SNC·LAVALIN

Q3

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2017 and 2016

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	September 30 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		**$ 642,325**	$ 1,055,484
Restricted cash		**21,252**	55,577
Trade receivables		**1,547,455**	935,983
Contracts in progress		**1,670,993**	1,188,912
Inventories		**125,914**	138,795
Other current financial assets		**461,715**	492,725
Other current non-financial assets		**434,531**	315,847
Assets of disposal groups classified as held for sale and assets held for sale	16	**151,919**	6,706
Total current assets		**5,056,104**	4,190,029
Property and equipment		**383,956**	298,333
Capital investments accounted for by the equity method	4	**299,926**	399,425
Capital investments accounted for by the cost method	4	**46,122**	48,325
Goodwill	21	**6,228,917**	3,268,214
Intangible assets related to business combinations	22	**836,590**	194,164
Deferred income tax asset		**566,789**	421,461
Non-current portion of receivables under service concession arrangements		**236,120**	356,847
Other non-current financial assets		**44,311**	58,523
Other non-current non-financial assets		**94,235**	62,998
Total assets		**$ 13,793,070**	$ 9,298,319
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,175,388**	$ 1,888,242
Downpayments on contracts		**220,781**	263,382
Deferred revenues		**844,108**	851,158
Other current financial liabilities		**277,365**	303,975
Other current non-financial liabilities		**557,630**	397,790
Current portion of provisions		**179,685**	236,594
Short-term debt and current portion of long-term debt:			
Recourse - Revolving Facility	11C	**587,329**	–
Recourse - Senior notes of Atkins	11C, 20	**92,190**	–
Non-recourse from Capital investments	11C	**15,314**	21,011
Liabilities of disposal groups classified as held for sale	16	**94,916**	–
Total current liabilities		**5,044,706**	3,962,152
Long-term debt:			
Recourse	11C	**845,128**	349,369
Limited recourse	11C	**1,474,218**	–
Non-recourse from Capital investments	11C	**292,051**	472,571
Other non-current financial liabilities	11C	**12,949**	5,928
Non-current portion of provisions		**770,551**	326,401
Other non-current non-financial liabilities	11C	**48,067**	15,846
Deferred income tax liability		**204,668**	269,718
Total liabilities		**8,692,338**	5,401,985
Equity			
Share capital	9	**1,800,401**	554,839
Retained earnings		**3,193,206**	2,959,366
Other components of equity	10	**109,097**	360,845
Other components of equity of asset held for sale	10	**–**	(1,828)
Equity attributable to SNC-Lavalin shareholders		**5,102,704**	3,873,222
Non-controlling interests		**(1,972)**	23,112
Total equity		**5,100,732**	3,896,334
Total liabilities and equity		**$ 13,793,070**	$ 9,298,319

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2017

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 10)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	**150,357**	**$ 554,839**	**$ 2,959,366**	**$ 359,017**	**$ 3,873,222**	**$ 23,112**	**$ 3,896,334**
Net income for the period	**–**	**–**	**329,679**	**–**	**329,679**	**1,004**	**330,683**
Other comprehensive income (loss) for the period	**–**	**–**	**72,012**	**(249,920)**	**(177,908)**	**129**	**(177,779)**
Total comprehensive income (loss) for the period	**–**	**–**	**401,691**	**(249,920)**	**151,771**	**1,133**	**152,904**
Dividends declared (Note 8)	**–**	**–**	**(130,043)**	**–**	**(130,043)**	**–**	**(130,043)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(854)**	**(854)**
Stock option compensation	**–**	**–**	**139**	**–**	**139**	**–**	**139**
Shares issued under stock option plans	**225**	**10,830**	**(2,188)**	**–**	**8,642**	**–**	**8,642**
Acquisition of non-controlling interest (Note 19)	**–**	**–**	**(35,759)**	**–**	**(35,759)**	**(23,740)**	**(59,499)**
Shares issued in exchange of subscription receipts (Note 20)	**24,880**	**1,234,732**	**–**	**–**	**1,234,732**	**–**	**1,234,732**
Additional non-controlling interests arising on acquisition of Atkins (Note 20)	**–**	**–**	**–**	**–**	**–**	**(1,623)**	**(1,623)**
Balance at end of the period	**175,462**	**$ 1,800,401**	**$ 3,193,206**	**$ 109,097**	**$ 5,102,704**	**$ (1,972)**	**$ 5,100,732**

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2016

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 10)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	149,772	$ 526,812	$ 2,901,353	$ 440,013	$ 3,868,178	$ 35,318	$ 3,903,496
Net income for the period	–	–	253,957	–	253,957	973	254,930
Other comprehensive loss for the period	–	–	(37,648)	(251,020)	(288,668)	(3,160)	(291,828)
Total comprehensive income (loss) for the period	–	–	216,309	(251,020)	(34,711)	(2,187)	(36,898)
Dividends declared (Note 8)	–	–	(117,023)	–	(117,023)	–	(117,023)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(8,982)	(8,982)
Stock option compensation	–	–	540	–	540	–	540
Shares issued under stock option plans	509	24,391	(4,730)	–	19,661	–	19,661
Capital contributions by non-controlling interests	–	–	–	–	–	100	100
Balance at end of the period	150,281	$ 551,203	$ 2,996,449	$ 188,993	$ 3,736,645	$ 24,249	$ 3,760,894

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2017**	2016	**2017**	2016
Revenues from:					
E&C		**$ 2,572,483**	$ 2,100,591	**$ 6,228,968**	$ 6,076,601
Capital investments accounted for by the consolidation or cost methods		**14,490**	21,578	**42,585**	45,736
Capital investments accounted for by the equity method		**45,766**	46,371	**145,329**	137,359
		2,632,739	2,168,540	**6,416,882**	6,259,696
Direct cost of activities		**2,009,835**	1,955,807	**5,199,351**	5,414,259
Gross margin		**622,904**	212,733	**1,217,531**	845,437
Selling, general and administrative expenses		**398,972**	141,062	**741,355**	510,251
Restructuring costs	5	**1,661**	11,829	**26,792**	27,573
Acquisition-related costs and integration costs	20	**42,284**	1,141	**98,919**	4,110
Amortization of intangible assets related to business combinations	22	**35,403**	16,202	**65,067**	52,272
Gain on disposals of Capital investments	4A	**(36,675)**	–	**(42,078)**	(58,539)
Gain from adjustment on disposals of E&C businesses	17	**–**	–	**(1,006)**	–
Gain on disposal of the head office building	18	**–**	–	**(115,101)**	–
EBIT [(1)]		**181,259**	42,499	**443,583**	309,770
Financial expenses	6	**44,454**	13,047	**76,105**	44,903
Financial income and net foreign exchange losses (gains)	6	**(3,587)**	(3,172)	**(8,646)**	(13,251)
Earnings before income taxes		**140,392**	32,624	**376,124**	278,118
Income taxes		**39,186**	(2,578)	**45,441**	23,188
Net income for the period		**$ 101,206**	$ 35,202	**$ 330,683**	$ 254,930
Net income (loss) attributable to:					
SNC-Lavalin shareholders		**$ 103,576**	$ 43,340	**$ 329,679**	$ 253,957
Non-controlling interests		**(2,370)**	(8,138)	**1,004**	973
Net income for the period		**$ 101,206**	$ 35,202	**$ 330,683**	$ 254,930
Earnings per share (in $)					
Basic		**$ 0.59**	$ 0.29	**$ 2.08**	$ 1.69
Diluted		**$ 0.59**	$ 0.29	**$ 2.08**	$ 1.69
Weighted average number of outstanding shares (in thousands)	7				
Basic		**174,893**	150,230	**158,675**	149,997
Diluted		**174,989**	150,442	**158,801**	150,194

