of period	**$**	**782.5**	$	1,098.0
Less: Cash and cash equivalents included in the disposal groups classified as held for sale		**(45.2)**		(33.4)
Cash and cash equivalents at end of period, as presented on the consolidated statement of financial position	**$**	**737.4**	$	1,064.6

Cash and cash equivalents decreased by $272.9 million in the first six months of 2017, compared with a decrease of $483.9 million in the first six months of 2016, as discussed further below.

CASH FLOWS RELATED TO OPERATING ACTIVITIES

Net cash used for operating activities was $269.3 million for the first six months of 2017, compared with $321.6 million for the corresponding period of 2016, a variance of $52.3 million reconciled as follows:

(IN MILLIONS OF CA$)	SIX-MONTH PERIOD	
Net cash used for operating activities for the first six months of 2016	$	(321.6)
Changes between the first six months of 2016 and the first six months of 2017:		
Increase in net income for the period		9.7
Decrease in income taxes paid		34.6
Increase in interest paid (from E&C and from Capital investments)		(9.8)
Decrease in depreciation of property and equipment and amortization of other non-current assets		(15.6)
Decrease in income taxes recognized in net income		(19.5)
Increase in net financial expenses recognized in net income		4.8
Decrease in net change in provisions related to forecasted losses on certain contracts		23.7
Decrease in the gain on disposals of Capital investments		53.1
Remeasurement of a foreign exchange option		48.7
Increase in restructuring costs recognized in net income		9.4
Decrease in restructuring costs paid		15.2
Gain from adjustment on disposals of E&C businesses		(1.0)
Gain on disposal of the head office building		(115.1)
Other items		45.5
Changes in the net cash generated by operating activities before net change in non-cash working capital items	**$**	**83.7**
Increase in cash used by the changes in non-cash working capital items	$	(31.4)
Net cash used for operating activities for the first six months of 2017	**$**	**(269.3)**

- **Net cash generated from operating activities before net change in non-cash working capital items totalled $154.3 million for the first six months of 2017,** compared with $70.6 million for the first six months of 2016, a variance of $83.7 million, mainly explained by the elements in the table above, most notably by the non-cash gain on disposal of the Company's head office building totalling $115.1 million in the second quarter of 2017; and
- As detailed in Note 11B to the unaudited interim condensed consolidated financial statements for the second quarter of 2017, **changes in non-cash working capital items used cash of $423.6 million in the first six months of 2017,** compared with $392.2 million in the corresponding period of 2016, mainly reflecting working capital requirements on certain major projects.

CASH FLOWS RELATED TO INVESTING ACTIVITIES

Net cash generated from investing activities was $99.9 million for the first six months of 2017, compared with $18.6 million for the corresponding period of 2016, a variance of $81.3 million reconciled as follows:

(IN MILLIONS OF CA$)	SIX-MONTH PERIOD	
Net cash generated from investing activities for the first six months of 2016	$	18.6
Changes between the first six months of 2016 and the first six months of 2017:		
Decrease in acquisitions of property and equipment		4.6
Proceeds from disposal of the head office building		173.3
Decrease in payments for Capital investments		10.7
Increase in costs associated to a foreign exchange option, net of recovery		(48.7)
Lower increase in receivables under service concession arrangements, net of recovery		0.4
Lower decrease in short-term and long-term investments		(8.1)
Lower net cash inflow on disposals of Capital investments accounted for by the equity method		(78.6)
Other items		27.7
Net cash generated from investing activities for the first six months of 2017	**$**	**99.9**

- The changes in cash flows related to investing activities between the first six months of 2017 and the same period of 2016 were primarily explained by the elements in the table above, most notably by the proceeds of $173.3 million received from the sale of the Company's head office building at the end of the first half of 2017;
- In the first six months of 2016, there was a net cash inflow of $101.9 million on disposals of Capital investments, mainly reflecting the disposal of the Company's indirect ownership interest in SNCL Malta in the first quarter of 2016. In the first half of 2017, the Company received a $23.3 million cash consideration in reduction of the subordinated loan receivable from MIHG. This variance of $78.6 million is included in the table above. Both transactions are described in Note 4A to the unaudited interim condensed consolidated financial statements for the second quarter of 2017; and
- In the second quarter of 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, resulting in a loss, net of recovery, of $48.7 million, included in the table above. Following the settlement of the option, SNC-Lavalin entered into forward foreign exchange contracts under which SNC-Lavalin sold Canadian dollars and bought British pounds having a notional value of £1,500 million. These forward foreign exchange contracts were settled in July 2017.

