

# 2015 Management's Discussion and Analysis

March 2, 2016

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the Company's 2015 audited annual consolidated financial statements and accompanying notes, and should therefore be read in conjunction with these documents, and should also be **read together with the text below on forward-looking statements**. Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on the Company's website ([www.snc-lavalin.com](http://www.snc-lavalin.com)) as well as on SEDAR ([www.sedar.com](http://www.sedar.com)), the system used for electronically filing most securities-related information with the Canadian securities regulatory authorities. None of the information contained on, or connected to the SNC-Lavalin website is incorporated by reference or otherwise part of this MD&A.

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

## Comparative figures

In 2015, the Company revised its reportable segments to reflect a change made to its internal reporting structure and retrospectively reclassified the Environment & Water sub-segment included in the previously named Resources, Environment and Water segment to the Infrastructure & Construction sub-segment included in the Infrastructure segment, as detailed in Note 4. Therefore, the revenues of \$135.7 million and the negative sub-segment EBIT of \$29.2 million (prior to restatement) of the Environment & Water sub-segment in the year ended December 31, 2014 were reclassified to the Infrastructure & Construction sub-segment.

In addition, the Company announced certain organizational changes in order to further align its business structure with its markets. This reorganization resulted in certain changes in the way activities are regrouped and reportable segments are presented and analyzed. As such, the Company's reportable segments are now i) Mining & Metallurgy; ii) Oil & Gas; iii) Power; iv) Infrastructure; and v) Capital.

## Forward-looking statements

Statements made in this MD&A that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "aims", "anticipates", "assumes", "believes", "cost savings", "estimates", "expects", "goal", "intends", "may", "plans", "projects", "should", "synergies", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that

do not refer to historical facts. Forward-looking statements also include statements relating to the following: i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; and ii) business and management strategies and the expansion and growth of the Company's operations and potential synergies resulting from the Acquisition. All such forward-looking statements are made pursuant to the "safe-harbour" provisions of applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on March 2, 2016. The assumptions are set out throughout this MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in this MD&A). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of

the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) the Company may be unable to successfully integrate the businesses of SNC-Lavalin and Kentz and realize the anticipated benefits of the Acquisition; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (cc) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (dd) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (ee) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in this report.

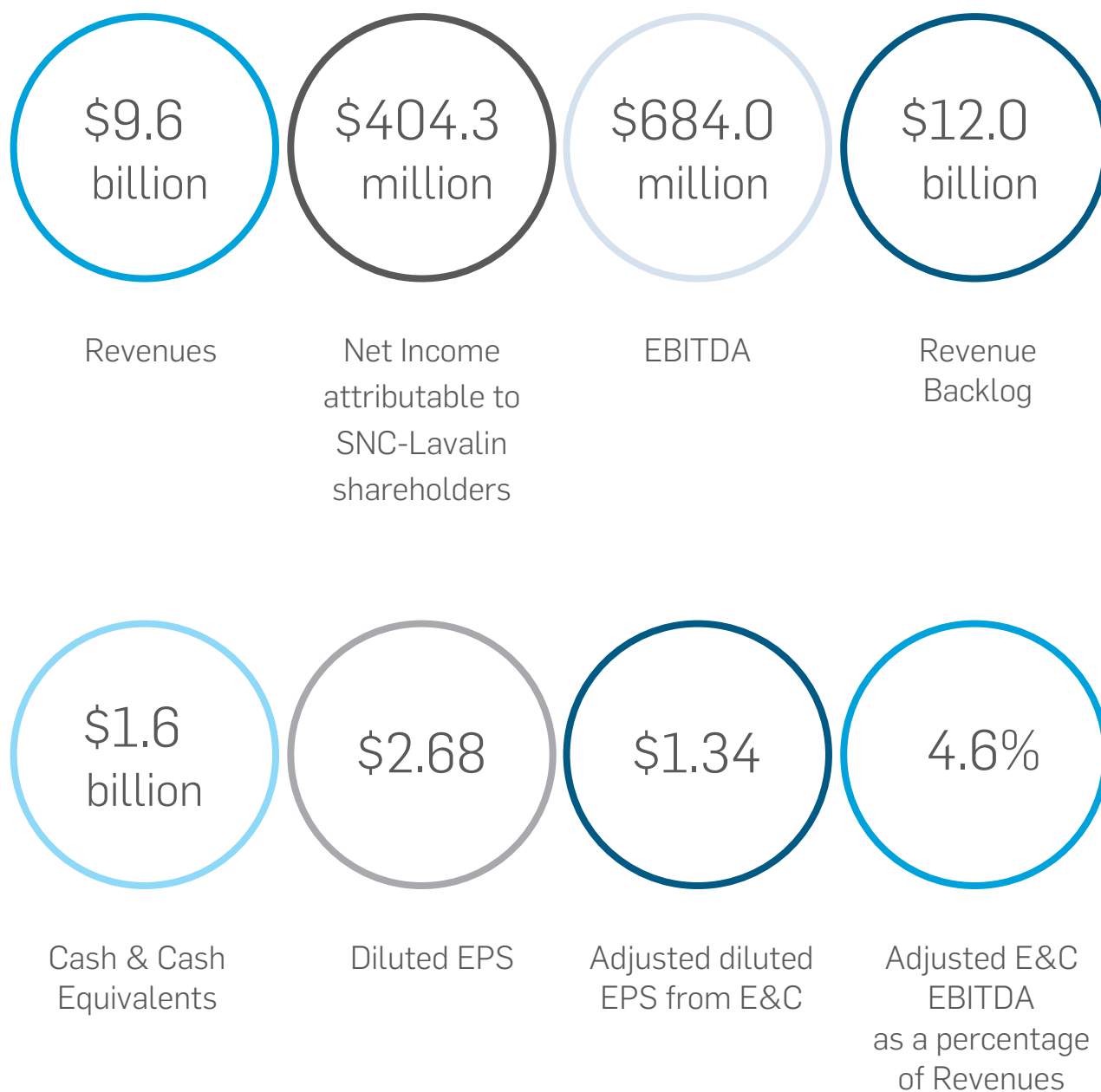
The forward-looking statements herein reflect the Company's expectations as at March 2, 2016, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

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# 1 2015 Executive Summary

## 1.1 Executive Summary – Financial Indicators



## NET INCOME

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$, EXCEPT EARNINGS PER SHARE AND ADJUSTED DILUTED EPS FROM E&C)	2015	2014	CHANGE (%)
Net income (loss) attributable to SNC-Lavalin shareholders:			
From E&C	\$ 95.8	\$ (300.5)	131.9%
From Capital	308.5	1,633.9	(81.1%)
<b>Net income attributable to SNC-Lavalin shareholders</b>	<b>\$ 404.3</b>	<b>\$ 1,333.3</b>	<b>(69.7%)</b>
Earnings (loss) per share - diluted (in \$)			
From E&C	\$ 0.63	\$ (1.97)	132.0%
From Capital	2.04	10.71	(81.0%)
<b>Earnings per share - diluted (in \$)</b>	<b>\$ 2.68</b>	<b>\$ 8.74</b>	<b>(69.3%)</b>
<b>Adjusted diluted EPS from E&amp;C<sup>(1)</sup></b>	<b>\$ 1.34</b>	<b>\$ 0.36</b>	<b>272.2%</b>

(1) Adjusted diluted EPS from E&C is a non-IFRS financial measure. Please refer to Section 3.3 for further information on non-IFRS financial measures.

- > For the year ended December 31, 2015, net income attributable to SNC-Lavalin shareholders was \$404.3 million (\$2.68 per share on a diluted basis), compared with \$1,333.3 million (\$8.74 per share on a diluted basis) for the comparable period in 2014. The decrease in net income attributable to SNC-Lavalin shareholders is the result of a lower net income from Capital (formerly "Infrastructure Concession Investments" or "ICI"), partially offset by a higher net income attributable to SNC-Lavalin shareholders from Engineering & Construction ("E&C") in 2015.
- > Net income attributable to SNC-Lavalin shareholders from E&C was \$95.8 million in 2015, compared to a net loss attributable to SNC-Lavalin shareholders from E&C of \$300.5 million in 2014, mainly attributable to improved Segment EBIT<sup>(2)</sup> from all segments, particularly from Oil & Gas, for which an incremental contribution was generated by the Kentz acquisition in August 2014.
- > Net income attributable to SNC-Lavalin shareholders from Capital decreased in 2015 compared to 2014, principally due to the net gain of \$1,320.7 million on disposal of AltaLink in 2014, which is no longer contributing in 2015.

## REVENUES

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014	CHANGE (%)
Revenues			
From E&C	\$ 9,363.5	\$ 7,334.7	27.7%
From Capital	223.4	904.1	(75.3%)
<b>Total</b>	<b>\$ 9,587.0</b>	<b>\$ 8,238.8</b>	<b>16.4%</b>

- > Total E&C revenues for the year ended December 31, 2015 increased by 27.7% to \$9,363.5 million, resulting from an increase in the Oil & Gas segment, from incremental revenues generated by Kentz, which was acquired in August 2014, and in the Power segment, partially offset by a decrease in the Infrastructure and Mining & Metallurgy segments. Capital revenues decreased in 2015 compared with 2014, principally due to the disposal of the Company's interest in AltaLink in December 2014.

(2) Segment EBIT, a non-IFRS financial measure, is discussed in section 8.

## CASH NET OF RECOURSE DEBT

AT DECEMBER 31 (IN MILLIONS CAS)	2015	2014	CHANGE (%)
Cash and cash equivalents	\$ 1,581.8	\$ 1,702.2	(7.1%)
Less:			
Cash and cash equivalents of Capital investments accounted for by the full consolidation method	17.1	29.3	(41.6%)
Recourse debt	349.1	348.9	0.1%
<b>Cash net of recourse debt</b>	<b>\$ 1,215.6</b>	<b>\$ 1,324.0</b>	<b>(8.2%)</b>

- > Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents of Capital investments and recourse debt) decreased as at December 31, 2015 compared with December 31, 2014, mainly reflecting a decrease in cash and cash equivalents.
- > During the year, the Company repurchased approximately 2.8 million of its common shares for \$121.8 million under its normal course issuer bid ("NCIB"), and paid \$150.9 million in dividends to its shareholders.

## REVENUE BACKLOG

AT DECEMBER 31 (IN MILLIONS CAS)	2015	2014	CHANGE (%)
Revenue Backlog	\$ 11,991.9	\$ 12,325.5	(2.7%)

- > The Company's revenue backlog totalled \$12.0 billion as at December 31, 2015 compared with \$12.3 billion as at December 31, 2014.
- > New awards for 2015 amounted to \$9.0 billion, including \$2.6 billion in Oil & Gas, \$3.5 billion in Infrastructure and \$1.6 billion in Power.
- > Note that the backlog as at December 31, 2015 excludes SNC-Lavalin's share of the \$2.75 billion contract for the execution phase of a nuclear refurbishment project, which was announced in January 2016.

## DIVIDEND INCREASE

- > On March 2, 2016, the Company's Board of Directors approved a quarterly dividend of \$0.26 per share, a 4.0% increase over the previous quarterly dividend declared.

## 1.2 Executive Summary – Other Items

### CHANGES IN CEO AND REPORTING STRUCTURE

- > On October 5, 2015, Neil Bruce, formerly Chief Operating Officer ("COO"), was named President and Chief Executive Officer ("CEO") and a member of the Board of Directors, succeeding Robert G. Card. Following Neil Bruce's appointment as CEO, the position of Chief Operating Officer ("COO") has been eliminated from the Company's reporting structure.
- > In 2015, the role of the Executive Vice-President and General Counsel was expanded to oversee both the Legal and Ethics & Compliance functions.
- > As at December 31, 2015, the Company's leadership team, reporting to the CEO, is composed of:
  - Operations:
    - › Christian Brown, President, Oil & Gas;
    - › Ian Edwards, President, Infrastructure;
    - › José J. Suárez, President, Mining & Metallurgy;
    - › Alexander (Sandy) Taylor, President, Power.
  - Capital:
    - › Chantal Sorel, Managing Director, Capital.
  - Functions:
    - › Dale Clarke, Executive Vice-President, Integrated Management Systems;
    - › Marie-Claude Dumas, Executive Vice-President, Global Human Resources;
    - › Hartland J. A. Paterson, Executive Vice-President and General Counsel;
    - › Alain-Pierre Raynaud, Executive Vice-President and Chief Financial Officer;
    - › Erik J. Ryan, Executive Vice-President, Marketing, Strategy and External Relations.

### CHANGES TO THE BOARD OF DIRECTORS

- > On November 5, 2015, the Company announced the appointment of two new Board members, Steven L. Newman and Jean Raby:
  - Mr. Newman brings more than 25 years of experience in the energy industry. From 2010 to 2015, he was President and CEO of Transocean Ltd., the world's largest offshore contract driller. Mr. Newman is also a Board member of Bumi Armada Berhad, a Malaysia-based international oilfield services, and Dril-Quip Inc., a leading manufacturer of highly engineered products for the offshore oil and gas industry;
  - Mr. Raby brings more than 25 years of experience in investment banking, law and finance. Since 2013, he has been the Executive Vice-President, Chief Financial and Legal Officer of Alcatel-Lucent SA. Prior to his role at Alcatel-Lucent SA, he spent 16 years in roles of increasing responsibility at the investment banking division of Goldman Sachs, in Paris, France, where he notably became co-CEO of the division in France in 2006 (then CEO in



2009), and then in 2011 co-CEO of Goldman Sachs' activities in Russia and the Commonwealth of Independent States.

## RESTRUCTURING AND RIGHT-SIZING PLAN

- > In 2015, the Company successfully completed its previously announced "STEP Change" program. This program has delivered increased competitiveness and agility, as well as identifying a significant number of cost reduction initiatives. It has also aligned the organization with market conditions. For the year ended December 31, 2015, the Company recorded a total of \$87.7 million after taxes (\$116.4 million before taxes) of charges relating to its restructuring and right-sizing plan, including the "STEP Change" program, which is \$7 million after taxes less than previously announced.

## CAPITAL INVESTMENTS PORTFOLIO

- > In June 2015, the Company announced that the consortium Signature on the Saint-Laurent Group ("SSL"), of which SNC-Lavalin is a 50% partner, has finalized an agreement with the Government of Canada to design, build, finance and maintain the New Champlain Bridge Corridor project. SSL will operate and maintain the bridge for the duration of the concession period until 2049.
- > In July 2015, the Company announced that the consortium Crosslinx Transit Solutions General Partnership, of which SNC-Lavalin is a 25% partner, has finalized an agreement on the Eglinton Crosstown Light Rail Transit project (the "Eglinton Crosstown") in Toronto, Canada. Under the project agreement, Crosslinx Transit Solutions General Partnership will provide the design, build, financing and 30-year maintenance and rehabilitation of the Eglinton Crosstown.
- > On September 30, 2015, the Company announced that it exercised its option to divest its 5% ownership interest and the balance of its loans in the Ambatovy Nickel Joint Venture Project (its "investment in Ambatovy") to Sumitomo Corporation, an existing partner, for a cash consideration of US\$449.7 million (CA\$600.7 million).
- > Subsequent to year-end, on February 1, 2016, SNC-Lavalin announced that it has reached an agreement to sell its indirect ownership interest in SNC-Lavalin (Malta) Limited ("SNCL Malta") to an affiliate of Flughafen Wien AG for cash consideration of approximately €63 million (approximately CA\$96 million), pending the satisfaction of certain closing conditions by both parties and subject to working capital adjustments. SNCL Malta is the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c.