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2017			2016		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income (loss) for the period	**$ 103,576**	**$ (2,370)**	**$ 101,206**	$ 43,340	$ (8,138)	$ 35,202
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(257,014)**	**105**	**(256,909)**	(10,359)	213	(10,146)
Available-for-sale financial assets (Note 10)	**172**	**–**	**172**	(992)	–	(992)
Cash flow hedges (Note 10)	**(20,583)**	**–**	**(20,583)**	(11,486)	–	(11,486)
Share of other comprehensive income of investments accounted for by the equity method (Note 10)	**55,228**	**–**	**55,228**	29	–	29
Income taxes (Note 10)	**(11,948)**	**–**	**(11,948)**	3,759	–	3,759
Total of items that will be reclassified subsequently to net income	**(234,145)**	**105**	**(234,040)**	(19,049)	213	(18,836)
Remeasurement on defined benefit plans (Note 10)	**85,488**	**–**	**85,488**	(25,814)	–	(25,814)
Income taxes (Note 10)	**(14,450)**	**–**	**(14,450)**	4,411	–	4,411
Total of items that will not be reclassified subsequently to net income	**71,038**	**–**	**71,038**	(21,403)	–	(21,403)
Total other comprehensive income (loss) for the period	**(163,107)**	**105**	**(163,002)**	(40,452)	213	(40,239)
Total comprehensive income (loss) for the period	**$ (59,531)**	**$ (2,265)**	**$ (61,796)**	$ 2,888	$ (7,925)	$ (5,037)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2017			2016		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 329,679**	**$ 1,004**	**$ 330,683**	$ 253,957	$ 973	$ 254,930
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(279,053)**	**129**	**(278,924)**	(222,526)	(3,160)	(225,686)
Available-for-sale financial assets (Note 10)	**3,603**	**–**	**3,603**	199	–	199
Cash flow hedges (Note 10)	**(16,388)**	**–**	**(16,388)**	(32,182)	–	(32,182)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 10)	**54,881**	**–**	**54,881**	(5,627)	–	(5,627)
Income taxes (Note 10)	**(12,963)**	**–**	**(12,963)**	9,116	–	9,116
Total of items that will be reclassified subsequently to net income	**(249,920)**	**129**	**(249,791)**	(251,020)	(3,160)	(254,180)
Remeasurement on defined benefit plans (Note 10)	**85,535**	**–**	**85,535**	(44,153)	–	(44,153)
Income taxes (Note 10)	**(13,523)**	**–**	**(13,523)**	6,505	–	6,505
Total of items that will not be reclassified subsequently to net income	**72,012**	**–**	**72,012**	(37,648)	–	(37,648)
Total other comprehensive income (loss) for the period	**(177,908)**	**129**	**(177,779)**	(288,668)	(3,160)	(291,828)
Total comprehensive income (loss) for the period	**$ 151,771**	**$ 1,133**	**$ 152,904**	$ (34,711)	$ (2,187)	$ (36,898)

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2017**	2016	**2017**	2016
Operating activities					
Net income for the period		**$ 101,206**	$ 35,202	**$ 330,683**	$ 254,930
Income taxes paid		**(19,246)**	(21,969)	**(13,237)**	(50,600)
Interest paid from E&C		**(47,890)**	(16,928)	**(77,345)**	(33,400)
Interest paid from Capital investments		**(9,965)**	(8,199)	**(21,622)**	(23,019)
Other reconciling items	11A	**68,408**	22,153	**28,358**	(67,057)
		92,513	10,259	**246,837**	80,854
Net change in non-cash working capital items	11B	**(435,286)**	177,080	**(858,888)**	(215,097)
Net cash generated from (used for) operating activities		**(342,773)**	187,339	**(612,051)**	(134,243)
Investing activities					
Acquisition of property and equipment		**(36,146)**	(56,541)	**(89,191)**	(114,222)
Proceeds from disposal of the head office building	18	**–**	–	**173,288**	–
Payments for Capital investments		**–**	(1,018)	**–**	(11,687)
Costs associated to a foreign exchange option	20	**–**	–	**(54,134)**	–
Recovery associated to a foreign exchange option	20	**–**	–	**5,407**	–
Acquisition of Atkins	20	**(3,119,414)**	–	**(3,119,414)**	–
Change in restricted cash position		**21,296**	848	**31,049**	(9,098)
Increase in receivables under service concession arrangements		**(53,506)**	(50,463)	**(156,750)**	(134,048)
Recovery of receivables under service concession arrangements		**26,998**	33,398	**87,771**	74,121
Decrease in short-term and long-term investments		**4,653**	23,775	**37,810**	64,997
Net cash inflow on disposals of Capital investments accounted for by the equity method	4A	**–**	–	**23,270**	101,851
Net cash inflow on disposal of a Capital investment accounted for by the consolidation method	4A	**89,892**	–	**89,892**	–
Other		**5,787**	(2,153)	**10,422**	(5,470)
Net cash used for investing activities		**(3,060,440)**	(52,154)	**(2,960,580)**	(33,556)
Financing activities					
Increase in recourse debt - Revolving Facility	11C	**1,000,798**	–	**1,161,229**	4,876
Payment for debt issue costs - Revolving Facility	11C	**(5,552)**	–	**(5,552)**	–
Repayment of recourse debt - Revolving Facility	11C	**(404,492)**	(3,712)	**(564,923)**	(4,876)
Increase in recourse debt - Term Facility	11C	**497,940**	–	**497,940**	–
Payment for debt issue costs - Term Facility	11C	**(2,615)**	–	**(2,615)**	–
Increase in limited recourse debt	11C	**1,500,000**	–	**1,500,000**	–
Payment for debt issue costs - limited recourse debt	11C	**(26,648)**	–	**(26,648)**	–
Repayment of recourse debt of Atkins	11C	**(406,211)**	–	**(406,211)**	–
Increase in non-recourse debt from Capital investments	11C	**–**	467	**–**	467
Repayment of non-recourse debt from Capital investments	11C	**(2,420)**	(2,479)	**(5,969)**	(6,357)
Increase in advances under contract financing arrangements		**–**	403	**–**	52,426
Repayment of advances under contract financing arrangements		**–**	(214,280)	**–**	(380,098)
Proceeds from exercise of stock options		**1,780**	3,968	**8,642**	19,661
Dividends paid to SNC-Lavalin shareholders	8, 11C	**(47,892)**	(39,059)	**(130,043)**	(117,023)
Proceeds from shares issued in exchange of subscription receipts	20	**1,220,790**	–	**1,220,790**	–
Amount paid for acquisition of non-controlling interest	19	**(28,279)**	–	**(59,499)**	–
Other	11C	**11,590**	(10,948)	**12,001**	(10,452)
Net cash generated from (used for) financing activities		**3,308,789**	(265,640)	**3,199,142**	(441,376)
Decrease from exchange differences on translating cash and cash equivalents		**(9,392)**	(2,298)	**(3,277)**	(7,435)
Net decrease in cash and cash equivalents		**(103,816)**	(132,753)	**(376,766)**	(616,610)
Cash and cash equivalents at beginning of period		**782,534**	1,097,977	**1,055,484**	1,581,834
Cash and cash equivalents at end of period		**$ 678,718**	$ 965,224	**$ 678,718**	$ 965,224
Presented on the statement of financial position as follows:					
Cash and cash equivalents		**$ 642,325**	$ 895,533	**$ 642,325**	$ 895,533
Assets of disposal groups classified as held for sale and assets held for sale	16	**36,393**	69,691	**36,393**	69,691
		$ 678,718	$ 965,224	**$ 678,718**	$ 965,224

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

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

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2016 were consistently applied to all periods presented, except for the new accounting policy adopted in the nine-month period ended September 30, 2017, as described in Note 2D.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company's annual audited consolidated financial statements for the year ended December 31, 2016 and remained unchanged for the nine-month period ended September 30, 2017, except for the new estimates related to sale and leaseback transactions, as described in Note 2D, notably on fair value.

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

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

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

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2017.

B) 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*.

2. BASIS OF PREPARATION (CONTINUED)

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 (see Note 18). 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*.