CASH FLOWS RELATED TO FINANCING ACTIVITIES

Net cash used for financing activities was $109.6 million in the first six months of 2017, compared with $175.7 million for the corresponding period of 2016, a variance of $66.1 million reconciled as follows:

(IN MILLIONS OF CA$)	SIX-MONTH PERIOD	
Net cash used for financing activities for the first six months of 2016	$	(175.7)
Changes between the first six months of 2016 and the first six months of 2017:		
Higher increase in recourse credit facility		155.6
Increase in repayment of recourse credit facility		(159.3)
Decrease in repayment of non-recourse debt from Capital investments		0.3
Lower net repayment of advances under contract financing arrangements		113.8
Decrease in proceeds from exercise of stock options		(8.8)
Increase in dividends paid to SNC-Lavalin shareholders		(4.2)
Increase in amount advanced for contingent acquisition of non-controlling interest		(31.2)
Other items		(0.1)
Net cash used for financing activities for the first six months of 2017	**$**	**(109.6)**

› The changes in cash flows related to financing activities between the first six months of 2017 and the corresponding period of 2016 were primarily explained by the elements in the table above, most notably by the fact that, in the second half of 2016, the Company repaid in full the advances under contract financing arrangements related to the Ste-Justine and Evergreen projects, therefore these financing arrangements do not have any cash flow impact in 2017, whereas in the first half of 2016 the Company disbursed a net total of $113.8 million in connection with these financing arrangements;

› Dividends paid to SNC-Lavalin shareholders increased by $4.2 million in the first six months of 2017, totalling $82.2 million compared with $78.0 million in the first six months of 2016; and

› The issuance of shares pursuant to the exercise of stock options generated $6.9 million in cash in the first six months of 2017 (181,532 stock options at an average price of $37.80), compared with $15.7 million in the corresponding period of 2016 (406,812 stock options at an average price of $38.58). As at July 25, 2017, there were 385,400 stock options outstanding with exercise prices of $37.04 and of $40.98 per common share. At that same date, there were 175,429,718 common shares issued and outstanding, including the equity issued in connection with the acquisition of Atkins.

7.2 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 to be funded through a combination of equity and debt issuance, including a £300 million term facility (the "Term Facility") and a $1,500 million loan (the "CDPQ Loan") made by CDPQ Revenu Fixe Inc. (the "Caisse") to SNC-Lavalin Highway Holdings Inc. ("Highway Holdings").

On May 15, 2017, the Company amended its existing revolving credit facility (the "Revolving Facility") of $4,250 million and the Term Facility and merged both facilities into one single agreement (the "Credit Agreement").

Following the acquisition of Atkins, the actual cash draws under the Term Facility, the CDPQ loan and the Revolving Facility are indicated in Section 14.

REVOLVING FACILITY

The Revolving Facility is comprised of three tranches: i) tranche A is for an amount of $2 billion less the dollar equivalent at any time of £400 million until the expiry and cancellation of tranche C which is expected to occur on or about July 17, 2017 (the "Reallocation Date"); ii) tranche B is for an amount of $750 million; and iii) tranche C is for an amount of £400 million. After the Reallocation Date, all outstanding borrowings under tranche C will be reallocated to tranche A and tranche C will be cancelled, with tranche A being increased to $2 billion. 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 and tranche C 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 available by way of one single drawdown in British pounds, after which any unused portion of the Term Facility will be cancelled. The Term Facility is not revolving and amounts repaid or prepaid may not be reborrowed. Borrowings may be obtained in the form of Libor loans in various currencies, including British pounds.

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. Each of tranche A and tranche B is available by way of a single drawdown by Highway Holdings. Any amount not drawn by Highway Holdings under the CDPQ Loan on the funding date will be cancelled and will be a permanent reduction of tranche A or tranche B, as the case may be. 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.

PRIVATE PLACEMENT AND PUBLIC OFFERING

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 the closing of 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. 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 de dépôt et placement du Québec for aggregate gross proceeds of $400 million. Under the private placement, the Company issued 7,775,000 subscription receipts at a price of $51.45 per subscription receipt.