## 2 Overview of Our Business and Strategy

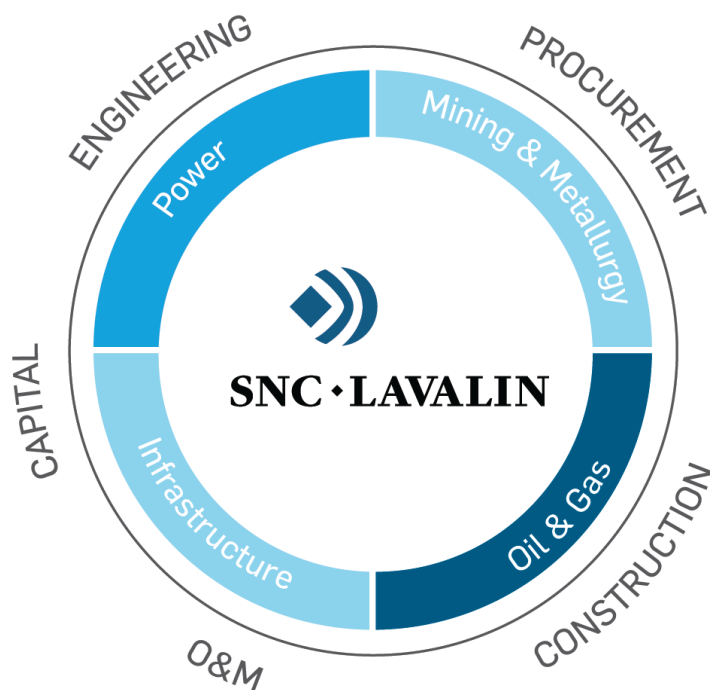
### 2.1 Our Business

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

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

Our teams provide engineering, procurement and construction services to clients in a variety of industry sectors, including Oil & Gas, Mining and Metallurgy, Infrastructure, and Power.

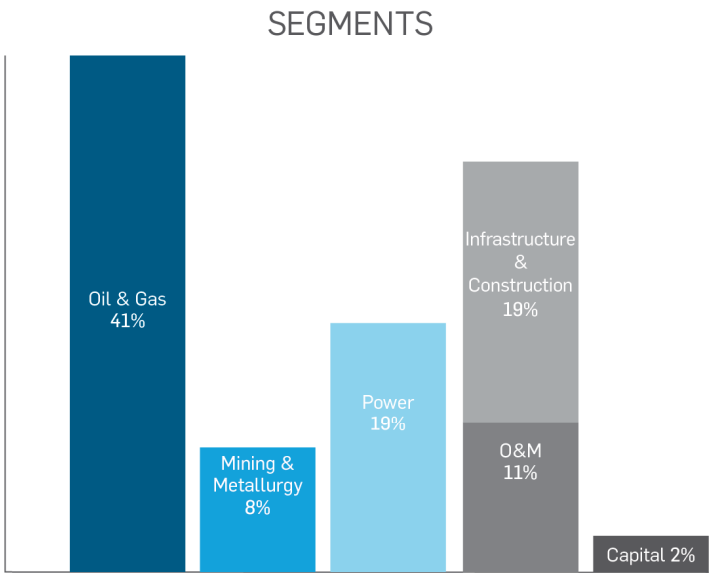
**SNC-Lavalin** can also combine these services with its financing and operations and maintenance ("O&M") capabilities to provide complete end-to-end project solutions.



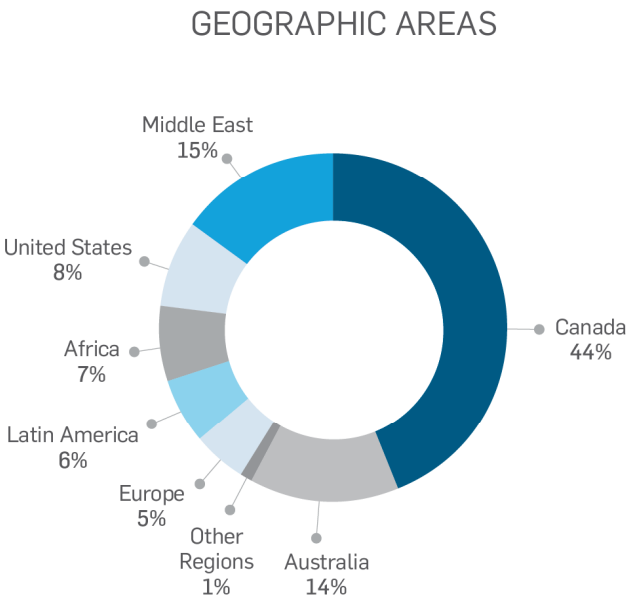
In certain parts of this MD&A, activities from Engineering and Construction, including Operations and Maintenance services, are collectively referred to as “E&C” to distinguish them from “Capital” activities.

The **diversity of the Company's revenue base** and its capacity to operate in different industry segments and geographic areas are illustrated in the following 2015 revenue charts.

DIVERSITY OF THE COMPANY'S REVENUE BASE



Serving multiple industry segments...



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

## 2.2 Our Business Strategy

On May 2, 2013, the Company announced its five-year strategic plan designed to increase long-term stability and profitability, and maximizing shareholder value. SNC-Lavalin's strategy outlines key sectors and geographic markets that the Company will target. It also outlines the integrated solutions for its Capital investments and its disciplined approach to employing capital.

SNC-Lavalin's strategy contains three pillars, which are designed to work together to enhance performance on multiple levels and across the organization. They are:

### GROWTH PLATFORMS

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

In Oil & Gas, SNC-Lavalin will leverage the acquisition of Kentz and expand its capabilities and market reach to compete in projects that deliver high value to its targeted blue chip international and national oil and gas companies. For the Mining & Metallurgy practice, SNC-Lavalin wants to solidify its tier 1 status and position for higher long-term profitability. The Company is committed to a global platform.

The Power and Infrastructure markets represent a sustained growth platform for the Company. In Power, SNC-Lavalin intends to focus on high growth and margin subsectors such as transmission & distribution, nuclear, and hydro. The Company has a strong and mature position in these key sectors. In the Infrastructure sector, the Company will focus on growing the transportation market by leveraging its Public-Private Partnership ("P3") and transit experience. The Company will be centered around major, complex projects, building on its strong capabilities in airports, ports, major bridges, mass transit systems and highways. The Company will emphasize expanding its strong footprint in Canada and the rest of the Americas with selective global expansion.

SNC-Lavalin will continue to evaluate strategic acquisitions to support its growth strategy as described above. The acquisition of Kentz in 2014 was a major milestone in delivering on its strategy.

Regarding its offering mix, the Company intends to leverage the full spectrum of its capabilities, which include O&M and Sustaining Services. The Company will proactively manage portfolio risk through tight governance mechanisms. O&M and Sustaining Services also constitute a key growth lever. It will allow the Company to pursue services with technical complexity in oil and gas, mining, nuclear power and transportation. It will also create opportunities in capital asset management, operations, maintenance, commissioning and training.

### GROWTH ENABLERS

SNC-Lavalin is improving how it shares resources, promoting greater interaction between its business units and developing more coordinated approaches to client management and business development in its offices worldwide through the execution of a Global Operations model.

The further globalization of the Company's operations also involves making better and more efficient company-wide use of its systems and processes. SNC-Lavalin has invested in several of these systems, including its enterprise management

system, its Human Resources Management System, and its proprietary project management suite, PM+, which the Company believes provide a strategic advantage when bidding on and carrying out medium- and large-scale projects.

Underlying all of this will be a continuing, relentless focus on maintaining world-class ethics, governance and health and safety performance, as well as developing and retaining the best talent the industry has to offer.

## ENHANCED MANAGEMENT APPROACH FOR CAPITAL INVESTMENTS

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

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

SNC-Lavalin's key geographical focus for major Capital investments and public-private partnerships will continue to be the Americas.

## 2.3 Executing on our Business Strategy – Scorecard

PILLARS	STRATEGIC OBJECTIVES	KEY STEPS ACCOMPLISHED IN 2015
<b>Growth Platforms</b>	<ul style="list-style-type: none"> <li>○ Focus on growth in markets where the Company has strong positions - Oil &amp; Gas and Mining &amp; Metallurgy</li> <li>○ Drive sustained growth in North America infrastructure stronghold</li> <li>○ Leverage full spectrum of services to grow market presence globally</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Major contracts awarded in Oil &amp; Gas in the Middle East despite very challenging market conditions;</li> <li>&gt; Won major projects in infrastructure in Canada - Champlain Bridge, Eglinton Crosstown Light Rail Transit (largest infrastructure project in Canada) - further enhancing our position in Canada; Platinum Elite P3 infrastructure contractor in Canada; reinforced global rail and transit presence by integrating capabilities;</li> <li>&gt; Continued our focus on identifying and implementing steps to restructure and right-size our business to align our operations with growth strategy and end-markets economics.</li> </ul>
<b>Growth Enablers</b>	<ul style="list-style-type: none"> <li>○ Implement an efficient operating model</li> <li>○ Become a world-class project execution leader</li> <li>○ Promote talent development and retention</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Implemented general and administrative expenses reductions, process improvements aimed at streamlining our ability to meet client needs;</li> <li>&gt; Reduced the number of lost time incidents by 47.1% and the number of total recordable incidents by 58.3% in 2015, compared with the performance achieved in 2014;</li> <li>&gt; Ongoing: Systems excellence - Upgrading key systems continues in response to client needs;</li> <li>&gt; Continued our emphasis on ethics and compliance program as a benchmark in the engineering and construction industry, and is an integral part of our daily activities.</li> </ul>
<b>Enhanced Management Approach for Capital Investments</b>	<ul style="list-style-type: none"> <li>○ Maximize value, monetize assets and divest mature investments to fuel growth</li> <li>○ Prioritize greenfield (new-build) Capital investments</li> <li>○ Act as catalyst for E&amp;C revenues</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Disposal of the Company's investment in Ambatovy;</li> <li>&gt; The consortium Signature on the Saint-Laurent Group ("SSL"), of which SNC-Lavalin is a 50% partner, was awarded the New Champlain Bridge Corridor project;</li> <li>&gt; Crosslinx Transit Solutions General Partnership, a consortium comprised of SNC-Lavalin and three other equal partners, was awarded the Eglinton Crosstown Light Rail Transit (LRT) project (the "Eglinton Crosstown") in Toronto, Ontario, Canada.</li> </ul>

## 3 How We Analyze and Report Our Results

### 3.1 How we Report Our Results

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

#### ENGINEERING & CONSTRUCTION ("E&C")

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

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

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

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

The Company presents the information in the way management performance is evaluated by regrouping its **Engineering & Construction** projects within the following segments, which are as follows: i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; and iv) **Infrastructure**. The Company also provides additional information by dividing the Infrastructure segment in two, namely the **Infrastructure & Construction** and **Operations & Maintenance ("O&M")** sub-segments.

#### CAPITAL

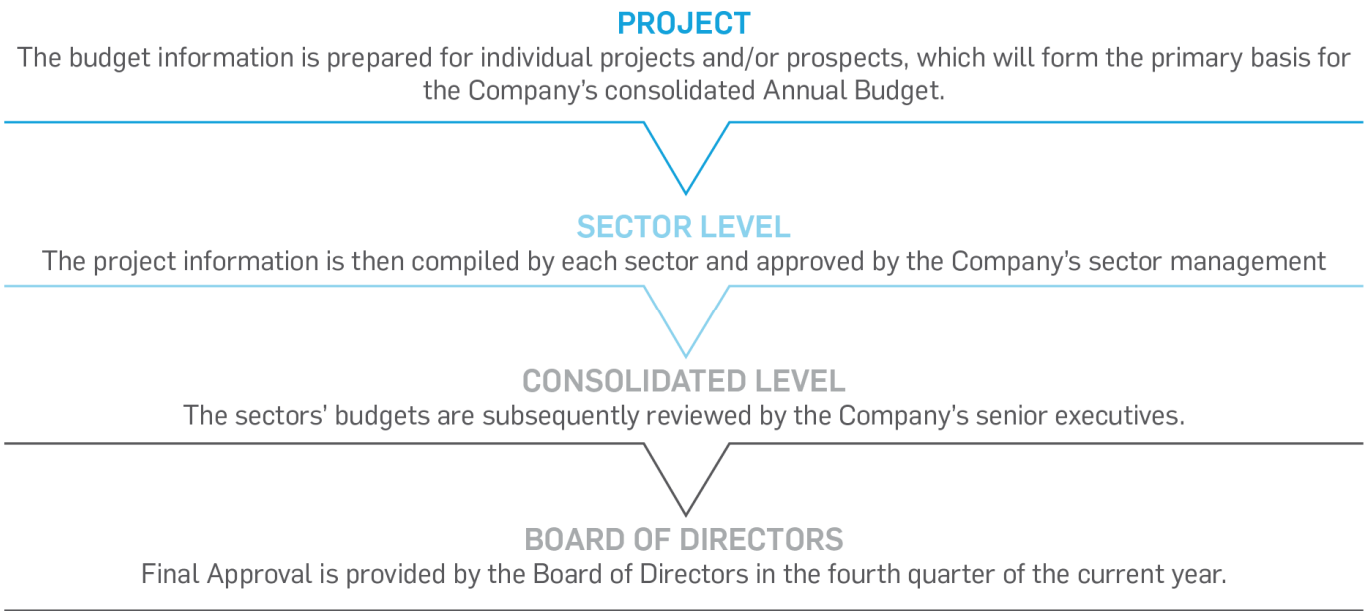
SNC-Lavalin's Capital is the investment arm of SNC-Lavalin and regroups the Company's equity investments and financing solutions services. The investments are typically in infrastructure for public services such as **airports, bridges,**

cultural and public service buildings, highways, mass transit systems, power and water treatment facilities. These types of infrastructure are commonly provided by government-owned entities, however, many countries are turning to the private sector to take ownership, finance, operate and maintain the assets, usually for a defined period of time. These public-private partnership arrangements allow for the transfer to the private sector of many of the risks associated with designing, building, operating, maintaining and financing such assets. In return, the government will either: i) commit to making regular payments, usually in the form of availability payments, upon the start of operations of the infrastructure for a defined period of time (typically 20 to 40 years); ii) authorize the infrastructure concession entity to charge users of the infrastructure for a defined period of time; or iii) a combination of both.

**Capital investments revenues** are generated mainly from dividends or distributions received by SNC-Lavalin from the investment concession entities, or from all or a portion of an investment concession entity's net results or revenues, depending on the accounting method required by IFRS.