C) CHANGE IN PRESENTATION

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

D) NEW ACCOUNTING POLICY ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

As a result of the disposal of the Company's head office building in the second quarter of 2017, as detailed in Note 18, the Company adopted a new accounting policy applicable to sale and leaseback transactions, which is as follows:

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

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

Where a leaseback transaction results in an operating lease:

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

E) AMENDMENTS ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 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 (see Note 11C).

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

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

- IFRS 9, *Financial Instruments*, ("IFRS 9") covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model.
- 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.

2. BASIS OF PREPARATION (CONTINUED)

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

- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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

2. BASIS OF PREPARATION (CONTINUED)

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 and IFRS 15.

IFRS 9

IFRS 9 is applicable retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to certain exemptions and exceptions. In general, the main changes introduced by IFRS 9 are related to classification and measurement of financial assets, the introduction of a new impairment model based on expected credit losses (rather than incurred losses as per IAS 39, *Financial Instruments: Recognition and Measurement*) and hedge accounting. Although the methodology related to the classification of financial asset will change, the Company expects that most of its financial assets currently classified as “loans and receivables” and measured at amortized costs (approximately $2.2 billion as at September 30, 2017) will be classified as “financial assets subsequently measured at amortized cost”. Excluding the potential impact from the change in the impairment model applicable to these financial assets, which is currently being analyzed (see below), the Company does not expect any significant impact on their measurement. Furthermore, the Company had $45.6 million of investments in equity instruments classified as “available-for-sale” as at September 30, 2017 which will be classified as financial assets subsequently measured at fair value through profit or loss or designated at fair value through other comprehensive income upon transition to IFRS 9. The Company does not expect any significant impact from the classification of its financial liabilities.

The Company is currently evaluating the impact of determining the amount of impairment of certain financial assets based on the expected credit loss model. While the Company had approximately $122 million of allowance for doubtful accounts on its trade receivables as at December 31, 2016, most of this allowance was related to commercial reasons, such as balances being disputed or subject to negotiation, rather than credit risk. The Company also has reserves on its contract in progress amounts, but most of these reserves are also due to commercial reasons rather than credit risk.

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

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

IFRS 15

IFRS 15 introduces a 5-step model to revenue recognition on contracts with customers. Such model requires to: 1) identify the contract with the customer; 2) identify the performance obligations related to that contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations; and 5) determine under which method revenue will be recognized.

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 in retained earnings at the date of initial application (January 1, 2018 for the Company). The Company is currently evaluating the transition methods prescribed under IFRS 15.

The Company is currently reviewing its contracts with customers in order to determine the impact of this new standard on its consolidated financial statements. In addition to a change in the accounting for revenue recognition, IFRS 15 is also expected to have an impact on presentation and disclosures, with a potential impact on financial systems and internal controls and policies, which are currently being analyzed by the Company.

So far, while the Company is still assessing the potential impact of IFRS 15 on its consolidated financial statements, the following items are expected to result in a difference in the way revenue is being recognized:

Change orders and claims

Change orders and claims, referred to as contract modifications, are currently recognized as per guidance provided in IAS 11, C*onstruction Contracts*. Under such guidance, revenue can be recognized on contract modifications only when certain conditions are met, including the fact that it is **probable** the customer will approve the modification and the amount of revenue arising from such contract modifications. IFRS 15 also provides guidance on the recognition of revenue on contract modifications, but such guidance is based, among other factors, on the fact that the contract modification is approved and it is **highly probable** that a significant reversal in the amount of cumulative revenue recognised on such contract modifications will not occur when the uncertainty is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, the Company is currently reviewing its position on contract modifications.

2. BASIS OF PREPARATION (CONTINUED)

Measure of anticipated revenues and determination of progress

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

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

Under IFRS 15, these warranty-related costs are to be excluded from the measure of progress of projects for which revenue is recognized over time using a cost input method. The Company will accrue a provision for these anticipated costs over the advancement of the projects and will then either use such provision when costs are incurred or reverse it if not needed.

In addition to these warranty-related costs, the Company is currently reviewing its project costs on contracts for which revenue is recognized over time to determine if each of these costs is contributing to the transfer of control of the goods or services to the customer. The exclusion of certain project costs from the determination of progress will either increase or decrease revenue being recognized on a project, without any impact on the total revenue and costs to be recognized over the life of the project.

3. SEGMENT DISCLOSURES

The following table presents revenues and EBIT according to the Company's segments for the three-month periods ended September 30, 2017 and 2016:

THREE MONTHS ENDED SEPTEMBER 30	2017				2016 [(1)]			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 106,957**	**$ 1,300**	**$ –**	**$ 1,300**	$ 74,928	$ 11,571	$ –	$ 11,571
Oil & Gas [(2)]	**844,546**	**61,580**	**–**	**61,580**	967,973	(28,067)	–	(28,067)
Power	**312,971**	**8,572**	**–**	**8,572**	412,273	23,068	–	23,068
Infrastructure	**502,687**	**53,699**	**–**	**53,699**	645,417	46,187	–	46,187
Atkins	**805,322**	**73,455**	**–**	**73,455**	–	–	–	–
Total E&C segments	**2,572,483**	**198,606**	**–**	**198,606**	2,100,591	52,759	–	52,759
Capital	**60,256**	**–**	**60,768**	**60,768**	67,949	–	52,574	52,574
	$ 2,632,739			**259,374**	$ 2,168,540			105,333
Reversal of non-controlling interests before income taxes included above		**(2,370)**	**–**	**(2,370)**		(8,145)	–	(8,145)
Corporate selling, general and administrative expenses and others not allocated to the segments		**(26,020)**	**(7,052)**	**(33,072)**		(18,984)	(6,533)	(25,517)
Restructuring costs (Note 5)		**(1,661)**	**–**	**(1,661)**		(11,829)	–	(11,829)
Acquisition-related costs and integration costs (Note 20)		**(42,284)**	**–**	**(42,284)**		(1,141)	–	(1,141)
Amortization of intangible assets related to business combinations		**(35,403)**	**–**	**(35,403)**		(16,202)	–	(16,202)
Gain on disposals of Capital investments (Note 4A)		**–**	**36,675**	**36,675**		–	–	–
EBIT		**90,868**	**90,391**	**181,259**		(3,542)	46,041	42,499
Net financial expenses (Note 6)		**38,268**	**2,599**	**40,867**		6,323	3,552	9,875
Earnings (loss) before income taxes		**52,600**	**87,792**	**140,392**		(9,865)	42,489	32,624
Income taxes		**25,945**	**13,241**	**39,186**		(2,415)	(163)	(2,578)
Net income (loss) for the period		**$ 26,655**	**$ 74,551**	**$ 101,206**		$ (7,450)	$ 42,652	$ 35,202
Net income (loss) attributable to:								
SNC-Lavalin shareholders				**$ 103,576**				$ 43,340
Non-controlling interests				**(2,370)**				(8,138)
Net income for the period				**$ 101,206**				$ 35,202

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

(2) For the third quarter of 2016, the negative segment EBIT of $28.1 million was mainly due to unfavourable cost and revenue reforecasts on two Oil & Gas projects in the Middle East, which were under the same contract, that had an adverse impact of $116.7 million on gross margin in the third quarter of 2016, and were partly offset by favourable reforecasts on certain other major projects.