As at June 30, 2017, the net cash proceeds from the issue of the subscription receipts from the bought deal and private placement were held by an escrow agent, in a restricted account, pending the fulfillment or waiver of all other outstanding conditions precedent to closing the acquisition of Atkins. As the funds were not directly received by the Company, they were not presented in the consolidated statement of cash flows. The restricted account is included in "Restricted funds" and disclosed in the Company's consolidated statement of financial position, with a corresponding "Liabilities for the subscription receipts".

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

7.3 Recourse Debenture – Credit Rating

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 (refer to Section 7.2 and 14 for further details on the acquisition of Atkins). At the same time, S&P affirmed its BBB issue-level rating on the Company's $350 million senior unsecured notes due 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, following the completion of the acquisition of Atkins by SNC-Lavalin, DBRS confirmed the Issuer Rating and Senior Debentures rating of SNC-Lavalin at BBB with a Stable trend. The confirmation is primarily supported by the Company's stronger business risk profile after the acquisition of Atkins, according to DBRS.

7.4 Cash Net of Recourse Debt

Cash net of recourse debt is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10.

(IN MILLIONS OF CA$)		JUNE 30 2017		DECEMBER 31 2016
Cash and cash equivalents	**$**	**737.4**	$	1,055.5
Less:				
Cash and cash equivalents of Capital investments accounted for by the consolidation method(1)		**2.0**		11.3
Recourse debt:				
Debentures		**349.5**		349.4
Cash net of recourse debt	**$**	**385.8**	$	694.9

(1) As at June 30, 2017, cash and cash equivalents of Capital investments accounted for by the consolidation method excludes the cash and cash equivalents of the Company's Capital investments in Rainbow and Okanagan, which are part of the disposal group classified as held for sale at that date.

Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents of Capital investments accounted for by the consolidation method and recourse debt) as at June 30, 2017 was $0.4 billion, compared with $0.7 billion as at December 31, 2016, mainly due to a decrease in cash and cash equivalents as explained in Section 7.1.

Management continues to believe, subject to the risks and limitations described herein, that its current liquidity position, including its cash position and unused capacity under its credit facility should be sufficient to fund its operations over the foreseeable future.

7.5 Dividends

Quarterly cash dividends of $0.273 per share were declared on March 2, 2017 and May 4, 2017 and were paid on March 30, 2017 and May 18, 2017, respectively, representing an increase of 5.0% compared with the corresponding quarterly cash dividends of $0.26 per share paid in 2016.

7.6 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.

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

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10. **ROASE was 7.6% for the 12-month period ended June 30, 2017**, compared with 13.9% for the 12-month period ended June 30, 2016.

7.8 Financial Instruments

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 28 to the Company's 2016 annual audited consolidated financial statements and updated as needed in Note 13 to its unaudited interim condensed consolidated financial statements for the second quarter of 2017. In the first six months of 2017, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments except that the Company entered into a foreign exchange option to hedge the foreign exchange exposure related to the acquisition of Atkins and following its settlement, the Company entered into forward foreign exchange contracts, as described in Note 20 to the Company's interim condensed consolidated financial statements for the second quarter of 2017. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

7.9 Financial Position

The following is an analysis of the changes to the Company's financial position between December 31, 2016 and June 30, 2017:

(IN MILLIONS OF CA$)	JUNE 30 2017	DECEMBER 31 2016	CHANGE ($)	EXPLANATIONS
Current assets	$ 5,557.9	$ 4,190.0	$ 1,367.9	The increase in current assets was mainly due to an increase in restricted funds held by an escrow agent, resulting from the Company's issuance of subscription receipts to finance the acquisition of Atkins (refer to Section 7.2 and Section 14 for details). In addition, assets of disposal groups classified as held for sale and assets held for sale have increased in the second quarter of 2017 reflecting mainly the reclassification of the disposal group discussed at Section 6.5. These increases were partially offset by a decrease in cash and cash equivalents (refer to Section 7.1 for details).
Non-current assets	4,763.7	5,108.3	(344.6)	The decrease in non-current assets was principally due to a decrease in the non-current portion of receivables under service concession arrangements and a decrease in Capital investments accounted for by the equity method, due to the reason explained above, as well as the amortization expense and foreign currency translation of the intangible assets related to Kentz acquisition and the foreign currency translation on goodwill.
Total assets	**$ 10,321.6**	$ 9,298.3	$ 1,023.3	
Current liabilities	$ 5,135.9	$ 3,962.2	$ 1,173.7	The increase in current liabilities was mainly attributable to liabilities for subscription receipts, as explained above, and liabilities of disposal groups classified as held for sale, mainly due to the strategic agreement with BBGI that is described in Section 6.5, partially offset by a decrease in deferred revenues and trade payables.
Non-current liabilities	1,150.4	1,439.8	(289.4)	The decrease in non-current liabilities was mainly due to the decrease in non-recourse long-term debt from Capital investments and to the decrease in deferred income tax liability, largely attributable to the fact that part of these liabilities has been reclassified as liabilities of disposal groups classified as held for sale in the consolidated statement of financial position as at June 30, 2017.
Total liabilities	**$ 6,286.3**	$ 5,402.0	$ 884.3	
Equity attributable to SNC-Lavalin shareholders	$ 4,009.4	$ 3,873.2	$ 136.2	The increase in equity attributable to SNC-Lavalin shareholders was primarily due to an increase in retained earnings mainly due to the net income for the first six months of 2017.
Non-controlling interests	25.9	23.1	2.8	-
Total equity	**$ 4,035.3**	$ 3,896.3	$ 138.9	
Total liabilities and equity	**$ 10,321.6**	$ 9,298.3	$ 1,023.3	

8 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:

<table>
<tr><th>CAPITAL INVESTMENT</th><th>ACCOUNTING METHOD</th><th>ACCOUNTING TREATMENT OF INTRAGROUP PROFITS</th></tr>
<tr><td rowspan="2">Capital investments accounted for under IFRIC 12</td><td>Consolidation method</td><td>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.</td></tr>
<tr><td>Equity method</td><td>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.</td></tr>
<tr><td rowspan="2">Others</td><td>Equity method</td><td>Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.</td></tr>
<tr><td>Cost method</td><td>Not eliminated, in accordance with IFRS.</td></tr>
</table>

For the second quarter and the first six months of 2017, SNC-Lavalin recognized E&C revenues of $214.2 million (2016 : $192.6 million) and $423.8 million (2016: $366.2 million), respectively, 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 $51.0 million for the second quarter of 2017 (2016: $46.5 million) and $99.6 million for the six-month period ended June 30, 2017 (2016: $91.0 million), respectively.

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to $87.7 million as at June 30, 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 $90.4 million as at June 30, 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 June 30, 2017 (December 31, 2016: $98.0 million).

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

9 Accounting Policies and Changes

The Company established its accounting policies used in the preparation of its unaudited interim condensed consolidated financial statements for the second quarter of 2017 in accordance with IAS 34, *Interim Financial Reporting*. See Note 2 to the Company's 2016 annual audited consolidated financial statements for more information about the significant accounting policies used to prepare the financial statements, as they remain unchanged for the six-month period ended June 30, 2017, except for the changes explained in Sections 9.1 and 9.2 and the new accounting policy and amendments adopted in 2017, described in Sections 9.3 and 9.4 below.

The key judgments, assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements were disclosed in the Company's 2016 annual audited consolidated financial statements and remain unchanged for the six-month period ended June 30, 2017, except for the new estimates related to sale and leaseback transactions, as described in Section 9.3, notably on fair value.

9.1 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.

9.2 Changes in Accounting Policies

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*.

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. This change in the definition was made to take into consideration a transaction that took place in the second quarter of 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*.

9.3 New Accounting Policy Adopted in the Six-Month Period Ended June 30, 2017

As a result of the disposal of the Company's head office building in the second quarter of 2017, as detailed in Section 4.10, 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.

9.4 Amendments Adopted in the Six-Month Period Ended June 30, 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.

9.5 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.
- IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipt in advance, a date of transaction is established for each payment or receipt.
- *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

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

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

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

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

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

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

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.

During the six-month period ended June 30, 2017, the Company continued to assess the potential impacts of the application of IFRS 9 and IFRS 15 on the Company's interim and annual financial statements. As at June 30, 2017, a number of training sessions on IFRS 9 and IFRS 15 to key finance personnel have taken place. At the same time, the Company is currently evaluating the impacts of the new standards on its financial systems and is in the process of updating its internal policies and procedures regarding revenue recognition and financial instruments. 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.