### 3.2 How we Budget and Forecast our Results

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





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

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

KEY ELEMENTS	IMPACT ON THE ANNUAL BUDGET
<b>Backlog</b>	Firm contracts used to estimate a portion of future revenues taking into account the execution and expected performance of each individual project.
<b>Prospects list</b>	Unsigned contracts that the Company is currently bidding on, and/or future projects on which it intends to bid. For prospects, the Company applies, on the value of a contract, what is referred to as a "Go-Get Percentage", which is the product of the expectation that the client will go forward with the contract ("Go"), and the probability that it will be awarded to the Company ("Get").
<b>Execution and expected performance</b>	Revenues and costs (or execution) of projects are determined on an individual project basis for major projects or by groups of projects, and take into consideration assumptions on risks and uncertainties that can have an impact on the progress and/or profitability of that project, such as, but not limited to, performance of the Company's employees and of subcontractors or equipment suppliers, as well as price and availability of labour, equipment and materials.

In regards to its **Capital** budget and forecast, expected results based on assumptions specific to each investment are used.

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

Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
<b>Level of activity for E&amp;C</b>	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period.
<b>Changes in the estimated costs to complete each individual project ("cost reforecasts")</b>	Variation of the estimated costs to complete projects for fixed-price contracts result in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution.
<b>Changes in the estimated revenues and in the recovery of such revenues</b>	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables, contracts in progress and other financial assets, may impact the financial results of the Company.
<b>Changes in the results of its Capital investments</b>	Variation in the financial results of each Capital investment accounted for under the full consolidation or equity methods will impact the financial results of the Company. Additions to the Company's Capital investments portfolio, or divestitures from it, can also impact the Company's results.
<b>Level of selling, general and administrative expenses</b>	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance that can be recurring or not.
<b>Acquisition-related costs and integration costs</b>	Business acquisitions might require the Company to incur significant acquisition-related costs and integration costs, which have an impact on actual and future results.
<b>Restructuring costs and goodwill impairment</b>	Changes made to the way the Company operates, closure of certain locations where it conducts business and modifications to its offerings might result in restructuring costs and goodwill impairment, having an impact on actual and future results.
<b>Income taxes</b>	Variation in income taxes impact the profitability of the Company, and depends on various factors, as, amongst others, the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company as well as tax assessments made by authorities.

### 3.3 Non-IFRS Financial Measures, Additional IFRS Measures and other additional financial information

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

#### NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

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

PERFORMANCE		LIQUIDITY	
NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE	NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Adjusted diluted earnings (loss) per share from E&C ("Adjusted diluted EPS from E&C")	Section 4	Working capital	Section 10.1
Adjusted net income from E&C	Section 5.2	Cash net of recourse debt	Section 10.2
Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")	Section 5.3	Recourse debt-to-capital ratio	Section 10.4
Earnings before interests and income taxes ("EBIT")	Section 5.3		
Earnings before interests, income taxes, depreciation and amortization ("EBITDA")	Section 5.3		
Gross margin from E&C and from Capital	Section 5.4		
Revenue backlog	Section 6		
Booking-to-revenue ratio	Section 6.1		
Segment or sub-segment earnings before interest and income taxes	Section 8		
Return on average shareholders equity ("ROASE")	Section 10.7		
Diluted earnings per share from E&C and Diluted earnings per share from Capital	Section 1.1		

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

## ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

The Company's consolidated financial statements include the line-by-line impact of Capital investments that are fully consolidated. Capital investments are often capital-intensive due to the ownership of infrastructure assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company.

The following information on the Company's Capital investments is included in the Company's 2015 audited annual consolidated financial statements:

<b>Consolidated statement of financial position</b>	<ul style="list-style-type: none"> <li>&gt; The net book value of Capital investments accounted for by the equity and cost methods, distinctively;</li> <li>&gt; Non-recourse debt from Capital investments controlled by the Company.</li> </ul>
<b>Consolidated statement of cash flows</b>	<ul style="list-style-type: none"> <li>&gt; For Capital investments controlled by the Company: <ul style="list-style-type: none"> <li>○ Depreciation and amortization from Capital investments, and acquisition of property and equipment from Capital investments;</li> <li>○ Repayment and increase of non-recourse debt from Capital investments.</li> </ul> </li> </ul>
<b>Notes to the annual consolidated financial statements</b>	<ul style="list-style-type: none"> <li>&gt; Main accounts of the statement of financial position impacted by Capital investments controlled by the Company are shown on separate lines in Note 5;</li> <li>&gt; Net income attributable to SNC-Lavalin shareholders from Capital investments;</li> <li>&gt; Certain other notes provide information regarding Capital investments separately from E&amp;C.</li> </ul>

It should be noted that most of the financial impact of Capital investments accounted for by the full consolidation method on the statement of financial position were from AltaLink, which was sold in December 2014. While the assets and liabilities related to Capital investments significantly decreased as at December 31, 2015 compared with the previous year, additional information is still provided in this MD&A and in the Company's 2015 audited annual consolidated financial statements for comparative purposes and for operations that occurred in 2015.

Section 8.5 of the current MD&A also presents specific information on the Company's Capital investments, including a snapshot on Highway 407, which is considered to represent the most significant portion of the total fair value of the Company's Capital investments portfolio.

## 4 Our Key Financial Performance Indicators

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

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

The following table presents a summary of the Company's key financial performance indicators and outlines the results achieved as at or for the years ended December 31, 2015, 2014 and 2013.

## KEY FINANCIAL PERFORMANCE INDICATORS

FINANCIAL INDICATORS ACTUAL RESULTS (IN MILLIONS CA\$, EXCEPT ADJUSTED DILUTED EARNINGS (LOSS) PER SHARE FROM E&C)	2015	2014	2013
Net income attributable to SNC-Lavalin shareholders	\$ 404.3	\$ 1,333.3	\$ 35.8
Earnings before interest and income taxes ("EBIT")	\$ 521.6	\$ 1,877.4	\$ 228.8
Earnings before interest, income taxes, depreciation and amortization ("EBITDA")	\$ 684.0	\$ 2,073.1	\$ 486.2
Adjusted diluted earnings (loss) per share from E&C (in \$) ("Adjusted diluted EPS from E&C")	\$ 1.34	\$ 0.36	\$ (0.88)
Operating cash flow	\$ (514.7)	\$ 264.1	\$ 333.2
Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents from Capital investments and recourse debt)	\$ 1,215.6	\$ 1,324.0	\$ 742.2

**Net income attributable to SNC-Lavalin shareholders in 2015 decreased to \$404.3 million** (\$2.68 per share on a diluted basis), compared with \$1,333.3 million (\$8.74 per share on a diluted basis) in 2014. Net income attributable to SNC-Lavalin shareholders of the past three years is discussed in section 5.1.

**EBIT decreased to \$521.6 million in 2015**, compared with \$1,877.4 million in 2014. **EBITDA decreased to \$684.0 million in 2015**, compared with \$2,073.1 million in 2014. The Company's EBIT and EBITDA are discussed in section 5.3.

**Adjusted diluted earnings per share from E&C**, as calculated by the Company, increased to \$1.34, compared with \$0.36 in 2014. The Company's adjusted diluted earnings per share from E&C is discussed in section 5.2.

**Operating cash flows were negative \$514.7 million in 2015**, compared with positive operating cash flows of \$264.1 million in 2014. Cash generated from operating activities is discussed in section 10.3.

**The Company's cash net of recourse debt of \$1,215.6 million as at December 31, 2015** contributes to the capacity of the Company to meet operating, investing and financing needs. The Company's liquidity and capital resources are discussed in section 10.

# 5 Breakdown of Income Statement

YEAR ENDED DECEMBER 31  
(IN MILLIONS C\$, EXCEPT EARNINGS (LOSS) PER SHARE)

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$, EXCEPT EARNINGS (LOSS) PER SHARE)	2015		2014		2013		
Revenues							
From E&C	\$	9,363.5	\$	7,334.7	\$	7,149.3	
From Capital		223.4		904.1		763.8	
	\$	9,587.0	\$	8,238.8	\$	7,913.2	
Gross margin							
From E&C	\$	1,225.8	13.1%	\$ 700.9	9.6%	\$ 650.9	9.1%
From Capital		207.0	92.6%	639.9	70.8%	464.9	60.9%
	\$	1,432.8	14.9%	\$ 1,340.8	16.3%	\$ 1,115.8	14.1%
Selling, general and administrative expenses:							
From E&C		824.6		765.7		783.4	
From Capital		31.1		75.7		53.1	
		855.6		841.4		836.6	
Restructuring costs and goodwill impairment		116.4		109.9		123.5	
Impairment of investments		-		28.5		-	
Acquisition-related costs and integration costs		19.6		62.5		-	
Amortization of intangible assets related to Kentz acquisition		94.0		36.5		-	
Gain on disposals of Capital investments		(174.4)		(1,615.4)		(73.0)	
Earnings before interest and income taxes	\$	521.6	5.4%	\$ 1,877.4	22.8%	\$ 228.8	2.9%
Net financial expenses:							
From E&C		(7.7)		38.9		19.5	
From Capital		8.0		180.9		131.2	
		0.3		219.8		150.7	
Earnings before income taxes		521.3		1,657.6		78.1	
Income taxes		83.7		323.0		41.7	
Net income	\$	437.5		\$ 1,334.6		\$ 36.4	
Net income attributable to:							
SNC-Lavalin shareholders	\$	404.3		\$ 1,333.3		\$ 35.8	
Non-controlling interests				1.2		0.6	
Net income	\$	437.5		\$ 1,334.6		\$ 36.4	
Earnings per share (\$)							
Basic	\$	2.68		\$ 8.76		\$ 0.24	
Diluted	\$	2.68		\$ 8.74		\$ 0.24	
Supplementary information							
Net income (loss) attributable to SNC-Lavalin shareholders:							
From E&C	\$	95.8		\$ (300.5)		\$ (245.8)	
From Capital		308.5		1,633.9		281.6	
Net income attributable to SNC-Lavalin shareholders	\$	404.3		\$ 1,333.3		\$ 35.8	
Adjusted EBITDA from E&C	\$	433.4	4.6%	\$ 152.8	2.1%	\$ (20.1)	(0.28%)
Adjusted diluted earnings (loss) per share from E&C (\$)	\$	1.34		\$ 0.36		\$ (0.88)	

## 5.1 Net Income Analysis

The analysis that follows is for 2015, 2014 and 2013.

**Net income attributable to SNC-Lavalin shareholders decreased in 2015** compared with 2014, reflecting a lower net income from Capital, due to the disposal of the Company's interest in AltaLink in December 2014, partially offset by a higher net income attributable to SNC-Lavalin shareholders from E&C in 2015. The increase in net income in 2014 compared with 2013 was reflective of a higher net income attributable to SNC-Lavalin shareholders from Capital, partially offset by a higher net loss attributable to SNC-Lavalin shareholders from E&C in 2014.

**Net income attributable to SNC-Lavalin shareholders from E&C was \$95.8 million in 2015**, compared to a net loss attributable to SNC-Lavalin shareholders from E&C of \$300.5 million in 2014, mainly attributable to improved Segment EBIT from all segments, particularly from Oil & Gas, for which an incremental contribution was generated by the Kentz acquisition in August 2014. Additionally, certain notable items had an impact on net income attributable to SNC-Lavalin shareholders in 2015 and 2014, mainly:

- > \$116.4 million (\$87.7 million after taxes) of restructuring costs in 2015, compared with \$109.9 million (\$99.5 million after taxes) of restructuring costs in 2014;
- > \$94.0 million (\$72.0 million after taxes) of amortization of intangible assets related to the acquisition of Kentz, compared with \$36.5 million (\$26.5 million after taxes) in 2014;
- > \$37.0 million (\$32.6 million after taxes) of a net foreign exchange gain in 2015;
- > \$19.6 million (\$15.2 million after taxes) of acquisition-related and integration costs in 2015, related to the acquisition of Kentz, compared with \$62.5 million (\$53.2 million after taxes) in 2014.

There was a net loss attributable to SNC-Lavalin shareholders from E&C of \$300.5 million in 2014 compared with \$245.8 million in 2013, attributable to additional reserves recorded to account for increased counterparty credit risk, impairment of an investment, as well as other charges related to the restructuring and right-sizing plan. In addition, the increase in net loss attributable to SNC-Lavalin shareholders from E&C in 2014 compared with 2013 can be further explained by the expenses incurred by the Company due to the acquisition of Kentz in 2014, namely financing, acquisition-related and integration costs in 2014, as well as amortization expenses of intangible assets related to the acquisition, as presented above. Unfavourable outcomes and reforecasts had a negative impact on net income attributable to SNC-Lavalin shareholders from E&C in both 2014 and 2013.

**Net income attributable to SNC-Lavalin shareholders from Capital decreased in 2015** compared with 2014, principally due to a net gain of \$1,334.2 million on disposals of AltaLink, Astoria and Ovation in 2014, and the fact that these three investments are no longer contributing in 2015, partially offset by the net gain of \$145.7 million on disposal of the Company's investment in Ambatovy in 2015, further described in section 8.5. In 2015, the decrease in net income attributable to SNC-Lavalin shareholders from Capital was partially offset by higher dividends received from Highway 407 compared with the previous year.

Net income attributable to SNC-Lavalin shareholders from Capital increased in 2014 compared with 2013, principally due to the net gain of \$1,334.2 million on disposals of AltaLink, Astoria and Ovation, compared to a net gain of \$36.2 million on partial disposal of Astoria II in 2013. In addition, the net income from Capital increased in 2014 due to a higher net



income from AltaLink, and the Company ceasing to depreciate and amortize AltaLink's non-current assets starting May 1<sup>st</sup>, 2014, resulting from the classification of AltaLink's assets and liabilities as assets and liabilities of a disposal group classified as held for sale at that date. There were also higher dividends received from Highway 407 in 2014 compared with 2013. The increase was also partially offset by the impairment of an investment, as well as a lower contribution from SKH in 2014.