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the nine-month periods ended September 30, 2017 and 2016:

NINE MONTHS ENDED SEPTEMBER 30	2017				2016 [1]			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 303,195**	**$ 15,457**	**$ –**	**$ 15,457**	$ 284,535	$ 32,455	$ –	$ 32,455
Oil & Gas [2]	**2,508,327**	**146,584**	**–**	**146,584**	2,721,462	85,464	–	85,464
Power	**1,053,068**	**84,077**	**–**	**84,077**	1,210,717	80,952	–	80,952
Infrastructure	**1,559,056**	**115,056**	**–**	**115,056**	1,859,887	106,902	–	106,902
Atkins	**805,322**	**73,455**	**–**	**73,455**	–	–	–	–
Total E&C segments	**6,228,968**	**434,629**	**–**	**434,629**	6,076,601	305,773	–	305,773
Capital	**187,914**	**–**	**171,732**	**171,732**	183,095	–	149,749	149,749
	$ 6,416,882			**606,361**	$ 6,259,696			455,522
Reversal of non-controlling interests before income taxes included above		**1,004**	**–**	**1,004**		971	–	971
Corporate selling, general and administrative expenses and others not allocated to the segments		**(109,990)**	**(21,199)**	**(131,189)**		(102,674)	(18,633)	(121,307)
Restructuring costs (Note 5)		**(26,792)**	**–**	**(26,792)**		(27,573)	–	(27,573)
Acquisition-related costs and integration costs (Note 20)		**(98,919)**	**–**	**(98,919)**		(4,110)	–	(4,110)
Amortization of intangible assets related to business combinations (Note 22)		**(65,067)**	**–**	**(65,067)**		(52,272)	–	(52,272)
Gain on disposals of Capital investments (Note 4A)		**–**	**42,078**	**42,078**		–	58,539	58,539
Gain from adjustment on disposals of E&C businesses (Note 17)		**1,006**	**–**	**1,006**		–	–	–
Gain on disposal of the head office building (Note 18)		**115,101**	**–**	**115,101**		–	–	–
EBIT		**250,972**	**192,611**	**443,583**		120,115	189,655	309,770
Net financial expenses (Note 6)		**58,795**	**8,664**	**67,459**		21,076	10,576	31,652
Earnings before income taxes		**192,177**	**183,947**	**376,124**		99,039	179,079	278,118
Income taxes		**29,456**	**15,985**	**45,441**		13,285	9,903	23,188
Net income		**162,721**	**167,962**	**$ 330,683**		$ 85,754	$ 169,176	$ 254,930
Net income attributable to:								
SNC-Lavalin shareholders				**$ 329,679**				$ 253,957
Non-controlling interests				**1,004**				973
Net income				**$ 330,683**				$ 254,930

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

(2) For the first nine months of 2016, the decrease of the segment EBIT was primarily attributable to unfavourable cost and revenue reforecasts on two Oil & Gas projects in the Middle East, which were under the same contract, partially offset by favourable reforecasts on certain other major projects.

3. SEGMENT DISCLOSURES (CONTINUED)

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

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2017	2016	**2017**	2016
Supplementary information:				
Net gain from adjustment on disposals of E&C businesses (Note 17)	**$ –**	$ –	**$ 857**	$ –
Net gain on disposal of the head office building (Note 18)	**–**	–	**101,531**	–
Excluding the items listed above	**29,025**	688	**59,330**	84,781
Net income attributable to SNC-Lavalin shareholders from E&C	**29,025**	688	**161,718**	84,781
Net gain on disposals of Capital investments (Note 4A)	**26,469**	–	**31,872**	51,045
Highway 407 ETR dividends	**36,066**	34,807	**105,671**	97,710
Excluding the items listed above	**12,016**	7,845	**30,418**	20,421
Net income attributable to SNC-Lavalin shareholders from Capital	**74,551**	42,652	**167,961**	169,176
Net income attributable to SNC-Lavalin shareholders for the period	**$ 103,576**	$ 43,340	**$ 329,679**	$ 253,957

4. CAPITAL INVESTMENTS

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

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

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

SNC-LAVALIN INFRASTRUCTURE PARTNERS LP

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

On September 28, 2017, BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of the following four assets: Okanagan Lake Concession Limited Partnership ("Okanagan"), InTransit BC Limited Partnership ("InTransit"), Chinook Roads Partnership ("Chinook") and Rainbow Hospital Partnership ("Rainbow") and contemporaneously SNC-Lavalin transferred to the Partnership all of its ownership in the four assets. A fifth asset, McGill Healthcare Infrastructure Group, G.P. ("MHIG"), is currently expected to be transferred to the Partnership at the end of 2017 (see Note 16).

<u>Net gain on partial disposal of the Partnership</u>

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

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

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

4. CAPITAL INVESTMENTS (CONTINUED)

Net cash inflow on partial disposal of the Partnership

NINE MONTHS ENDED SEPTEMBER 30		2017
Consideration received in cash	$	98,774
Less: cash and cash equivalents balances disposed of		(8,882)
Net cash inflow on partial disposal of the Partnership	**$**	**89,892**

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

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

Gain on equity transaction of MHIG

NINE MONTHS ENDED SEPTEMBER 30		2017
SNC-Lavalin's share of the contribution by the other investor in MHIG	$	5,052
Cost of deemed disposal of 10% of ownership interest in MHIG		(2,480)
Gain before income taxes		**2,572**
Income taxes		–
Net gain on equity transaction of MHIG	**$**	**2,572**

Gain on Subordinated Loan transaction

NINE MONTHS ENDED SEPTEMBER 30		2017
Consideration received	$	23,270
Carrying amount of the Subordinated Loan sold to the other investor		(18,218)
Carrying amount of the reimbursed Subordinated Loan		(2,221)
Gain before income taxes		**2,831**
Income taxes		–
Net gain on Subordinated Loan transaction	**$**	**2,831**

For the nine-month period ended September 30, 2017, the gain on partial disposal of MHIG is presented in the Company's consolidated income statement as follows:

NINE MONTHS ENDED SEPTEMBER 30		2017
Gain on equity transaction of MHIG	$	2,572
Gain on Subordinated Loan transaction		2,831
Gain on partial disposal of MHIG	**$**	**5,403**

II) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016

MALTA INTERNATIONAL AIRPORT

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

Net gain on disposal of SNCL Malta

NINE MONTHS ENDED SEPTEMBER 30		2016
Consideration received	$	98,675
Carrying amount of the investment		(38,660)
Cumulative exchange gain on translating foreign operations reclassified from equity		1,074
Gain on disposal of SNCL Malta		61,089
Income taxes		(7,494)
Net gain on disposal of SNCL Malta	**$**	**53,595**

4. CAPITAL INVESTMENTS (CONTINUED)

Net cash inflow on disposal of SNCL Malta

NINE MONTHS ENDED SEPTEMBER 30		2016
Consideration received in cash	$	98,675
Less: cash and cash equivalents balances disposed of		(4,865)
Net cash inflow on disposal of SNCL Malta	**$**	**93,810**

RAYALSEEMA

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

Gain on disposals of Capital investments

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

NINE MONTHS ENDED SEPTEMBER 30		2016				
		BEFORE TAXES		INCOME TAXES		NET OF TAXES
Gain on disposal of SNCL Malta	$	61,089	$	(7,494)	$	53,595
Loss on disposal of Rayalseema		(2,550)		–		(2,550)
Gain on disposals of Capital investments	**$**	**58,539**	**$**	**(7,494)**	**$**	**51,045**

Net cash inflow on disposals of Capital investments

Following the disposal of SNCL Malta and Rayalseema in the nine-month period ended September 30, 2016, the net cash inflow on disposals of Capital investments accounted for by the equity method presented in the Company's consolidated statement of cash flows is as follows:

NINE MONTHS ENDED SEPTEMBER 30		2016
Net cash inflow on disposal of SNCL Malta	$	93,810
Cash inflow on disposal of Rayalseema		8,041
Net cash inflow on disposals of Capital investments accounted for by the equity method	**$**	**101,851**

B) NET BOOK VALUE OF CAPITAL INVESTMENTS

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

		SEPTEMBER 30 2017		DECEMBER 31 2016
Net liabilities from Capital investments accounted for by the consolidation method	**$**	**(58,376)**	$	(31,231)
Net book value of Capital investments accounted for by the equity method (1), (2), (3)		**299,926**		399,425
Net book value of Capital investments accounted for by the cost method		**46,122**		48,325
Total net book value of Capital investments	**$**	**287,672**	$	416,519

(1) Includes the Company's investment in Highway 407 ETR, for which the net book value was $nil as at September 30, 2017 and December 31, 2016.

(2) Includes the Company's subordinated loan receivable from MHIG of $nil as at September 30, 2017 and $109.3 million as at December 31, 2016 (see Note 4A).