10 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. Management uses these measures as a more meaningful way to compare the Company's financial performance from period to period. 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, certain investors use this information to evaluate the Company's performance. These non-IFRS financial measures should not be considered 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 4.3 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, acquisition-related costs and integration costs, as well as gains (losses) on disposals of E&C businesses, Capital investments and the head office building. Refer to Section 4.4 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 Kentz acquisition, and the gains (losses) on disposals of E&C businesses and the head office building. 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 4.3 for the reconciliation of adjusted net income from E&C to net income as determined under IFRS.

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 4.4 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 4.4 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 activities, the Company limits the O&M activities revenue backlog, which can cover a period of up to 40 years, to the earlier of: i) the contract term awarded; and ii) the next five years.

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, amortization of intangible assets related to Kentz acquisition, 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 4.4.

Liquidity

Cash net of recourse debt is arrived at by excluding cash and cash equivalents from Capital investments accounted for by the consolidation method and its recourse debt from its cash and cash equivalents. Refer to Section 7.4 for a reconciliation of cash net of recourse debt to cash and cash equivalents as determined under IFRS.

11 Risks and Uncertainties

Risks and uncertainties and certain risk management practices of the Company are described in Section 12 of the Company's 2016 Financial Report under "Management's Discussion and Analysis". These risks and uncertainties and risk management practices have not materially changed in the first six months of 2017 except for the risks identified below in respect of the acquisition by the Company of Atkins ("the Acquisition") (see also Section 7.2, "Financing Related to the Acquisition of Atkins" and Section 14, "Event After the Reporting Period").

RISKS RELATED TO THE ACQUISITION

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

The Company believes that the Acquisition will 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 must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to Atkins. This will require 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.

Possible Failure to Obtain All Regulatory Approvals for the Acquisition on Reasonable Terms

The Acquisition remains subject to certain regulatory approvals which were not material enough to prevent closing the Acquisition. The imposition of unfavourable terms or conditions in the remaining approvals could have a material adverse effect on the Company's business, financial condition or results of operations.

Change of Control/Termination for Convenience

Atkins is party to agreements that contain change of control and/or termination for convenience provisions which may be triggered following completion of the Acquisition. The operation of these change of control or termination provisions, if triggered, could result in unanticipated expenses and/or cash payments following the consummation of the Acquisition or adversely affect Atkins' results of operations and financial condition. Unless these change of control provisions are waived, or the termination provisions not exercised, by the other party, the operation of any of these provisions could adversely affect the results of operations and financial condition of the combined entity.

Foreign Currency Exposure

After giving effect to the Acquisition, a larger portion of the Company's earnings and net assets will be denominated in multiple foreign currencies, including the British pound and the U.S. dollar. Accordingly, fluctuations in exchange rates between the Canadian dollar and such currencies may have an increased adverse effect on the Company's results and financial condition. Future events that may significantly increase or decrease the risk of future movement in the exchange rates for these currencies cannot be predicted.

Potential Undisclosed Liabilities Associated with the Acquisition

In connection with the Acquisition, there may be liabilities that the Company failed to discover or was unable to quantify in its due diligence which it conducted prior to entering into the Scheme and which could have a material adverse effect on the Company's business, financial condition or future prospects. In addition, the Company may be unable to retain existing Atkins customers or employees following the Acquisition. The Company will not be indemnified for any of these liabilities.

Increased Indebtedness

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 ("Caisse"), establishing a limited recourse loan in the original principal amount of $1.5 billion (the "SNC-Lavalin Highway Holdings 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 $1.2 billion of consolidated indebtedness as at July 10 2017, excluding limited and non-recourse debt, on a pro forma basis after giving effect to the Acquisition and certain other transactions. The level of indebtedness of the combined entity may be significantly higher. Such additional 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.

Therefore, 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 will 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

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

The SNC-Lavalin Highway Holdings Loan is secured by a universal movable hypothec/security interest in favour of the Lender over all of the Borrower's assets, but specifically 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.

Nature of Acquisitions

Acquisitions of professional services firms are based in large part on an acquired company's goodwill and client base. Atkins' customers may, in response to the Acquisition, delay or defer decisions concerning their use of its services because of uncertainties related to the Acquisition. This circumstance could have an adverse effect on the Company's revenues and profitability.