## 5.2 Adjusted Net Income from E&C and Adjusted diluted EPS from E&C

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

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

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

YEAR ENDED DECEMBER 31 (IN MILLIONS CAD, EXCEPT PER DILUTED SHARE INFORMATION (\$))	2015		2014	
FROM E&C		PER DILUTED SHARE		PER DILUTED SHARE
Net income	\$ 437.5	\$ 2.68	\$ 1,334.6	\$ 8.74
Less:				
Non-controlling interests	33.2	-	1.2	-
Net income attributable to SNC-Lavalin shareholders from Capital	308.5	-	1,633.9	-
<b>Net income (loss) attributable to SNC-Lavalin shareholders from E&amp;C / Diluted EPS from E&amp;C</b>	<b>\$ 95.8</b>	<b>\$ 0.63</b>	<b>\$ (300.5)</b>	<b>\$ (1.97)</b>
Adjustments (net of income taxes):				
Restructuring and right-sizing costs	51.4 <sup>(1)</sup>	0.34	248.5	1.63
Acquisition-related costs and integration costs	15.2	0.10	53.2	0.35
Amortization of intangible assets related to Kentz acquisition	72.0	0.48	26.5	0.17
Financial expenses related to Kentz acquisition	-	-	27.3	0.18
Non-recurring foreign exchange gain	(32.6)	(0.22)	-	-
<b>Adjusted net income attributable to SNC-Lavalin shareholders from E&amp;C / Adjusted diluted EPS from E&amp;C</b>	<b>\$ 201.8</b>	<b>\$ 1.34</b>	<b>\$ 54.9</b>	<b>\$ 0.36</b>

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

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

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

### RECONCILIATION OF EBIT, EBITDA AND ADJUSTED EBITDA TO NET INCOME (LOSS)

YEAR ENDED DECEMBER 31 (IN MILLIONS CAS)	2015			2014		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income (loss)	\$ 129.0	\$ 308.5	\$ 437.5	\$ (299.3)	\$ 1,633.9	\$ 1,334.6
Net financial expenses	(7.7)	8.0	0.3	38.9	180.9	219.8
Income taxes	49.9	33.8	83.7	(22.7)	345.8	323.0
<b>EBIT</b>	<b>\$ 171.3</b>	<b>\$ 350.3</b>	<b>\$ 521.6</b>	<b>\$ (283.1)</b>	<b>\$ 2,160.5</b>	<b>\$ 1,877.4</b>
Impairment of investments	-	-	-	9.4	19.1	28.5
Amortization of intangible assets related to Kentz acquisition	94.0	-	94.0	36.5	-	36.5
Depreciation and amortization	68.4	-	68.4	77.2	53.5	130.8
<b>EBITDA</b>	<b>\$ 333.7</b>	<b>\$ 350.3</b>	<b>\$ 684.0</b>	<b>\$ (160.0)</b>	<b>\$ 2,233.1</b>	<b>\$ 2,073.1</b>
<b>(as % of Revenues)</b>	<b>3.6%</b>	<b>N/A</b>	<b>7.1%</b>	<b>N/A</b>	<b>N/A</b>	<b>25.2%</b>
Restructuring and right-sizing costs	80.1 <sup>(1)</sup>			259.7		
Acquisition-related costs and integration costs	19.6			62.5		
<b>Adjusted EBITDA from E&amp;C</b>	<b>\$ 433.4</b>			<b>\$ 152.8</b>		
<b>(as % of Revenues)</b>	<b>4.6%</b>			<b>2.1%</b>		

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

In 2015, EBIT from E&C was \$171.3 million, compared with a negative EBIT of \$283.1 million in 2014, mainly due to higher contributions from Oil & Gas, Infrastructure, Mining & Metallurgy and Power. In 2015, EBIT from E&C included \$162.4 million for amortization of intangible assets related to the acquisition of Kentz and depreciation and amortization, compared with \$113.7 million in 2014. This resulted in an **EBITDA from E&C of \$333.7 million in 2015**, compared with a negative EBITDA of \$160.0 million in 2014. EBITDA from E&C included \$80.1 million for restructuring and right-sizing costs in 2015, compared with \$259.7 million in 2014, as well as \$19.6 million in acquisition-related costs and integration costs in 2015, compared with \$62.5 million in 2014, in connection with the acquisition of Kentz in August 2014. As such,

the 2015 **Adjusted E&C EBITDA amounted to \$433.4 million**, which represented 4.6% of 2015 E&C revenues, compared with \$152.8 million in 2014, which represented 2.1% of 2014 E&C revenues.

**EBIT and EBITDA from Capital amounted to \$350.3 million in 2015**, compared with an EBIT from Capital of \$2,160.5 million and an EBITDA from Capital of \$2,233.1 million in 2014. In 2015, the decrease in EBIT and EBITDA is mainly explained by the fact that the net gain on disposal of the Company's investment in Ambatovy in 2015, further described in section 8.5, and higher dividends received from Highway 407 were more than offset by the gain on disposal of AltaLink in 2014. Furthermore, AltaLink is no longer contributing in 2015, whereas the contribution of AltaLink was included in the Company's results in 2014, until it was sold in December 2014. In 2014, EBIT from Capital also included depreciation and amortization of AltaLink's non-current assets until May 1<sup>st</sup>, 2014, which corresponds to the date AltaLink's assets and liabilities were classified as held for sale, as well as an impairment of investment.

## 5.4 Revenue and Gross Margin Analysis

**Revenues increased in 2015** compared with 2014, reflecting an increase in revenues from E&C, partially offset by a decrease in revenues from Capital. Revenues increased in 2014 compared with 2013, reflecting an increase in revenues from E&C and from Capital.

**Gross margin increased in 2015** compared with the previous year, reflecting an increase in gross margin from E&C, partially offset by a decrease in gross margin from Capital. Gross margin increased in 2014 compared with the previous year, reflecting a higher gross margin from E&C and from Capital.

### E&C REVENUES AND GROSS MARGIN

**E&C revenues increased in 2015** compared with 2014, due to an increase in Oil & Gas and Power, partially offset by lower revenues from Infrastructure and Mining & Metallurgy.

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

E&C gross margin increased in 2014 compared with 2013, mainly due to a favourable variance in the gross margin-to-revenue ratio in Infrastructure, partially offset by a lower volume of activity in Power. In addition, the higher gross margin from Oil & Gas was mainly due to the incremental gross margin from Kentz, partially offset by a lower volume of activity in Mining & Metallurgy in 2014.

### REVENUES FROM CAPITAL INVESTMENTS AND GROSS MARGIN

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

Revenues and gross margin from Capital decreased in 2015 compared with 2014, mainly reflecting the disposal of the Company's ownership interest in AltaLink in 2014, which is no longer contributing in 2015.

## 5.5 Selling, General and Administrative Expenses Analysis

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014	CHANGE (%)
Selling costs	\$ 188.4	\$ 188.4	-
General and administrative expenses	667.2	653.0	2.2%
<b>Selling, general and administrative expenses</b>	<b>\$ 855.6</b>	<b>\$ 841.4</b>	<b>1.7%</b>

Selling, general and administrative expenses in 2015 were in line with 2014, despite a full year of incremental selling, general and administrative expenses from Kentz. This is mainly attributable to costs savings resulting from the Company's restructuring and right-sizing plans, including the "STEP Change" program launched in September 2015.

In 2015 and 2014, the Company's **corporate** selling, general and administrative expenses included, amongst others, the following expenses:

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014
Investigations and related matters	\$ 6.5	\$ (8.2) <sup>(1)</sup>
Expenses related to new information technology systems	19.0	28.3
Expenses related to the Compliance Program	19.9	18.5
<b>Total</b>	<b>\$ 45.4</b>	<b>\$ 38.6</b>

(1) As disclosed in Note 32 to the Company's 2015 audited annual consolidated financial statements, the Company was recognized as an injured party in 2014 in the context of certain proceedings and was entitled to recover an amount of \$17.2 million plus interests in connection therewith.

In accordance with the methodology described in Note 4 to the Company's 2015 audited annual consolidated financial statements, **corporate** selling, general and administrative expenses that are not directly related to projects or segments are no longer allocated to each of the Company's segments.

## 5.6 Restructuring Costs

In 2015, the Company successfully completed its previously announced "STEP Change" program. This program has delivered increased competitiveness and agility, as well as identifying a significant number of cost reduction initiatives. It has also aligned the organization with market conditions. For the year ended December 31, 2015, the Company recorded a total of \$87.7 million after taxes (\$116.4 million before taxes) of charges relating to its restructuring and right-sizing plan, including the "STEP Change" program, which is \$7 million after taxes less than previously announced.

In 2014, the Company restructured certain of its activities and, in November 2014, announced that it will take a number of steps to restructure and right-size certain areas of its business as it continues to execute its five-year strategic plan and to build a global Tier-1 engineering and construction firm. A total of \$109.9 million of restructuring costs were incurred in 2014.

The restructuring costs recognized in 2015 and 2014 were mainly for severances, the disposal of certain activities and closure of certain offices.

## 5.7 Impairment of investments

In 2015, there were no impairment of investments, whereas during the year ended December 31, 2014, SNC-Lavalin recognized impairment losses on two of its investments accounted for by the equity method, one included in the Capital segment and one included in the Oil & Gas segment, for a combined amount of \$28.5 million.

## 5.8 Acquisition-Related Costs and Integration Costs

In 2015, the Company incurred acquisition-related costs and integration costs totalling \$19.6 million, attributable to the integration of Kentz. In 2014, the Company incurred acquisition-related costs and integration costs totaling \$62.5 million attributable to the acquisition of Kentz, due to a \$34.7 million unfavourable remeasurement of a foreign exchange hedge settled in the third quarter of 2014, as well as \$27.8 million of professional fees and other related costs.

## 5.9 Net gain on disposals of Capital investments

In 2015, in line with its business strategy, the Company completed the disposal of its investment in Ambatovy, resulting in a gain before taxes of \$174.3 million (\$145.7 million after taxes). In 2014, the Company disposed of its investments in AltaLink and Astoria for gains before taxes of \$1,558.4 million and \$61.1 million respectively, and of its investment in Ovation for a loss before taxes of \$4.1 million, resulting in a cumulative net gain before taxes of \$1,615.4 million (\$1,334.2 million after taxes).

## 5.10 Net Financial Expenses

**Net financial expenses decreased in 2015** compared with 2014, reflecting a decrease from Capital and from E&C.

**Net financial expenses from E&C decreased in 2015** compared with 2014, mainly resulting from a net foreign exchange gain of \$37.0 million primarily due to intragroup loans used for repayment of recourse debt of Kentz in 2014. In 2015, the Company entered into foreign exchange derivative instruments to economically hedge the foreign exchange portion of the abovementioned intragroup loans.

**Net financial expenses from Capital decreased in 2015** compared with 2014, primarily due to the disposal of AltaLink in the fourth quarter of 2014.

YEAR ENDED DECEMBER 31 (IN MILLIONS CAS)	2015			2014		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	\$ (12.4)	\$ (19.6)	\$ (32.0)	\$ (6.6)	\$ (16.2)	\$ (22.8)
Interest on debt:						
Recourse	24.9	-	24.9	59.2	-	59.2
Non-recourse						
AltaLink	-	-	-	-	178.2	178.2
Other	-	26.8	26.8	-	25.1	25.1
Net foreign exchange losses (gains)	(42.9)	0.1	(42.9)	(28.7)	(9.2)	(37.9)
Other	22.7	0.7	23.5	15.0	2.9	18.0
Net financial expenses	\$ (7.7)	\$ 8.0	\$ 0.3	\$ 38.9	\$ 180.9	\$ 219.8

## 5.11 Income Taxes Analysis

Income taxes have decreased to \$83.7 million in 2015 from \$323.0 million in 2014, as a result of a significant decrease in income taxes from Capital, mainly due to the gain on disposal of the Company's investment in AltaLink in 2014. This decrease was partly offset by an income tax expense from E&C in 2015, compared to a recovery of income taxes in 2014.

The effective income tax rate from E&C increased in 2015 compared with 2014. The effective income tax rate from E&C was in line with the statutory income tax rate of 26.6% in 2015.

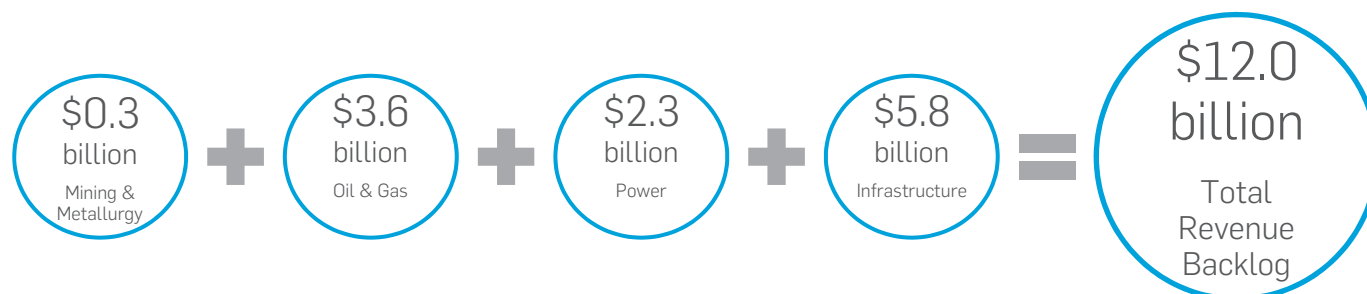
The low effective income tax rate from E&C in 2014, when compared with the Company's statutory income tax rate of 26.5%, mainly reflected losses that did not generate an income tax benefit, the effect of valuation allowances on previously recognized deferred income tax assets, as well as permanent differences, including non-deductible restructuring costs and acquisition-related costs, partially offset by the geographic mix of earnings (loss) before income taxes.

The effective income tax rate from Capital investments decreased in 2015 compared with 2014. The decrease in effective income tax rate from Capital in 2015 compared with 2014 is mainly attributable to the taxable capital gain on disposal of AltaLink in the fourth quarter of 2014, partially offset by a taxable capital gain realized on the disposal of the Company's investment in Ambatovy in 2015. In addition, the income tax rate has decreased due to a greater proportion of non-taxable EBIT in 2015 compared with 2014, which is mainly due to the dividends received from Highway 407.

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

YEAR ENDED DECEMBER 31 (IN MILLIONS CAS)	2015			2014		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Earnings (loss) before income taxes	\$ 179.0	\$ 342.3	\$ 521.3	\$ (322.0)	\$ 1,979.6	\$ 1,657.6
Income taxes	\$ 49.9	\$ 33.8	\$ 83.7	\$ (22.7)	\$ 345.8	\$ 323.0
Effective income tax rate (%)	27.9%	9.9%	16.1%	7.1%	17.5%	19.5%

## 6 Revenue Backlog



The Company reports revenue backlog, which is a non-IFRS financial measure, for **E&C**. Revenue backlog is a **forward-looking indicator of anticipated revenues** to be recognized by the Company. It is determined based on **contract awards** that are considered **firm**.

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

Revenue backlog includes reimbursable contracts (40% in 2015) and fixed-price contracts (60% in 2015).

## REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

AT DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>
BY SEGMENT		
<b>Mining &amp; Metallurgy</b>	\$ 279.0	\$ 774.6
<b>Oil &amp; Gas</b>	\$ 3,594.5	\$ 4,927.2
<b>Power</b>	\$ 2,320.7	\$ 2,512.4
<b>Infrastructure</b>		
Infrastructure & Construction	\$ 3,819.0	\$ 2,163.4
O&M	1,978.7	1,947.9
Subtotal - Infrastructure	\$ 5,797.7	\$ 4,111.3
<b>Total</b>	<b>\$ 11,991.9</b>	<b>\$ 12,325.5</b>
FROM CANADA AND OUTSIDE CANADA		
From Canada	\$ 6,081.7	\$ 5,171.8
Outside Canada	5,910.2	7,153.6
<b>Total</b>	<b>\$ 11,991.9</b>	<b>\$ 12,325.5</b>

(1) Comparative figures have been restated to reflect the changes made to the Company's segment reporting structure.