(3) Excludes the Company's investment in MHIG, which is included in the "Assets of disposal groups classified as held for sale and assets held for sale" in the Company's consolidated statement of financial position, as at September 30, 2017 (December 31, 2016: TC Dôme S.A.S.).

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects related to energy, power and other natural resources that include a significant amount of greenfield development, construction or other capital expenditures programs. As at September 30, 2017 and December 31, 2016, no liability was recorded in relation to this agreement as the conditions have not been met yet.

5. RESTRUCTURING COSTS

The Company incurred restructuring costs totalling $1.7 million in the third quarter of 2017 (2016: $11.8 million) and $26.8 million in the nine-month period ended September 30, 2017 (2016: $27.6 million).

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

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED SEPTEMBER 30	**2017**			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 15,282**	**$ –**	**$ 15,282**	$ 5,480	$ –	$ 5,480
Limited recourse	**22,816**	**–**	**22,816**	–	–	–
Non-recourse	**–**	**5,150**	**5,150**	–	6,763	6,763
Other	**1,194**	**12**	**1,206**	758	46	804
Financial expenses	**39,292**	**5,162**	**44,454**	6,238	6,809	13,047
Financial income	**(6,265)**	**(2,369)**	**(8,634)**	(1,688)	(3,257)	(4,945)
Net foreign exchange losses (gains)	**5,241**	**(194)**	**5,047**	1,773	–	1,773
Financial income and net foreign exchange losses (gains)	**(1,024)**	**(2,563)**	**(3,587)**	85	(3,257)	(3,172)
Net financial expenses	**$ 38,268**	**$ 2,599**	**$ 40,867**	$ 6,323	$ 3,552	$ 9,875

NINE MONTHS ENDED SEPTEMBER 30	**2017**			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 26,230**	**$ –**	**$ 26,230**	$ 16,436	$ –	$ 16,436
Limited recourse	**22,816**	**–**	**22,816**	–	–	–
Non-recourse	**–**	**17,094**	**17,094**	–	20,421	20,421
Other	**9,953**	**12**	**9,965**	7,908	138	8,046
Financial expenses	**58,999**	**17,106**	**76,105**	24,344	20,559	44,903
Financial income	**(9,203)**	**(8,118)**	**(17,321)**	(7,630)	(9,983)	(17,613)
Net foreign exchange losses (gains)	**8,999**	**(324)**	**8,675**	4,362	–	4,362
Financial income and net foreign exchange losses (gains)	**(204)**	**(8,442)**	**(8,646)**	(3,268)	(9,983)	(13,251)
Net financial expenses	**$ 58,795**	**$ 8,664**	**$ 67,459**	$ 21,076	$ 10,576	$ 31,652

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the third quarters and nine-month periods ended September 30, 2017 and 2016 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2017	2016	**2017**	2016
Weighted average number of outstanding shares - basic	**174,893**	150,230	**158,675**	149,997
Dilutive effect of stock options	**96**	212	**126**	197
Weighted average number of outstanding shares - diluted	**174,989**	150,442	**158,801**	150,194

In the third quarters and nine-month periods ended September 30, 2017 and 2016, all outstanding stock options have been included in the computation of diluted earnings per share.

8. DIVIDENDS

During the nine-month period ended September 30, 2017, the Company recognized as distributions to its equity shareholders dividends of $130.0 million or $0.819 per share (2016: $117.0 million or $0.78 per share).

NINE MONTHS ENDED SEPTEMBER 30		**2017**		2016
Dividends payable at January 1	**$**	**–**	$	–
Dividends declared during the period		**130,043**		117,023
Dividends paid during the period		**(130,043)**		(117,023)
Dividends payable at September 30	**$**	**–**	$	–

9. REDEMPTION OF SHARES

In the second quarter of 2017, the Company announced that it had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2017. In the notice, SNC-Lavalin stated that a maximum of 1,500,000 common shares may be purchased for cancellation, on the open market. Purchases may commence on June 6, 2017 and will terminate no later than June 5, 2018. For the period from June 6, 2016 to June 5, 2017, the number of common shares subject to the issuer bid was 3,000,000 common shares.

There was no redemption of shares in the first nine months of 2017 and 2016.

10. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at September 30, 2017 and December 31, 2016:

		SEPTEMBER 30 2017		DECEMBER 31 2016
Exchange differences on translating foreign operations	**$**	**110,673**	$	389,726
Available-for-sale financial assets		**4,176**		2,384
Cash flow hedges		**(6,874)**		6,695
Share of other comprehensive income (loss) of investments accounted for by the equity method		**1,122**		(39,788)
Other components of equity	**$**	**109,097**	$	359,017
Presented on the statement of financial position as follows:				
Other components of equity	**$**	**109,097**	$	360,845
Other components of equity of asset held for sale (Note 16)	**$**	**–**	$	(1,828)

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

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the third quarters and the nine-month periods ended September 30, 2017 and 2016:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2017	2016	**2017**	2016
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ 367,687**	$ 257,277	**$ 389,726**	$ 472,355
Current period losses	**(260,396)**	(10,359)	**(282,435)**	(239,518)
Reclassification to net income	**–**	–	**–**	5,776
Net investment hedge - current period gains	**3,382**	–	**3,382**	11,216
Income taxes relating to current period gains	**–**	–	**–**	(2,911)
Balance at end of period	**110,673**	246,918	**110,673**	246,918
Available-for-sale financial assets:				
Balance at beginning of period	**4,263**	2,559	**2,384**	1,768
Current period gains (losses) [(1)]	**(2,953)**	37	**81**	(2,011)
Income taxes relating to current period gains (losses)	**(259)**	799	**(1,811)**	399
Reclassification to net income [(1)]	**3,125**	(1,029)	**3,522**	2,210
Balance at end of period	**4,176**	2,366	**4,176**	2,366
Cash flow hedges:				
Balance at beginning of period	**10,688**	(3,488)	**6,695**	10,036
Current period gains (losses)	**(14,036)**	(1,549)	**(7,140)**	9,680
Income tax relating to current period gains (losses)	**2,492**	(215)	**795**	2,846
Reclassification to net income	**(9,238)**	(9,937)	**(11,939)**	(41,862)
Income taxes relating to amounts reclassified to net income	**529**	2,669	**2,024**	6,780
Reclassification to goodwill (Note 20)	**2,691**	–	**2,691**	–
Balance at end of period	**(6,874)**	(12,520)	**(6,874)**	(12,520)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(39,396)**	(48,306)	**(39,788)**	(44,146)
Current period share	**7,547**	(4,084)	**1,517**	(14,346)
Income taxes relating to current period share	**(2,013)**	1,035	**(248)**	3,623
Reclassification to net income	**47,681**	4,113	**53,364**	8,719
Income taxes relating to amounts reclassified to net income	**(12,697)**	(529)	**(13,723)**	(1,621)
Balance at end of period	**1,122**	(47,771)	**1,122**	(47,771)
Other components of equity	**$ 109,097**	$ 188,993	**$ 109,097**	$ 188,993
Presented on the statement of financial position as follows:				
Other components of equity	**$ 109,097**	$ 196,003	**$ 109,097**	$ 196,003
Other components of equity of asset held for sale (Note 16)	**$ –**	$ (7,010)	**$ –**	$ (7,010)

(1) For the third quarter and the nine-month period ended September 30, 2017, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to $3.1 million (2016: loss of $1.0 million) and to $3.5 million (2016: 2.2 million), respectively, and the loss arising on adjustments for the hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to $3.1 million (2016: gain of $1.0 million) and to $3.5 million (2016: $2.2 million), respectively.