Dilutive Effects on Holders of Common Shares

The funding for the Acquisition includes a CA$880 million public bought deal offering of the Company's common shares by way of subscription receipts, and a CA$400 million private placement with Caisse of common shares by way of subscription receipts. The issuance by the Company of common shares has a dilutive effect on the holders of the Company's common shares.

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. Following the Acquisition, 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.

Information provided by Atkins

Much of the information relating to Atkins relied upon by the Company for the Acquisition was based on public filings by Atkins. Although the Company conducted what it believed to be an adequate level of investigation in connection with the Acquisition, an unavoidable level of risk remains regarding the accuracy and completeness of such information.

Significant Transaction and Related Costs

The Company has incurred and will incur a number of costs associated with completing the Acquisition and 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.

RISKS RELATED TO THE BUSINESS OF THE COMBINED ENTITY

The risk factors set forth in the 2016 MD&A and herein relating to the business and operations of the Company that are similar to Atkins' business, apply equally in respect of similar components of Atkins' business. In addition, investors should carefully consider the following incremental risks in relation to Atkins' business as set forth below.

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 £235.7 million (or approximately CA$392.4 million) as at March 31, 2017 (2016: £265.3 million (or approximately CA$443.1 million)). 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. Pension deficit contributions of £32.8 million (or approximately CA$54.8 million) were made to the Atkins Pension Plan during Atkins' financial year ended March 31, 2016. Under the latest agreed recovery plan that ends in March 2025, Atkins was to contribute £33.6 million (or approximately CA$56.1 million) to the Atkins Pension Plan for the year ending March 31, 2017, 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.

12 Quarterly Information

	2017		2016				2015	
(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE AND DIVIDENDS PER SHARE)	**SECOND QUARTER**	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER
Revenues	**$ 1,934.9**	$ 1,849.3	$ 2,211.1	$ 2,168.5	$ 2,103.0	$ 1,988.2	$ 2,646.3	$ 2,433.2
EBIT	**$ 145.3**	$ 117.1	$ 2.3	$ 42.5	$ 119.5	$ 147.8	$ 73.5	$ 303.3
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ 87.4**	$ 45.3	$ (38.4)	$ 0.7	$ 52.9	$ 31.2	$ 14.0	$ 33.3
Net income attributable to SNC-Lavalin shareholders from Capital:								
From Highway 407 ETR	**34.8**	34.8	34.8	34.8	31.5	31.5	31.5	31.5
From other Capital investments	**14.2**	9.6	5.2	7.8	4.2	59.5	3.8	159.4
Net income attributable to SNC-Lavalin shareholders	**136.4**	89.7	1.6	43.3	88.5	122.1	49.2	224.2
Net income (loss) attributable to non-controlling interests	**(2.0)**	5.4	0.1	(8.1)	3.8	5.3	19.3	9.1
Net income	**$ 134.4**	$ 95.1	$ 1.6	$ 35.2	$ 92.3	$ 127.4	$ 68.6	$ 233.3
Basic earnings per share ($)	**$ 0.91**	$ 0.60	$ 0.01	$ 0.29	$ 0.59	$ 0.82	$ 0.33	$ 1.50
Diluted earnings per share ($)	**$ 0.91**	$ 0.60	$ 0.01	$ 0.29	$ 0.59	$ 0.81	$ 0.33	$ 1.49
Dividends declared per share ($)	**$ 0.273**	$ 0.273	$ 0.273	$ 0.26	$ 0.26	$ 0.26	$ 0.26	$ 0.25

13 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.

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 interim 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.

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.

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2017 and ended on June 30, 2017, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

14 Event After the Reporting Period

Acquisition of Atkins

On July 3, 2017, SNC-Lavalin announced that it completed its acquisition of 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. Headquartered in the U.K., Atkins is a geographically diversified global company with approximately 18,000 employees in the US, Middle East and Asia, together with a leading position in the U.K. and Scandinavia.

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, as well as the acquisition-related costs, using the net proceeds from a $880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters; a $400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec; a $1.5 billion loan from CDPQ Revenu Fixe Inc. to SNC-Lavalin Highway Holdings Inc., 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 tranche C of the Revolving Facility.