The Company's revenue backlog decreased at December 31, 2015 compared with 2014, reflecting a decrease in Oil & Gas, Mining & Metallurgy, and Power, partially offset by an increase in Infrastructure.

Backlog from Canada increased in 2015, primarily due to an increase in Infrastructure, partially offset by a decrease in Power, Mining & Metallurgy, and Oil & Gas.

Backlog from Outside Canada decreased in 2015, principally due to a decrease in Oil & Gas and Mining & Metallurgy, partially offset by an increase in Power and Infrastructure.

### 6.1 Backlog Reconciliation

In the following section, the Company presents its "booking-to-revenue ratio" by category of activity, a non-IFRS measure. The ratio is obtained by dividing the contract bookings by the revenues, for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in section 3.2, which can be a significant portion of the budgeted and/or forecasted revenues.



YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$ EXCEPT FOR BOOKING-TO-REVENUE RATIO)		2015	2014
Opening backlog		\$ 12,325.5	\$ 8,287.8
Add: Contract bookings during the year		9,030.0	6,041.5
Backlog from business acquisitions, net of disposals		-	5,330.8
Less: Revenues recognized during the year		9,363.5	7,334.7
<b>Ending backlog</b>		<b>\$ 11,991.9</b>	<b>\$ 12,325.5</b>
<b>Booking-to-revenue ratio</b>		<b>0.96</b>	<b>0.82</b>

In 2015, major contract awards include the Eglinton Crosstown and the New Champlain Bridge Corridor project, as described in section 8.5, as well as the Keys Energy Center project in the United States. In 2014, major additions to the backlog included projects of Kentz, acquired by the Company on August 22, 2014, as well as the John Hart Generating Station Replacement Facility in Canada.

Note that the backlog as at December 31, 2015 excludes SNC-Lavalin's share of the recently awarded \$2.75 billion contract for the execution phase of a nuclear refurbishment project announced in January 2016.

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

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

(IN MILLIONS CA\$)	INCLUDED IN BACKLOG							NOT INCLUDED IN BACKLOG
	2016	2017	2018	2019	2020	TOTAL	THEREAFTER	
O&M backlog	\$ 496.9	\$ 433.7	\$ 405.3	\$ 361.6	\$ 281.2	\$ 1,978.7	\$ 3,490.6	



## Geographic Breakdown of Revenues by Category of Activity

YEAR ENDED DECEMBER 31  
(IN MILLIONS CA\$)

	2015			
	E&C	CAPITAL	TOTAL	%
Canada	\$ 4,023.9	\$ 189.7	\$ 4,213.6	44%
Middle East	1,393.1	-	1,393.1	15%
Australia	1,391.3	-	1,391.3	14%
United States	766.4	2.0	768.4	8%
Africa	654.2	15.5	669.7	7%
Latin America	559.9	-	559.9	6%
Europe	506.2	16.2	522.4	5%
Other Regions	68.6	-	68.6	1%
<b>Total</b>	<b>\$ 9,363.5</b>	<b>\$ 223.4</b>	<b>\$ 9,587.0</b>	<b>100%</b>

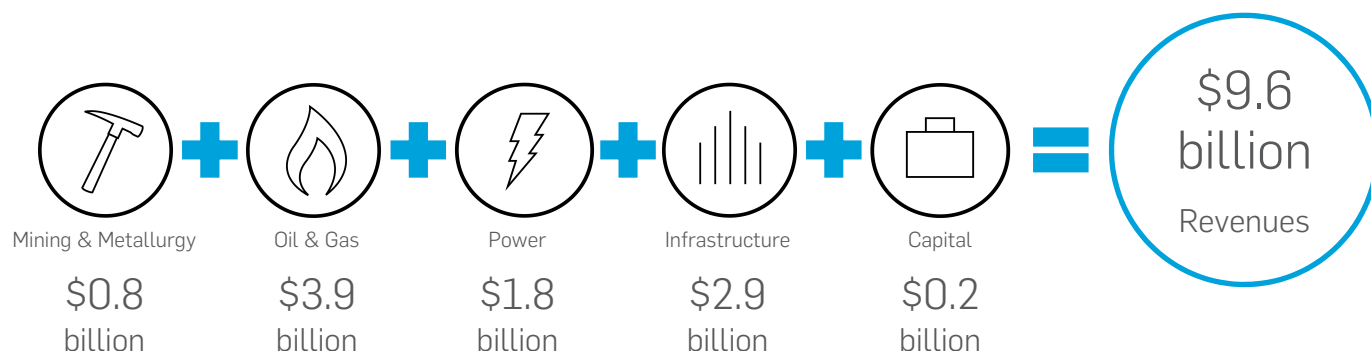
YEAR ENDED DECEMBER 31  
(IN MILLIONS CA\$)

	2014 <sup>(1)</sup>			
	E&C	CAPITAL	TOTAL	%
Canada	\$ 4,057.1	\$ 856.9	\$ 4,914.1	60%
Middle East	567.7	-	567.7	7%
Australia	411.4	-	411.4	5%
United States	535.9	14.2	550.0	7%
Africa	449.6	20.7	470.3	6%
Latin America	609.2	-	609.2	7%
Europe	583.5	12.3	595.8	7%
Other regions	120.3	-	120.3	1%
<b>Total</b>	<b>\$ 7,334.7</b>	<b>\$ 904.1</b>	<b>\$ 8,238.8</b>	<b>100%</b>

(1) Comparative figures have been restated to reflect the revenues from Australia, which were formerly included in Asia Pacific & Other regions.

- > **Revenues in Canada decreased in 2015** compared with 2014, mainly due to a decrease in Capital, Infrastructure, and Mining & Metallurgy, partially offset by an increase from Power. The decrease in Capital is primarily due to the disposal of AltaLink in 2014.
- > **Revenues from the Middle East increased in 2015** compared with 2014, primarily due to an increase in Oil & Gas, Mining & Metallurgy, and Infrastructure.
- > **Revenues in Australia increased in 2015** compared with 2014, mainly attributable to an increase in Oil & Gas.
- > **Revenues from the United States increased in 2015** compared with 2014, mainly reflecting an increase in Power and Oil & Gas.
- > **Revenues from Africa increased in 2015** compared with 2014, primarily due to an increase in Oil & Gas and Infrastructure, partially offset by a decrease in Power.
- > **Revenues in Latin America decreased in 2015** compared with 2014, principally reflecting a decrease in Power, Mining & Metallurgy, and Infrastructure, partially offset by an increase in Oil & Gas.
- > **Revenues from Europe decreased in 2015** compared with 2014, mainly due to a decrease in Power and Infrastructure.
- > **Revenues from other regions, decreased in 2015** compared with the previous year, mainly reflecting a decrease in Power and Oil & Gas.

## 8 Segmented Information



As mentioned previously, the Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. The Company presents the information in the way management performance is evaluated, and regroups its projects within the related industries.

In the first quarter of 2015, the Company revised its reportable segments to reflect a change made to its internal reporting structure and retrospectively reclassified the Environment & Water sub-segment included in the previously named Resources, Environment and Water segment to the Infrastructure & Construction sub-segment included in the Infrastructure segment. In addition, in April 2015, the Company announced certain organizational changes in order to further align its business structure with its markets. This reorganization resulted in certain changes in the way activities are regrouped and reportable segments are presented and analyzed. As such, the Company's reportable segments are now i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; and v) **Capital**.

Furthermore, corporate selling, general and administrative expenses that are not directly related to projects or segments are no longer allocated to the Company's segments starting January 2015. Therefore, the Company's segment EBIT no longer includes these corporate selling, general and administrative expenses, which used to be allocated based on the gross margin of each of these segments. The Company believes that the use of such segment EBIT will improve the quality of its segments disclosure by providing information that is more comparable relating to their results from operations.

Therefore, since January 2015, the Company evaluates segment performance using **segment EBIT**, which consists, except for the Capital segment, of gross margin less i) directly related selling, general and administrative expenses, ii) corporate selling, general and administrative expenses that are directly related to projects or segments; and iii) non-controlling interests before taxes. Corporate selling, general and administrative expenses that are not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs and integration costs and amortization of intangible assets related to Kentz acquisition are not allocated to the Company's segments. Comparative figures in this MD&A have been restated to reflect all changes to the Company's reportable segments mentioned above.

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

YEAR ENDED DECEMBER 31 (IN MILLIONS CAS)	2015		
BY SEGMENT	REVENUES	SEGMENT EBIT	SEGMENT EBIT OVER REVENUES
<b>Mining &amp; Metallurgy</b>	\$ 780.9	\$ 73.1	9.4%
<b>Oil &amp; Gas</b>	\$ 3,914.6	\$ 300.6	7.7%
<b>Power</b>	\$ 1,784.8	\$ 116.4	6.5%
<b>Infrastructure</b>			
Infrastructure & Construction	\$ 1,847.7	\$ (2.2)	(0.1%)
O&M	1,035.5	54.4	5.3%
Subtotal - Infrastructure	\$ 2,883.2	\$ 52.2	1.8%
<b>Total – E&amp;C</b>	<b>\$ 9,363.5</b>	<b>\$ 542.3</b>	<b>5.8%</b>
<b>Capital</b>	<b>\$ 223.4</b>	<b>\$ 368.4</b>	<b>164.9%</b>
<b>Total</b>	<b>\$ 9,587.0</b>	<b>\$ 910.7</b>	<b>9.5%</b>
Less:			
Restructuring costs		\$ (116.4)	
Corporate selling, general and administrative expenses and others not allocated to segments		(199.0)	
Acquisition-related costs and integration costs		(19.6)	
Amortization of intangible assets related to Kentz acquisition		(94.0)	
Reversal of non-controlling interests before income taxes		39.8	
<b>EBIT</b>		<b>\$ 521.6</b>	

YEAR ENDED DECEMBER 31 (IN MILLIONS CAS)	2014 <sup>(1)</sup>		
BY SEGMENT	REVENUES	SEGMENT EBIT	SEGMENT EBIT OVER REVENUES
<b>Mining &amp; Metallurgy</b>	\$ 971.8	\$ 6.7	0.7%
<b>Oil &amp; Gas</b>	\$ 1,730.1	\$ (2.0)	(0.1%)
<b>Power</b>	\$ 1,350.3	\$ 81.6	6.0%
<b>Infrastructure</b>			
Infrastructure & Construction	\$ 1,969.1	\$ (128.8)	(6.5%)
O&M	1,313.4	43.8	3.3%
Subtotal - Infrastructure	\$ 3,282.5	\$ (85.0)	(2.6%)
<b>Total – E&amp;C</b>	<b>\$ 7,334.7</b>	<b>\$ 1.2</b>	<b>0.0%</b>
<b>Capital</b>	<b>\$ 904.1</b>	<b>\$ 2,210.2</b>	<b>244.5%</b>
<b>Total</b>	<b>\$ 8,238.8</b>	<b>\$ 2,211.4</b>	<b>26.8%</b>
Less:			
Restructuring costs		\$ (109.9)	
Corporate selling, general and administrative expenses and others not allocated to segments		(126.6)	
Acquisition-related costs and integration costs		(62.5)	
Amortization of intangible assets related to Kentz acquisition		(36.5)	
Reversal of non-controlling interests before income taxes		1.5	
<b>EBIT</b>		<b>\$ 1,877.4</b>	

(1) Comparative figures have been restated to reflect changes made to segment reporting structure and measure of profit and loss for the Company's reportable segments.

## 8.1 Mining & Metallurgy

The **Mining & Metallurgy** sector combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizers and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects. The Mining & Metallurgy sector derives its revenues from reimbursable contracts (40% in 2015) and fixed-price contracts (60% in 2015).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	CHANGE (%)
Revenues from Mining & Metallurgy	\$ 780.9	\$ 971.8	(19.6%)
Segment EBIT from Mining & Metallurgy	\$ 73.1	\$ 6.7	992.8%
Segment EBIT over revenues from Mining & Metallurgy (%)	9.4%	0.7%	
Revenue backlog at year end	\$ 279.0	\$ 774.6	(64.0%)

(1) Comparative figures have been restated to reflect changes made to the measure of profit and loss for the Company's reportable segments.

**Mining & Metallurgy revenues decreased in 2015** compared with 2014, reflecting a lower level of activity mainly attributable to the prolonged softening of the commodity markets and the completion or near completion of certain major projects.

The **major revenue contributors in 2015** included work on sulphuric acid plants in the Middle East and Europe, an atmospheric emissions reduction project for a nickel smelter complex in Canada, as well as projects related to potash in Western Canada.

The Company's **segment EBIT from Mining & Metallurgy increased in 2015** compared with 2014, mainly due to a higher gross margin-to-revenue ratio and a lower level of selling, general and administrative expenses, partially offset by a lower volume of activity. In 2015, the gross margin-to-revenue ratio included \$23.3 million in favourable outcomes from certain projects in North Africa.

In 2014, the gross margin-to-revenue ratio was negatively impacted by some demobilization costs on certain completed or near completed projects aimed at right-sizing certain activities in the Company. The gross margin-to-revenue ratio also included the impact of favourable cost reforecasts on certain projects in the Middle East that were offset by additional reserves on certain projects in North Africa.

## 8.2 Oil & Gas

**Oil & Gas** includes projects in the upstream, midstream, downstream (and supporting infrastructure) sectors for major oil and gas and resources companies, supporting these clients operating across the asset lifecycle from front end evaluation through decommissioning (capital expenditures and operational expenditures). Consistent with the way the Company's performance is evaluated, the Oil & Gas segment includes all projects executed by Kentz at the time of its acquisition by the Company in August 2014. The Oil & Gas sector derives its revenues from both reimbursable contracts (80% in 2015) and fixed-price contracts (20% in 2015).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	CHANGE (%)
Revenues from Oil & Gas	\$ 3,914.6	\$ 1,730.1	126.3%
Segment EBIT from Oil & Gas	\$ 300.6	\$ (2.0)	N/A
Segment EBIT over revenues from Oil & Gas (%)	7.7%	(0.1%)	
Revenue backlog at year end	\$ 3,594.5	\$ 4,927.2	(27.0%)

(1) Comparative figures have been restated to reflect changes made to the measure of profit and loss for the Company's reportable segments.

**Oil & Gas revenues increased in 2015** compared with the previous year, primarily reflecting incremental revenues from Kentz, acquired on August 22, 2014.

The **major revenue contributors in 2015** included work on Liquefied Natural Gas ("LNG") projects in Australia, a refinery expansion project in Latin America, and engineering and an Oil & Gas infrastructure in Southern Africa. Other major revenue contributors for 2015 also included Supervisory Control and Data Acquisition ("SCADA") network infrastructures in the Middle East, Oil & Gas facilities and infrastructure in the Middle East, as well as work on a refinery and chemical complex in the United States.