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

REMEASUREMENT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the third quarters and the nine-month periods ended September 30, 2017 and 2016:

THREE MONTHS ENDED SEPTEMBER 30	**2017**			2016		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (73,973)**	**$ 11,023**	**$ (62,950)**	$ (51,858)	$ 8,335	$ (43,523)
Gains (losses) recognized during the period	**85,488**	**(14,450)**	**71,038**	(25,814)	4,411	(21,403)
Cumulative amount at end of period	**$ 11,515**	**$ (3,427)**	**$ 8,088**	$ (77,672)	$ 12,746	$ (64,926)

NINE MONTHS ENDED SEPTEMBER 30	**2017**			2016		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (74,020)**	**$ 10,096**	**$ (63,924)**	$ (33,519)	$ 6,241	$ (27,278)
Gains (losses) recognized during the period	**85,535**	**(13,523)**	**72,012**	(44,153)	6,505	(37,648)
Cumulative amount at end of period	**$ 11,515**	**$ (3,427)**	**$ 8,088**	$ (77,672)	$ 12,746	$ (64,926)

11. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2017	2016	**2017**	2016
Depreciation of property and equipment and amortization of other non-current assets:				
From E&C	**$ 59,296**	$ 36,715	**$ 116,434**	$ 107,778
From Capital	**–**	841	**–**	2,533
Income taxes recognized in net income	**39,186**	(2,578)	**45,441**	23,188
Net financial expenses recognized in net income (Note 6)	**40,867**	9,875	**67,459**	31,652
Share-based expense	**11,127**	18,462	**32,282**	20,201
Income from Capital investments accounted for by the equity method	**(45,766)**	(46,371)	**(145,329)**	(137,359)
Dividends and distributions received from Capital investments accounted for by the equity method	**36,458**	54,156	**112,089**	118,906
Net change in provisions related to forecasted losses on certain contracts	**(17,827)**	(52,905)	**(41,674)**	(100,427)
Gain on disposals of Capital investments (Note 4A)	**(36,675)**	–	**(42,078)**	(58,539)
Remeasurement of a foreign exchange option (Note 20)	**–**	–	**48,727**	–
Restructuring costs recognized in net income (Note 5)	**1,661**	11,829	**26,792**	27,573
Restructuring costs paid	**(28,684)**	(18,622)	**(74,671)**	(79,810)
Gain from adjustment on disposals of E&C businesses (Note 17)	**–**	–	**(1,006)**	–
Gain on disposal of the head office building (Note 18)	**–**	–	**(115,101)**	–
Other	**8,765**	10,751	**(1,007)**	(22,753)
Other reconciling items	**$ 68,408**	$ 22,153	**$ 28,358**	$ (67,057)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2017	2016	**2017**	2016
Decrease (increase) in trade receivables	**$ (128,017)**	$ 69,254	**$ (64,761)**	$ 268,243
Decrease (increase) in contracts in progress	**139,116**	173,635	**(216,026)**	(268,302)
Decrease (increase) in inventories	**(1,298)**	16,107	**323**	13,643
Decrease in other current financial assets	**7,926**	53,449	**107,041**	234,399
Decrease (increase) in other current non-financial assets	**(17,427)**	6,057	**(97,160)**	243
Decrease in trade payables	**(236,590)**	(38,998)	**(195,741)**	(260,759)
Increase (decrease) in downpayments on contracts	**(32,846)**	28,532	**(36,755)**	45,652
Decrease in deferred revenues	**(128,763)**	(105,805)	**(275,100)**	(195,511)
Increase (decrease) in other current financial liabilities	**(6,322)**	10,290	**(18,141)**	(14,620)
Decrease in other current non-financial liabilities	**(31,065)**	(35,441)	**(62,568)**	(38,085)
Net change in non-cash working capital items	**$ (435,286)**	$ 177,080	**$ (858,888)**	$ (215,097)

11. STATEMENTS OF CASH FLOWS (CONTINUED)

C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Recourse short-term debt [1]	Limited recourse long-term debt	Non-recourse short-term debt and long-term debt from Capital investments [2]	Recourse long-term debt	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [3]	Other non-current non-financial liabilities [3]
Balance at January 1, 2017	$ –	$ –	$ 493,582	$ 349,369	$ –	$ 5,928	$ 15,846
Changes arising from cash flows:							
Increase in debt / liabilities	1,161,229	1,500,000	–	497,940	–	1,906	8,888
Repayment of debt / liabilities	(976,686)	(26,648)	(5,969)	(2,615)	(130,043)	(312)	(1,477)
Total - changes arising from cash flows	184,543	1,473,352	(5,969)	495,325	(130,043)	1,594	7,411
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	–	130,043	–	–
Effect of foreign currency exchange differences	(19,358)	–	633	–	–	(480)	(4)
Amortization of deferred financing costs and discounts	4,703	866	660	434	–	–	–
Reclassification of deferred financing costs and discounts previously included in "Other current non-financial assets"	(8,128)	–	–	–	–	–	–
Non-current portion of deferred tenant allowance related to the disposal of the head office building (Note 18)	–	–	–	–	–	–	24,814
Additions through a business combination (Note 20)	517,759	–	–	–	–	5,907	–
Disposal of a Capital investment accounted for by the consolidation method (Note 4A)	–	–	(181,541)	–	–	–	–
Balance at September 30, 2017	**$ 679,519**	**$ 1,474,218**	**$ 307,365**	**$ 845,128**	**$ –**	**$ 12,949**	**$ 48,067**

(1) The amount of the repayment of debt and liabilities related to recourse short-term debt was as follows:

NINE MONTHS ENDED SEPTEMBER 30	2017
Payment of debt issue costs - Revolving Facility	$ 5,552
Repayment of recourse debt - Revolving Facility	564,923
Repayment of recourse debt of Atkins	406,211
Total	**$ 976,686**

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

	SEPTEMBER 30 2017	JANUARY 1 2017
Non-recourse short-term debt and current portion of long-term debt from Capital investments	$ 15,314	$ 21,011
Non-recourse long-term debt from Capital investments	292,051	472,571
Total	**$ 307,365**	**$ 493,582**

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

NINE MONTHS ENDED SEPTEMBER 30	2017
Other non-current financial liabilities	$ 1,594
Other non-current non-financial liabilities	7,411
Other	2,996
Total	**$ 12,001**

12. RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

For the third quarter and the first nine months of 2017, SNC-Lavalin recognized E&C revenues of $288.7 million (2016: $209.1 million) and $712.5 million (2016: $575.3 million), respectively, from contracts with investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from Capital investments accounted for by the equity method of $45.8 million for the third quarter of 2017 (2016: $46.4 million) and $145.3 million for the nine-month period ended September 30, 2017 (2016: $137.4 million), respectively.

SNC-Lavalin's trade receivables from investments accounted for by the equity method amounted to $110.2 million as at September 30, 2017 (December 31, 2016: $90.2 million). SNC-Lavalin's other current financial assets receivable from these investments accounted for by the equity method amounted to $99.3 million as at September 30, 2017 (December 31, 2016: $83.0 million). SNC-Lavalin's remaining commitment to invest in its Capital investments accounted for by the equity method was $98.0 million at September 30, 2017 (December 31, 2016: $98.0 million).

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

13. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at September 30, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	2017					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [1]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 642,325**	**$ –**	**$ –**	**$ –**	**$ 642,325**	**$ 642,325**
Restricted cash	**21,252**	**–**	**–**	**–**	**21,252**	**21,252**
Trade receivables	**–**	**–**	**1,547,455**	**–**	**1,547,455**	**1,547,455**
Other current financial assets	**46,379**	**–**	**392,366**	**22,970**	**461,715**	**461,715**
Capital investments accounted for by the cost method [2]	**–**	**45,579**	**543**	**–**	**46,122**	**See [2]**
Non-current portion of receivables under service concession arrangements [3]	**–**	**–**	**236,120**	**–**	**236,120**	**248,076**
Other non-current financial assets [3], [4]	**7,571**	**–**	**23,258**	**13,482**	**44,311**	**44,311**
Total	**$ 717,527**	**$ 45,579**	**$ 2,199,742**	**$ 36,452**	**$ 2,999,300**	

AT DECEMBER 31	2016					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [1]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,055,484	$ –	$ –	$ –	$ 1,055,484	$ 1,055,484
Restricted cash	55,577	–	–	–	55,577	55,577
Trade receivables	–	–	935,983	–	935,983	935,983
Other current financial assets	–	–	490,352	2,373	492,725	493,665
Capital investments accounted for by the equity method	–	–	109,306	–	109,306	109,306
Capital investments accounted for by the cost method [2]	–	47,732	593	–	48,325	See [2]
Non-current portion of receivables under service concession arrangements [3]	–	–	356,847	–	356,847	397,271
Other non-current financial assets [3], [4]	38,187	–	20,336	–	58,523	58,523
Total	$ 1,149,248	$ 47,732	$ 1,913,417	$ 2,373	$ 3,112,770	

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

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

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

(4) For the nine-month period ended September 30, 2017, the net loss on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company's share unit plans amounted to $4.7 million (2016: net gain of $22.8 million), while the net gain on corresponding share unit plans' liabilities amounted to $7.0 million (2016: net loss of $19.5 million).

13. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at September 30, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	2017			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	**$ –**	**$ 2,175,388**	**$ 2,175,388**	**$ 2,175,388**
Downpayments on contracts	**–**	**220,781**	**220,781**	**220,781**
Other current financial liabilities	**31,484**	**245,881**	**277,365**	**277,365**
Provisions	**–**	**56,883**	**56,883**	**56,883**
Short-term debt and long-term debt (1)	**–**	**3,306,230**	**3,306,230**	**3,343,144**
Other non-current financial liabilities	**1,417**	**11,532**	**12,949**	**12,949**
Total	**$ 32,901**	**$ 6,016,695**	**$ 6,049,596**	

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

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

For the nine-month periods ended September 30, 2017 and 2016, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

14. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

14. CONTINGENT LIABILITIES (CONTINUED)

Charges and RCMP investigation

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

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

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

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

Certain subsidiaries of the Company require certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. Such certification is subject to periodic renewal by the AMF. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract. Those subsidiaries of the Company that need to be certified by the AMF have obtained that certification.

14. CONTINGENT LIABILITIES (CONTINUED)

World Bank Settlement

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

African Development Bank Settlement

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

Canada's Integrity Regime

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

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

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

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

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

14. CONTINGENT LIABILITIES (CONTINUED)

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

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

Other Investigations

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

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA$17.2 million translated using the exchange rates as at October 1, 2014 (representing the equivalent of 12.9 million CHF and US$2.0 million) plus interest. Up until September 30, 2017, the Company collected CA$15.2 million. The remaining balance of the award, including interest, was received in October 2017.

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

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

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

14. CONTINGENT LIABILITIES (CONTINUED)

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

B) CLASS ACTION LAWSUITS

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

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

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

C) OTHER

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

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

14. CONTINGENT LIABILITIES (CONTINUED)

Legal proceedings

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

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

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

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

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

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

15. SHORT-TERM DEBT AND LONG-TERM DEBT

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

A) REVOLVING FACILITY

The Revolving Facility is comprised of three tranches: i) tranche A is for an amount of $2,000 million less the Canadian dollar equivalent at any time of £400 million until the expiry and cancellation of tranche C which occurred on July 14, 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 were reallocated to tranche A and tranche C was cancelled, with tranche A being increased to $2,000 million. The Revolving Facility maturity date is May 15, 2021 or such other date as may be agreed pursuant to extension provisions of the Credit Agreement. Borrowings under tranche A 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.

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

B) TERM FACILITY

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

C) BILATERAL LETTERS OF CREDIT

Any lender party to the Credit Agreement may, in its sole discretion, issue bilateral letters of credit (outside the Revolving Facility and the Term Facility) requested by the Company in any currency agreed to by such issuing lender. The Company must ensure that the aggregate outstanding amount of all outstanding bilateral letters of credit under the Credit Agreement does not at any time exceed $2,500 million. The Company has also access to other bilateral letters of credit capacity outside of the Credit Agreement.

D) CDPQ LOAN

The CDPQ Loan is a limited recourse debt comprised of two tranches: i) tranche A which is a non-revolving term loan in an aggregate amount of $1,000 million; and ii) tranche B which is a non-revolving term loan in an aggregate amount of $500 million. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. The maturity date of the CDPQ Loan is on the seventh anniversary of the funding date. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: i) the CDOR rate; and ii) 0.9%, plus an applicable margin.

16. DISPOSAL GROUPS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at September 30, 2017, the disposal groups and non-current assets classified as held for sale included: i) a Capital investment accounted for by the equity method, namely MHIG, and its holding company (see Note 4A); ii) a wholly-owned subsidiary of SNC-Lavalin, Equinox CA Europe Ltd. ("Equinox"), for which a disposal agreement subject to customary regulatory approvals and other conditions was signed by SNC-Lavalin and the acquirer in the second quarter of 2017; and iii) other non-current assets, mainly project equipment, included in the Oil & Gas segment. The sale of Equinox was completed in October 2017 (see Note 23).

The major classes of assets and liabilities of the disposal groups and assets held for sale as at September 30, 2017 were as follows:

AT SEPTEMBER 30, 2017	MHIG [1]	EQUINOX [2]	OTHER NON-CURRENT ASSETS	TOTAL
Cash and cash equivalents	$ 33	$ 36,360	$ –	$ 36,393
Other current assets	2,221	211	–	2,432
Capital investments accounted for by the equity method	106,322	–	–	106,322
Other non-current assets	–	–	6,772	6,772
Assets of disposal groups classified as held for sale and assets held for sale	108,576	36,571	6,772	151,919
Current liabilities	1,161	23,244	–	24,405
Non-current liabilities	70,511	–	–	70,511
Liabilities of disposal groups classified as held for sale	71,672	23,244	–	94,916
Net assets of disposal groups classified as held for sale and assets held for sale	$ 36,904	$ 13,327	$ 6,772	$ 57,003

[1] See Note 4A

[2] Equinox is a subsidiary not allocated to any of the Company's reportable segments.

16. DISPOSAL GROUPS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

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

In the fourth quarter of 2016, the Company disposed of its ongoing local activities in France and in Monaco and of its non-core Real Estate Facilities Management business in Canada. The consideration receivable (payable) from these transactions is subject to certain adjustments. While the adjustments have not been finalized yet as at September 30, 2017, certain assumptions used to estimate such adjustments have been revised, resulting in no impact in the third quarter of 2017 and in a gain of $1.0 million before income taxes ($0.9 million net of taxes) in the nine-month period ended September 30, 2017.

18. 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. Concurrently, SNC-Lavalin entered into a 20 year lease for the building.

Net gain on disposal of the head office building

NINE MONTHS ENDED SEPTEMBER 30		**2017**
Consideration received	$	173,288
Carrying amount of the head office building and the adjacent lot of land		(22,781)
Deferred tenant allowance		(31,017)
Deferred gain on disposal of the head office building		(2,905)
Disposition-related costs		(1,484)
Gain on disposal of the head office building		**115,101**
Income taxes		(13,570)
Net gain on disposal of the head office building	**$**	**101,531**

19. ACQUISITION OF NON-CONTROLLING INTEREST

In the second quarter of 2017, SNC-Lavalin signed an agreement to acquire the non-controlling interest of Saudi Arabian Kentz Company Limited and to introduce a new shareholder for this entity, ultimately increasing SNC-Lavalin's ownership interest in this subsidiary from 49% to 75%. This transaction was completed in the third quarter of 2017. On the signing of the agreement, the first tranche of cash consideration of US$22.9 million (CA$31.2 million) was paid to the seller, while the second tranche of US$22.9 million (CA$28.3 million) was paid in the three-month period ended September 30, 2017 for total cash consideration of US$45.8 million (CA$59.5 million).