**Segment EBIT from Oil & Gas was \$300.6 million in 2015**, compared with a negative segment EBIT of \$2.0 million in 2014, mainly reflecting a higher gross margin-to-revenue ratio, as well as a higher volume of activity from the acquisition of Kentz, partially offset by its incremental selling, general and administrative expenses. The 2015 gross margin includes a favourable impact of \$10.4 million on a completed project in Latin America.

The gross margin in 2014 was negatively impacted by some demobilization costs on certain completed or near completed projects aimed at right-sizing certain activities in the Company. In addition, there was a negative impact totalling \$72.5 million from losses on certain projects in Latin America due to an increase in counterparty credit risk, unfavourable cost reforecasts on a legacy fixed-price project in North Africa, more specifically in Algeria, as well as a provision for loss recognized during the warranty period on a completed legacy project.

## 8.3 Power

**Power** includes projects and services in hydro, nuclear and thermal power generation, renewable power generation, energy from waste, and electrical transmission and distribution systems. The Power sector derives its revenues from both reimbursable contracts (50% in 2015) and fixed-price contracts (50% in 2015).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	CHANGE (%)
Revenues from Power	\$ 1,784.8	\$ 1,350.3	32.2%
Segment EBIT from Power	\$ 116.4	\$ 81.6	42.6%
Segment EBIT over revenues from Power (%)	6.5%	6.0%	
Revenue backlog at year end	\$ 2,320.7	\$ 2,512.4	(7.6%)

(1) Comparative figures have been restated to reflect changes made to the measure of profit and loss for the Company's reportable segments.

**Power revenues increased in 2015** compared with 2014, mainly reflecting the fact that revenues generated between the Company and AltaLink are no longer eliminated in 2015 since the latter's disposal in December 2014, whereas only profits from these projects were recognized prior to the transaction date. Additionally, there was a higher level of activity from certain projects related to gas-fired combined cycle power plants in the United States in 2015. The increase in revenue in 2015 compared with 2014 was partially offset by a lower level of activity due to substantial or near completion of certain projects in 2015, namely a gas-fired combined cycle power plant in the United States, a hydroelectric power facility in Western Canada, a combined cycle power plant in Poland, and a nuclear generating station in Latin America.

The **major revenue contributors in 2015** included work on transmission lines in Western Canada, a nuclear generating station in Canada, gas-fired combined cycle power plants in the United States, hydroelectric power facilities in Western Canada, as well as a dam rehabilitation project in Southern Africa.

The Company's **segment EBIT from Power increased in 2015** compared with 2014 mainly reflecting a higher volume of activity combined with lower selling, general and administrative expenses, partially offset by a lower gross margin-to-revenue ratio. In 2015, the gross margin included a net adverse impact of \$19.5 million from reforecasts on certain major projects outside of Canada, whereas the gross margin of 2014 included an unfavourable impact mainly from additional reserves and cost reforecasts for a net total amount of \$50.4 million.

In 2014, the segment EBIT-to-revenue ratio was positively impacted due to the elimination of revenues generated between the Company and AltaLink, as described above. In 2015, following the Company's disposal of its investment in AltaLink in December 2014, revenues generated between the Company and AltaLink are no longer eliminated.



## 8.4 Infrastructure

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

### INFRASTRUCTURE & CONSTRUCTION

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

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	CHANGE (%)
Revenues from Infrastructure & Construction	\$ 1,847.7	\$ 1,969.1	(6.2%)
Sub-segment EBIT from Infrastructure & Construction	\$ (2.2)	\$ (128.8)	(98.3%)
Sub-segment EBIT over revenues from Infrastructure & Construction (%)	(0.1%)	(6.5%)	
Revenue backlog at year end	\$ 3,819.0	\$ 2,163.4	76.5 %

(1) Comparative figures have been restated to reflect changes made to segment reporting structure and measure of profit and loss for the Company's reportable segments.

**Revenues from Infrastructure & Construction decreased in 2015** compared with 2014, principally reflecting a lower level of activity due to the substantial completion of a major hospital project in the second half of 2014 and the near completion of a mass transit project in 2015. The decrease was partially offset by revenues from contracts awarded in 2015 and work on a major highway project.

The **major revenue contributors in 2015** included work on mass transit systems in Western and Central Canada, hospitals in Eastern Canada, a highway in Central Canada, as well as a new bridge corridor in Eastern Canada.

**Sub-segment EBIT from Infrastructure & Construction was negative \$2.2 million in 2015** compared with a negative sub-segment EBIT of \$128.8 million in 2014, principally reflecting a higher gross margin-to-revenue ratio and a decrease in selling, general and administrative expenses. Unfavourable cost reforecasts on a major highway project and a mass transit project, both in Canada, had an adverse impact of \$33.8 million on gross margin in 2015, which was partially offset by \$29.8 million in net favourable outcomes from reforecasts of certain projects and close out on certain legacy projects.

In 2014, legacy fixed-price contracts negatively impacted gross margin by a net amount of \$112.4 million, mainly due to an additional loss and unfavourable cost reforecasts on certain major hospital projects. This negative impact was partially offset by a net favourable impact of \$35.3 million on gross margin explained by i) the reversal of a risk provision on a Libyan project, partially offset by ii) a risk provision recorded in the first quarter of 2014 covering in full the cash held in Libya caused by the increasing risk on the availability of such funds. Further explaining the negative sub-segment EBIT in 2014 were additional costs on a mass transit project in Canada in the fourth quarter of 2014.

## O&M

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

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

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

The O&M sector derives its revenues from both reimbursable contracts (45% in 2015) and fixed-price contracts (55% in 2015).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	CHANGE (%)
Revenues from O&M			
Integrated Real Estate Solutions	\$ 528.8	\$ 801.6	(34.0%)
Industrial	162.0	179.3	(9.7%)
Transportation	167.0	157.9	5.8%
Defence & logistics	177.7	174.6	1.8%
<b>Total</b>	<b>\$ 1,035.5</b>	<b>\$ 1,313.4</b>	<b>(21.2%)</b>
Sub-segment EBIT from O&M	\$ 54.4	\$ 43.8	24.2%
Sub-segment EBIT over revenues from O&M (%)	5.3 %	3.3%	
Revenue backlog at year end	\$ 1,978.7	\$ 1,947.9	1.6%

(1) Comparative figures have been restated to reflect changes made to the measure of profit and loss for the Company's reportable segments.

**Revenues from O&M decreased in 2015** compared with 2014, mainly reflecting a lower level of activity, principally attributable to the non-renewal of an unprofitable contract for the management of government buildings, facilities and land in Canada.

**Sub-segment EBIT from O&M increased in 2015** compared with 2014, mainly reflecting a higher gross margin-to-revenue ratio, partially offset by a lower volume of activity.

## 8.5 Capital

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated/whole-lifecycle engineering, construction, operations and maintenance revenues. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes capital investments in certain infrastructure for public services such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities.

It is the Company's view that the aggregate fair value of its Capital investments is much higher than their net book value of \$452.0 million. Highway 407 is considered to represent the most significant portion of the total fair value of the Company's Capital investments portfolio.

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

Capital investments net book value, as at December 31, 2015 and 2014, can be summarized as followed:

AT DECEMBER 31 (IN MILLIONS CAS)	NET BOOK VALUE	
	2015	2014
Highway 407 <sup>(1)</sup>	\$ -	\$ -
Others	452.0	812.8
<b>Total</b>	<b>\$ 452.0</b>	<b>\$ 812.8</b>

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

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

## ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

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

## REVENUES, SEGMENT EBIT AND DIVIDENDS OF THE CAPITAL SEGMENT

For the year ended December 31, 2015, the Capital segment EBIT decreased to \$368.4 million, compared with \$2,210.2 million in 2014. EBIT from Highway 407, which corresponds to the dividends paid to SNC-Lavalin (see explanations below), increased to \$125.8 million in 2015 from \$122.5 million in 2014.

YEAR ENDED DECEMBER 31 (IN MILLIONS CAS)	2015	2014 <sup>(1)</sup>
<b>Revenues from Capital</b>	<b>\$ 223.4</b>	<b>\$ 904.1</b>
Segment EBIT from Capital investments:		
From Highway 407	<b>\$ 125.8</b>	\$ 122.5
From AltaLink <sup>(2)</sup>	<b>-</b>	412.5
From other Capital investments <sup>(3)</sup>	<b>68.2</b>	59.8
From gain on disposals or partial disposal of Capital investments	<b>174.4</b>	1,615.4
<b>Segment EBIT from Capital</b>	<b>\$ 368.4</b>	<b>\$ 2,210.2</b>
Dividends and distributions received by SNC-Lavalin from Capital investments accounted for by the equity method:		
From Highway 407	<b>\$ 125.8</b>	\$ 122.5
From other Capital investments	<b>31.3</b>	36.2
<b>Total</b>	<b>\$ 157.1</b>	<b>\$ 158.7</b>

(1) Comparative figures have been restated to reflect changes made to the measure of profit and loss for the Company's reportable segments.

(2) Starting May 1, 2014, the Company ceased to depreciate and amortize non-current assets of AltaLink on a prospective basis. The Company completed the sale of its 100% ownership interest in AltaLink in December 2014, date at which it ceased to consolidate the results of operations from AltaLink.

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

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

The Company recognized in its income statement dividends received from Highway 407 of \$125.8 million in 2015 (2014: \$122.5 million) and did not recognize its share of Highway 407's net income of \$52.2 million (2014: \$37.4 million) in the same period, as the carrying amount of its investment in Highway 407 was \$nil at December 31, 2015 and December 31, 2014.

**Revenues from Capital decreased in 2015** compared with 2014, mainly due to the disposal of AltaLink in December 2014, which is no longer contributing to the Company's revenues from Capital in 2015.

**Segment EBIT from Capital decreased in 2015** compared with 2014, mainly reflecting the gain on disposal of the Company's investment in Ambatovy and higher dividends received from Highway 407, more than offset by the disposal of the Company's ownership interest in AltaLink in December 2014.

## CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2015:

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP ("407 EDGGP")	50%	Equity	Yes	2012	2045	Under construction	Upon completion of the design and construction, it will operate, maintain and rehabilitate Phase 1 of the new highway 407 East.
GROUPE IMMOBILIER SANTÉ MCGILL ("MIHG")	60%	Equity	Yes	2010	2044	In operation	Operates and maintains the McGill University Health Centre's new Glen Campus.
INPOWER BC GENERAL PARTNERSHIP ("INPOWER BC")	100%	Full consolidation	Yes	2014	2033	Under construction	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility, in Canada.
RAINBOW HOSPITAL PARTNERSHIP ("RAINBOW")	100%	Full consolidation	Yes	2011	2044	In operation	Operates and maintains certain functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick.
RAYALSEEMA EXPRESSWAY PRIVATE LIMITED ("REPL")	36.9%	Equity	Yes	2010	2040	Under construction	Builds and will operate a 189-km section of a toll highway in India, under a 30-year concession agreement.
RIDEAU TRANSIT GROUP PARTNERSHIP ("RIDEAU")	40%	Equity	Yes	2013	2043	Under construction	Designs, builds, finances and, once construction is completed, will maintain the Confederation Line, City of Ottawa's light rail transit system.
ASTORIA PROJECT PARTNERS II LLC ("ASTORIA II")	6.2%	Cost	No	2008	N/A	In operation	Astoria II owns and operates a 550-MW natural gas-fired combined cycle power plant in Queens, New York. Astoria II signed a 20-year firm Power Purchase Agreement with the New York Power Authority ("NYPA").
CHINOOK ROADS PARTNERSHIP ("CHINOOK")	50%	Equity	Yes	2010	2043	In operation	Operates and maintains the southeast Stoney Trail, being the southeast leg of the Ring Road for the City of Calgary.
407 INTERNATIONAL INC. ("HIGHWAY 407")	16.77%	Equity	No	1999	2098	In operation	Operates, maintains and manages highway 407, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
INTRANSIT BC LIMITED PARTNERSHIP ("INTRANSIT BC")	33.3%	Equity	Yes	2005	2040	In operation	InTransit BC operates and maintains the Canada Line, a 19-km rapid transit line connecting the cities of Vancouver and Richmond with Vancouver International Airport in British Columbia under a 35-year concession agreement.

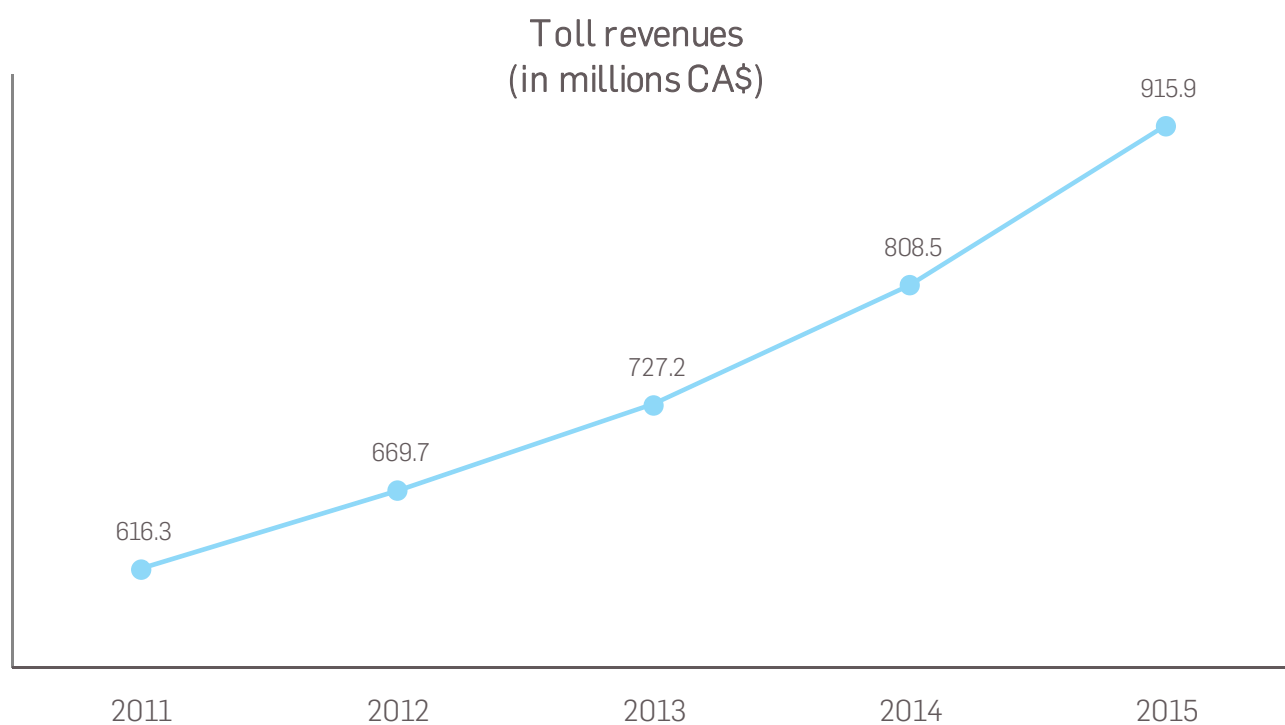
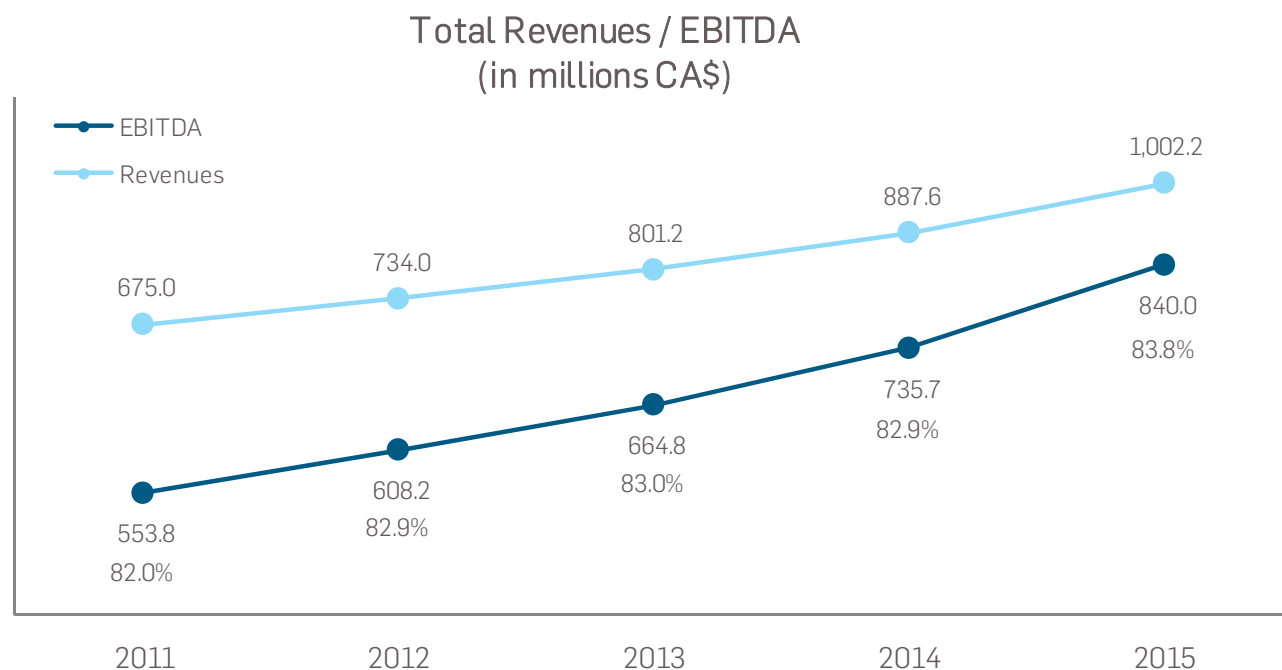
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINGTON CROSSTOWN")							
	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m <sup>3</sup> /day seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227-MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3-km electric cog railway in France.
	10%	Cost	N/A	2012	N/A	Ongoing activities (construction and operation)	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India.
	50%	Equity	Yes	2015	2049	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the New Champlain Bridge Corridor project.
	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.

N/A: not applicable

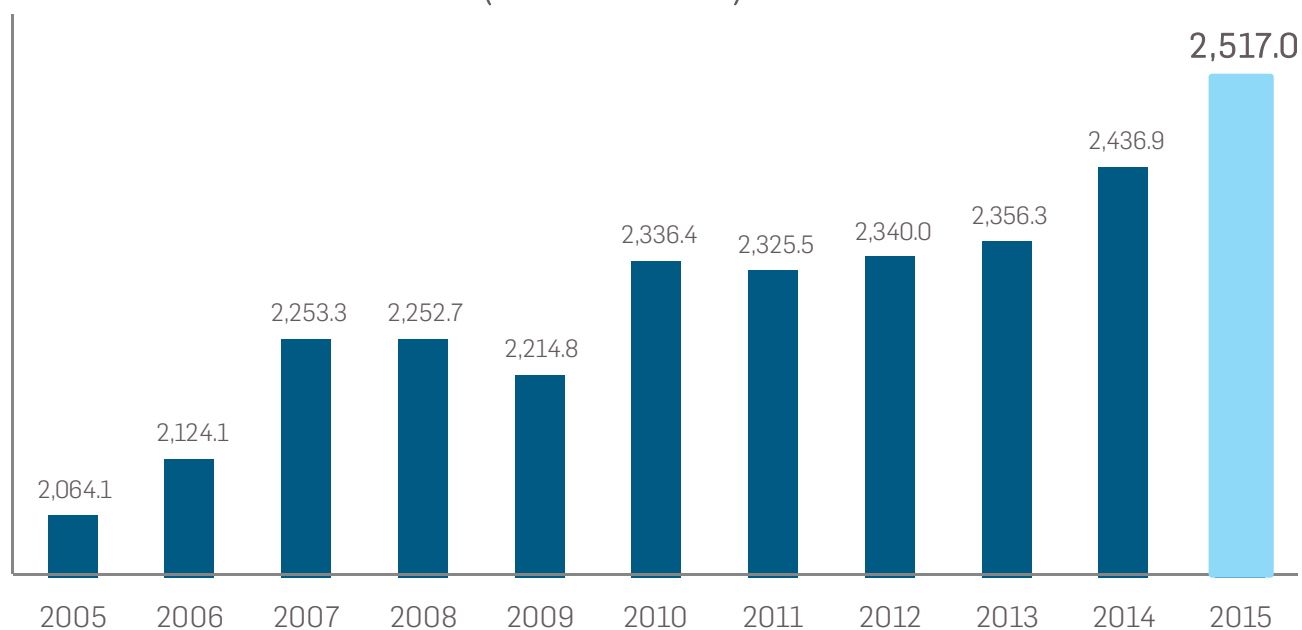
## HIGHWAY 407

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

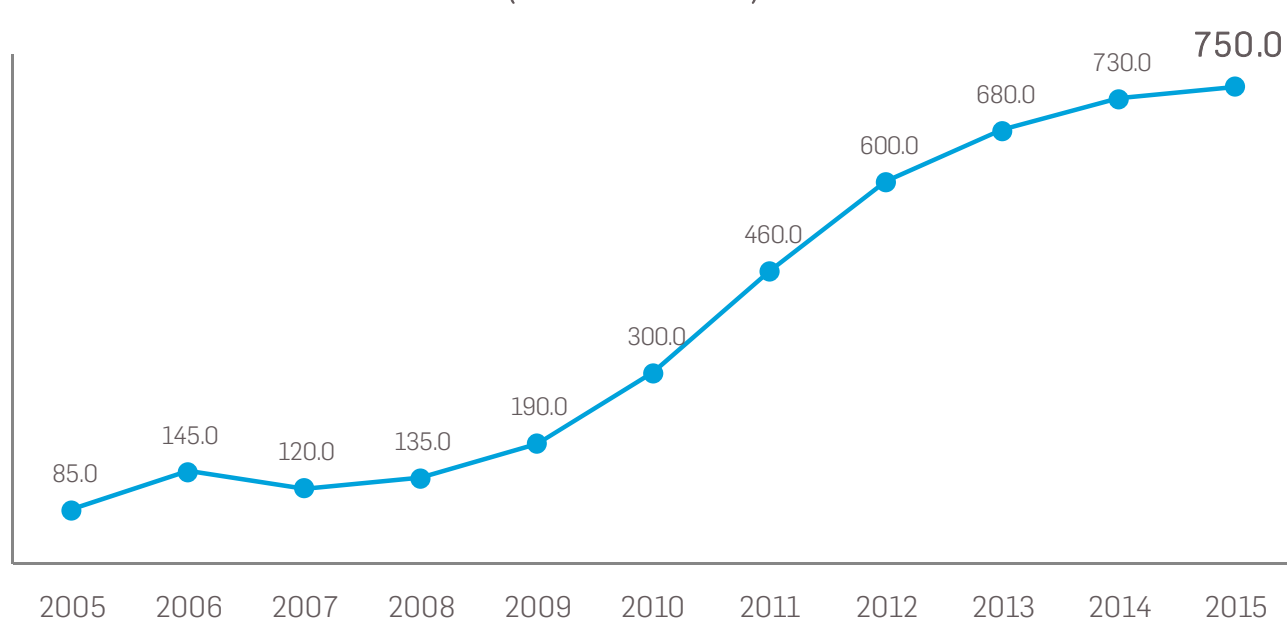
## 407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS



Gross Vehicle Kilometres Travelled  
(in millions - km)

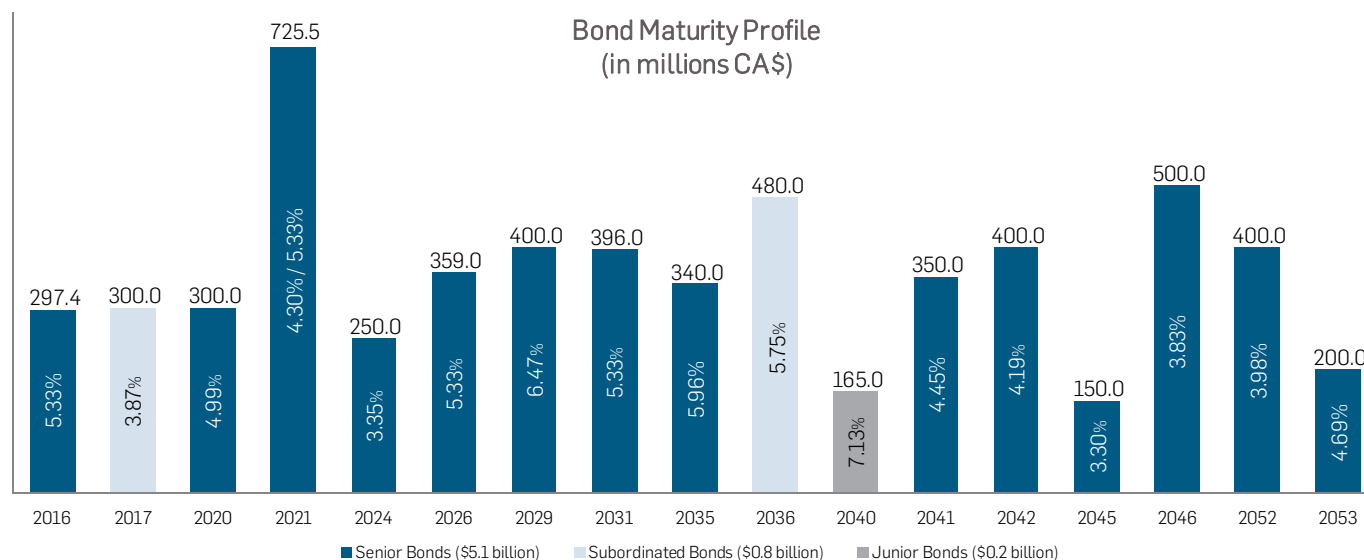


Dividends Paid  
(in millions CA\$)





## 407 INTERNATIONAL INC. BOND MATURITY PROFILE



407 International Inc.'s acquisition of 407 ETR in May 1999 was, and the development of Highway 407 is, partially financed with debt. In conjunction with its financial advisors, 407 International Inc. developed a financing plan referred as the "Capital Markets Platform". This financing plan encompasses an ongoing program capable of accommodating a variety of corporate debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly issued and privately placed debt securities, commercial paper, medium-term notes, interest rate and currency swaps and other hedging instruments. Standard & Poor's Ratings Services ("S&P") has assigned "A", "A-" and "BBB" ratings to 407 International Inc.'s Senior Debt, Junior Debt and Subordinated Debt, respectively. DBRS Limited ("DBRS") has assigned "A", "A-low" and "BBB" ratings to 407 International Inc.'s Senior Debt, Junior Debt and Subordinated Debt, respectively.

## 407 INTERNATIONAL INC. FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014	CHANGE (%)
Revenues	\$ 1,002.2	\$ 887.6	12.9%
Operating expenses	162.2	151.9	6.8%
EBITDA	840.0	735.7	14.2%
EBITDA as a percentage of revenues	83.8%	82.9%	s.o.
Depreciation and amortization	86.0	78.4	9.7%
Interest and other expenses	326.9	354.6	(7.8%)
Deferred income tax expense	115.5	79.8	44.7%
Current income tax expense	0.4	-	N/A
<b>Net income</b>	<b>\$ 311.2</b>	<b>\$ 222.9</b>	<b>39.6%</b>
Dividends paid	\$ 750.0	\$ 730.0	2.7%

The Company's investment in Highway 407 is accounted for by the equity method, however for 2014 and 2015, the Company recognized in its income statement its share of the dividends from Highway 407 instead of its share of Highway

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

## 407 INTERNATIONAL INC. TRAFFIC RESULTS

YEAR ENDED DECEMBER 31 (EXCEPT TRANSPONDERS IN CIRCULATION)	2015	2014	CHANGE (%)
Traffic/Trips (in millions)	121.2	118.2	2.5%
Average Workday Number of Trips (in thousands)	399.6	391.5	2.1%
Vehicle Kilometres Travelled ("VKT", in millions)	2,517.0	2,436.9	3.3%
Average Trip Length ("ATL", in kilometres)	20.8	20.6	1.0%
Unbillable traffic (percent)	2.3	2.3	-
Transponder Penetration rate (percent)	82.8	82.0	1.0%
Transponders in Circulation at December 31	1,275,892	1,202,393	6.1%

407 International Inc. is owned by Cintra Global, a wholly-owned subsidiary of Ferrovial, S.A. (43.23%), by indirectly owned subsidiaries of Canada Pension Plan Investment Board (total 40%), and by SNC-Lavalin (16.77%). 407 International Inc., through its wholly-owned subsidiary, 407 ETR, operates, maintains and owns the right to toll an all-electronic, open-access toll highway which is situated just north of Toronto.

Based on Government of Ontario reports, the population of the Greater Toronto Area ("GTA") exceeds six million and is projected to exceed nine million by the year 2031. Future growth in the GTA will spread further north, north-west and north-east past the Highway 407 corridor, as Lake Ontario prevents growth to the south. What makes Highway 407 particularly attractive is that unlike many other toll roads, Highway 407 is an "urban highway", i.e. the majority of users make it an integral part of their daily routine, providing stable and recurring revenues. Another attractive factor is that the GTA road network is already congested and this situation will only worsen over time. Highway 401, QEW and several other main arteries are already running at full capacity. The Province has few alternatives to add capacity on the existing road network and is limited to initiating minor projects that provide little relief. Highway 407 is therefore a convenient alternative in the region, and a growing capacity to provide further congestion relief. What also differentiates Highway 407 from most private toll highways in the world is that the concession agreement provides the operator of the highway flexibility in setting toll rates. No approval is required from the Province of Ontario before increasing rates, however the concession needs to ensure traffic volume remain above certain thresholds. Failing to do so obliges the concession to pay a non-material financial penalty to the Province of Ontario. The concession continues to improve the highway through construction projects designed to improve traffic flow and customer convenience. The concession is investing in widening bridge structures and adding new lanes to the highway to increase capacity and improve traffic flow.