Excess of the consideration paid over the carrying amount

NINE MONTHS ENDED SEPTEMBER 30		**2017**
Consideration paid	$	59,499
Carrying amount of the acquired non-controlling interest		(23,740)
Excess of the consideration paid over the carrying amount before income taxes		**35,759**
Income taxes		–
Excess of the consideration paid over the carrying amount net of income taxes	**$**	**35,759**

19. ACQUISITION OF NON-CONTROLLING INTEREST (CONTINUED)

The excess of the consideration paid over the carrying amount of the acquired non-controlling interest of $35.8 million is included in "Retained earnings" in the Company's consolidated statement of changes in equity for the nine-month period ended September 30, 2017.

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

20. WS ATKINS PLC

A) ACQUISITION OF WS ATKINS PLC

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

In July 2017, SNC-Lavalin announced that it completed its Acquisition of Atkins. The aggregate cash consideration for the Acquisition was £20.80 per Atkins share for a total consideration of approximately $3.5 billion and was financed, including the acquisition-related costs, using the net proceeds from an $880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters; a $400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec; a $1.5 billion loan from the Caisse to Highway Holdings, a draw of £300 million (CA$498 million) under the Term Facility, as well as a draw of US$185 million (CA$238 million) and £56 million (CA$93 million) under the Revolving Facility (see Note 15).

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

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

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

B) PRELIMINARY ALLOCATION OF PURCHASE PRICE

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

20. WS ATKINS PLC (CONTINUED)

The purchase price for this business acquisition was $3.5 billion. The preliminary allocation of purchase price and the total cash consideration paid are shown below.

AT JULY 3, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	**$ 388,280**
Trade receivables [1]	**584,319**
Contracts in progress	**337,230**
Other current assets	**131,760**
Other non-current assets	**240,068**
Intangible assets related to Atkins acquisition (Note 22)	**721,756**
Trade payables and other current liabilities	**(1,018,962)**
Short-term debt and long-term debt [2]	**(517,759)**
Non-current liabilities and non-controlling interests	**(578,400)**
Net identifiable assets of business acquired	**288,292**
Goodwill (Note 21) [3]	**3,219,402**
Total purchase price	**$ 3,507,694**

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

(2) Include senior notes with a face value of US$75 million issued by Atkins in the US private placement market. These senior notes are due May 31, 2019, are repayable in full at maturity, bear interest at a rate of 4.38% (as adjusted, from time to time, by reference to a pension deficit ratio) and are unsecured and subject to affirmative and negative covenants (see Note 23).

(3) Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks. The total amount of goodwill that is expected to be deductible for tax purposes is $218.8 million.

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Atkins, it is not practical to definitively allocate the purchase price as at September 30, 2017. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period, which cannot exceed one year from the acquisition date. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

The total purchase price related to the acquisition of Atkins included in the consolidated statement of cash flows is as follows:

NINE MONTHS ENDED SEPTEMBER 30	2017
Total purchase price as per above	**$ 3,507,694**
Less: Cash and cash equivalents at acquisition as per above	**388,280**
Total purchase price, net of cash and cash equivalents at acquisition, included in the consolidated statement of cash flows	**$ 3,119,414**

C) GOODWILL ARISING ON THE BUSINESS COMBINATION

Goodwill arose in the business combination because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill as the future economic benefits arising from these items cannot be measured reliably.

20. WS ATKINS PLC (CONTINUED)

D) ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

In the second quarter of 2017, in relation with the agreement to acquire Atkins, SNC-Lavalin entered into a foreign exchange option to hedge the foreign exchange exposure of the transaction. Until its settlement in the second quarter of 2017, this option was classified as a derivative used for cash flow hedges and was measured at its fair value with gains and losses arising from periodic remeasurements and not qualifying for hedge accounting being recognized in net income. In the nine-month period ended September 30, 2017, the loss arising from remeasurement of the foreign exchange option amounted to $48.7 million and is included in “Acquisition-related costs and integration costs” in the Company’s consolidated income statement.

Acquisition-related costs and integration costs amounted to $42.3 million in the three-month period ended September 30, 2017 and to $98.9 million in the nine-month period ended September 30, 2017, of which $19.1 million and $75.5 million, respectively, related solely to the acquisition-related costs. The acquisition-related costs for the three-month and nine-month periods ended September 30, 2017 include a net foreign exchange gain of $9.7 million.

In addition, following the settlement of the option described above, 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 classified as derivatives used for cash flow hedges until the payment date, which occurred in July 2017. In the nine-month period ended September 30, 2017, the effective portion of the loss arising from the hedging instruments, which amounted to $2.7 million before income taxes ($2.7 million after income taxes), was initially recognized in “Cash flow hedges” in the Company’s consolidated statement of comprehensive income and was subsequently recognized as a reclassification adjustment to goodwill on the date of acquisition of Atkins.

E) IMPACT OF THE BUSINESS ACQUISITION ON THE RESULTS OF SNC-LAVALIN

SNC-Lavalin’s consolidated revenues and net income attributable to SNC-Lavalin shareholders in the three-month period ended September 30, 2017 included approximately $805.3 million and $54.2 million, respectively, from the business acquisition of Atkins completed by SNC-Lavalin on July 3, 2017. Had the acquisition of Atkins and related acquisition-related costs and financing occurred on January 1, 2017, SNC-Lavalin unaudited pro forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately $7,991.4 million and $244.4 million, respectively. These unaudited pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin’s acquisition date adjusted to reflect hypothetical additional financing costs and amortization expense of intangible assets since January 1, 2017 and should not be viewed as indicative of SNC-Lavalin’s consolidated future performance.

21. GOODWILL

The following table presents a reconciliation of the carrying amount of the Company’s goodwill:

NINE MONTHS ENDED SEPTEMBER 30	2017
Balance at January 1, 2017	$ 3,268,214
Additional amount recognized from the acquisition of Atkins (Note 20)	3,219,402
Net foreign currency exchange differences	(258,699)
Balance at September 30, 2017	**$ 6,228,917**

22. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

The following table presents a reconciliation of the carrying amount of the Company's intangible assets related to business combinations:

NINE MONTHS ENDED SEPTEMBER 30		2017
Intangible assets related to Kentz acquisition - January 1, 2017	$	194,164
Additional amount recognized from the acquisition of Atkins (Note 20):		
Revenue backlog		72,714
Customer relationships		589,793
Trademarks		59,249
Amortization expense		(65,067)
Net foreign currency exchange differences		(14,263)
Intangible assets related to business combinations - September 30, 2017	**$**	**836,590**

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

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Revenue backlog	Straight-line	3 years
Customer relationships	Straight-line	10 years
Trademarks	Straight-line	7 years

23. EVENTS AFTER THE REPORTING PERIOD

A) REPAYMENT OF SENIOR NOTES

On October 19, 2017, SNC-Lavalin repaid in full senior notes with a face value of US$75 million (approximately CA$94 million) issued by Atkins in the US private placement market (see Note 20) resulting in a cash outflow of $98.9 million, including the accrued interest, and a loss on derecognition of senior notes of $3.5 million before income taxes ($2.9 million after income taxes), which will be recognized in the Company's consolidated financial statements for the fourth quarter of 2017.

B) DISPOSAL OF EQUINOX

In October 2017, SNC-Lavalin completed the sale of Equinox (see Note 16), which will not have a significant impact in the Company's consolidated financial statements for the fourth quarter of 2017.

C) ACQUISITION OF DATA TRANSFER SOLUTIONS LLC

On October 31, 2017, SNC-Lavalin announced the acquisition of Data Transfer Solutions LLC for US$45 million (approximately CA$58 million). Completed on October 30, 2017, the acquisition will add to the capabilities of SNC-Lavalin's Atkins segment and will enhance service offerings in digital asset management for clients.

Due to the very limited time between the closing of the acquisition of Data Transfer Solutions LLC and the issuance of these interim condensed consolidated financial statements, certain business acquisition required disclosures under IFRS 3, *Business Combinations*, mainly the preliminary purchase price allocation, have not been provided as this information is not yet available.

SNC·LAVALIN

www.snclavalin.com

SNC-LAVALIN
455 René-Lévesque Blvd. West
Montreal, Quebec
H2Z 1Z3 Canada
Tel.: 514-393-1000
Fax: 514-866-0795