## ADDITION/DISPOSALS OF CAPITAL INVESTMENTS IN 2015

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

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

### CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP

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

### AMBATOVY NICKEL PROJECT ("AMBATOVY")

SNC-Lavalin had a 5% ownership interest in Ambatovy, in Madagascar, on which it was awarded an EPCM contract in 2007.

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

On September 30, 2015, the Company announced that it has exercised its option. As such, SNC-Lavalin sold to one of Ambatovy shareholders its 5% ownership interest in Ambatovy and its loans for a cash consideration of US\$449.7 million (CA\$600.7 million), resulting in a net gain after taxes of CA\$145.7 million.

## RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

CAPITAL INVESTMENTS	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink <sup>(1)</sup>	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they were considered realized by AltaLink via legislation applied by an independent governmental regulatory body.
Capital investments accounted for under IFRIC 12	Full 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.

(1) Up until December 1, 2014, effective disposal date of AltaLink, AltaLink was a subsidiary of the Company.

For the year ended December 31, 2015, SNC-Lavalin recognized revenues of \$733.9 million (2014: \$607.8 million) from contracts with Capital investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these Capital investments accounted for by the equity method of \$157.1 million for the year ended December 31, 2015 (2014: \$171.4 million). Intragroup revenues generated from transactions with AltaLink, which amounted to \$1,290.7 million in the period from January 1, 2014 to December 1, 2014, were eliminated upon consolidation, while profits from those transactions were not eliminated. Following the disposal of AltaLink, revenues generated from transactions with AltaLink that were realized after December 1, 2014 are recognized by the Company in its consolidated income statement.

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to \$65.4 million as at December 31, 2015 (2014: \$60.7 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to \$94.2 million as at December 31, 2015 (2014: \$96.4 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was \$113.9 million as at December 31, 2015 (2014: \$45.9 million).

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

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

Since January 2015, corporate selling, general and administrative expenses that are not directly related to projects or segments are no longer allocated to the Company's segments. Therefore, the Company's segment EBIT no longer includes these corporate selling, general and administrative expenses, which used to be allocated based on the gross margin of each of these segments. The Company believes that the use of such segment EBIT improves the quality of its segments disclosure by providing information that is more comparable relating to their results from operations. 2014 figures have been restated accordingly.

Corporate selling, general and administrative expenses and others not allocated to projects or segments amounted to \$199.0 million in 2015, compared with \$126.6 million in 2014. The increase of \$72.4 million from 2014 to 2015 was mainly due to a lower amount of allocation of benefits, incentives and social security charges to projects or segments, as well as higher variable compensation. In addition, the 2014 Corporate selling, general and administrative expenses and others not allocated to projects or segments included a positive impact related to the Company being recognized as an injured party and entitled to recover \$17.2 million plus interests in connection with certain legal proceedings, further described in Section 13 "Risks and Uncertainties".

## 9 Fourth Quarter Results

**For the fourth quarter of 2015, net income attributable to SNC-Lavalin shareholders was \$49.2 million (\$0.33 per share on a diluted basis),** compared with \$1,146.6 million (\$7.51 per share on a diluted basis) for the comparable quarter in 2014. The decrease in net income attributable to SNC-Lavalin shareholders was principally due to a gain of \$1,558.4 million (\$1,320.7 million after taxes, or \$8.65 per diluted share) on disposal of the Company's ownership in AltaLink in the fourth quarter of 2014, partially offset by an increase in net income attributable to SNC-Lavalin shareholders from E&C for the fourth quarter of 2015.

**For the fourth quarter of 2015, there was a net income attributable to SNC-Lavalin shareholders from E&C of \$14.0 million,** compared with a net loss of \$255.6 million for the same period last year. The increase in net income attributable to SNC-Lavalin shareholders from E&C was mainly due to an increased contribution from all segments.

The increase in segment EBIT from Infrastructure in the fourth quarter of 2015 was mainly due to an increase in gross margin-to-revenue ratio. In the fourth quarter of 2014, there was a negative segment EBIT from Infrastructure, principally due to unfavourable cost reforecasts, mainly in the hospitals and mass transit sectors, negatively impacting gross margin by a total of \$106.1 million. The higher contribution from Oil & Gas in the fourth quarter of 2015 mainly reflected a higher gross margin-to-revenue ratio, including a favourable impact of \$10.4 million for a completed project in Latin America. In the fourth quarter of 2014, gross margin for Oil & Gas was negatively impacted by an unfavourable cost reforecast on a legacy fixed-price project in North Africa. The increase in Mining & Metallurgy was principally due to an increase in gross margin-to-revenue ratio, including \$23.3 million in favourable outcomes from certain projects in North Africa. The higher contribution from Power in the fourth quarter of 2015 was mainly due to a decrease in selling, general and administrative expenses, as well as an increase in gross margin-to-revenue ratio. In the fourth quarter of 2014, gross margin from Power was negatively impacted by certain reserves and unfavourable cost reforecasts on certain major projects.

Certain notable items also had an impact on the net income attributable to SNC-Lavalin shareholders in the fourth quarter of 2015 and 2014, mainly:

- > \$94.8 million (\$71.1 million after taxes) of restructuring costs in the fourth quarter of 2015, compared with \$94.0 million (\$87.5 million after taxes) of restructuring costs in the corresponding period of 2014;
- > \$0.3 million (\$0.1 million after taxes) of acquisition-related and integration costs in the fourth quarter of 2015, related to the acquisition of Kentz, compared with \$31.6 million (\$24.2 million after taxes) in the fourth quarter of 2014, the latter amount also included related financial expenses; and
- > \$22.5 million (\$17.3 million after taxes) of amortization of intangible assets related to the acquisition of Kentz, compared with \$24.2 million (\$17.6 million after taxes) in the corresponding quarter of 2014.

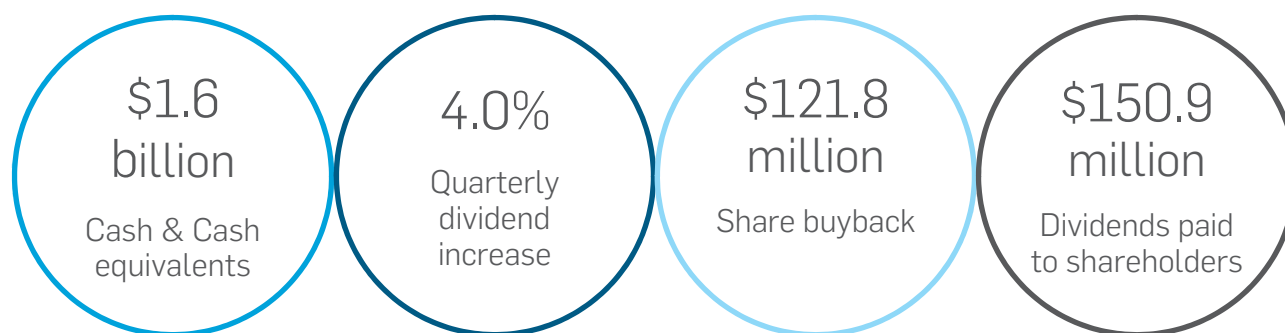
**Net income attributable to SNC-Lavalin shareholders from Capital decreased to \$35.3 million in the fourth quarter of 2015, compared with \$1,402.2 million for the fourth quarter of 2014.** The decrease in net income attributable to SNC-Lavalin shareholders from Capital was mainly due to the cumulative gain of \$1,619.5 million (\$1,337.3 million after taxes) on disposals of AltaLink and Astoria in the fourth quarter of 2014, which were no longer contributing in 2015, and lower dividends received from Highway 407 in the fourth quarter of 2015, compared with the same period of 2014.

**Revenues for the fourth quarter of 2015 decreased** compared with 2014, mainly reflecting a decrease in Capital, due to the disposal of AltaLink and Astoria in the fourth quarter of 2014, which were no longer contributing in the fourth quarter of 2015. Revenues from E&C for the fourth quarter of 2015 were in line with the fourth quarter of 2014.

**The Company's backlog as at December 31, 2015 amounted to \$12.0 billion,** compared with \$12.7 billion at the end of the third quarter of 2015, a variation that was mainly attributable to a decrease in Oil & Gas and Power.

**At the end of December 2015, the Company's cash and cash equivalents were \$1.6 billion,** compared with \$1.5 billion at the end of September 2015, mainly due to net cash generated from operating activities, partially offset by cash flows used for financing activities.

## 10 Liquidity and Capital Resources



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

- > A **working capital** analysis, which has been prepared with the objective of providing additional information on the major changes in the Company's current assets and liabilities in 2015 and 2014;
- > A review of the **cash net of recourse debt** of the Company;
- > A **cash flow** analysis, providing details on how the Company generated and used its cash and cash equivalents;
- > A discussion on the Company's recourse revolving credit facilities, credit ratings, and recourse debt to capital;
- > A review of the Company's **contractual obligations** and **derivative financial instruments**, which provides additional information for a better understanding of the Company's financial situation;
- > The presentation of the Company's **dividends declared** and **Return on Average Shareholders' Equity ("ROASE")** over the past three years; and finally,
- > Other **selected annual information** regarding the financial position of the Company.

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

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed, which are all elements specifically discussed in the following section. While liquidity remains subject to numerous risks and limitations, including but not limited to the risks described under Section 13 "Risks and Uncertainties" and in this section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations for the foreseeable future.

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

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

## 10.1 Working capital

AT DECEMBER 31 (IN MILLIONS CA\$, EXCEPT CURRENT RATIO)	2015	2014 <sup>(1)</sup>	CHANGE FROM 2014 TO 2015
Current assets	\$ 5,197.8	\$ 5,043.8	\$ 154.0
Current liabilities	5,089.8	5,409.2	(319.4)
Working Capital	\$ 108.1	\$ (365.4)	\$ 473.5
Current Ratio	1.02	0.93	0.09

(1) In 2015, the Company finalized the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

### CHANGE FROM 2014 TO 2015

**Working capital and current ratio increased as at December 31, 2015** compared with the previous year. The variance in working capital is mainly attributable to an increase of \$154.0 million in total current assets, mainly due to an increase in contracts in progress and other current financial assets, partly offset by a decrease in cash and cash equivalents. The positive variance in working capital was also due to a decrease in current liabilities of \$319.4 million in 2015, primarily reflecting a decrease in other current liabilities and deferred revenues, partly offset by an increase in advances under contract financing arrangements. Refer to section 10.8 for details on the variation in total current assets and total current liabilities.



## 10.2 Cash Net of Recourse Debt

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

AT DECEMBER 31 (IN MILLIONS OF CA\$)	2015	2014	2013
Cash and cash equivalents	\$ 1,581.8	\$ 1,702.2	\$ 1,108.7
Less:			
Cash and cash equivalents of Capital investments accounted for by the full consolidation method	17.1	29.3	17.8
Recourse debt	349.1	348.9	348.7
<b>Cash net of recourse debt</b>	<b>\$ 1,215.6</b>	<b>\$ 1,324.0</b>	<b>\$ 742.2</b>

The Company's cash net of recourse debt as at December 31, 2015 was \$1,215.6 million, compared with \$1,324.0 million as at December 31, 2014, mainly reflecting a decrease in cash and cash equivalents as explained in section 10.3.

## 10.3 Cash Flows Analysis

### SUMMARY OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2015	2014
Cash flows generated from (used for):		
Operating activities	\$ (514.7)	\$ 264.1
Investing activities	584.0	(499.0)
Financing activities	(241.5)	816.6
Increase in exchange differences on translating cash and cash equivalents held in foreign operations	51.8	11.8
Net increase (decrease) in cash and cash equivalents	(120.4)	593.5
Cash and cash equivalents at beginning of year	1,702.2	1,108.7
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,581.8</b>	<b>\$ 1,702.2</b>

The following section explains the major cash flow items that had an impact on the movement of the Company's cash and cash equivalents for the year ended December 31, 2015.

**Cash used for operating activities totalled \$514.7 million in 2015** compared to cash generated of \$264.1 million in 2014. The major elements impacting operating activities were as follows:

- > Net cash generated from operating activities before net change in non-cash working capital items, totalled \$129.5 million in 2015, compared with \$166.2 million in 2014, mainly reflecting :
  - › A net income of \$437.5 million in 2015, compared with \$1,334.6 million in 2014;
  - › Income taxes paid of \$309.4 million in 2015, compared with \$133.8 million paid in 2014, an increase mainly due to income taxes paid in 2015 on the net gain on disposal of AltaLink which was completed in December 2014;
  - › Non-cash gains totalling \$174.4 million in 2015 resulting mainly from the disposal of the Company's investment in Ambatovy, compared with a cumulative non-cash gain from disposal of AltaLink, Astoria and Ovation of \$1,615.4 million in 2014;
  - › Depreciation of property and equipment and amortization of other non-current assets of \$162.4 million in 2015, compared with \$113.7 million in 2014, mainly due to the additional assets coming from the acquisition of Kentz, completed on August 22, 2014;
  - › Restructuring costs recognized in net income in excess of restructuring costs paid of \$37.6 million in 2015 compared with \$80.9 million in 2014;
  - › A non-cash income tax expense of \$83.7 million in 2015, compared with \$323.0 million in 2014, an increase mainly due to income taxes on the gain on disposals of Capital investments in 2014; and
  - › A decrease in non-cash provisions related to forecasted losses on certain contracts of \$24.7 million in 2015, compared with a decrease of \$21.9 million in 2014.
- > Cash used by the net change in non-cash working capital items totalled \$644.2 million in 2015, compared with cash generated from the net change in non-cash working capital of \$98.0 million in 2014, primarily reflecting a decrease in deferred revenues and a decrease in trade payables, excluding exchange differences, in 2015. The negative net change in non-cash working capital items is mainly attributable to major projects that reached substantial completion or were completed during 2015.

## INVESTING ACTIVITIES

**Cash generated from investing activities increased to \$584.0 million in 2015** compared with cash used of \$499.0 million in 2014. The major investing activities were as follows:

- > Net cash inflow of \$600.7 million on disposals of Capital investments, mainly due to the sale of the Company's investment in Ambatovy in 2015, compared with net cash inflow on disposals of Capital investments of \$3,253.3 million in 2014, resulting from the sale of the Company's 100% ownership interest in AltaLink, Astoria and Ovation, as well as payments for disposition-related costs on disposals of Capital investments of \$60.3 million in 2014;
- > Net cash used for the acquisition of Kentz amounted to \$1,763.0 million in 2014, as described in Note 6 to the Company's 2015 audited annual consolidated financial statements. The difference between the purchase price of \$2,073.6 million and the net cash used for the acquisition of Kentz represents cash and cash equivalents held by Kentz at the date of acquisition;
- > Following the disposal of AltaLink in 2014, the acquisition of property and equipment from fully consolidated Capital investments used a total cash outflow of \$nil in 2015 compared with \$1,522.4 million in 2014, which was due to AltaLink;
- > In 2015, there was a decrease of \$81.9 million in short-term investments, compared with a decrease of \$159.3 million in 2014, due to a decrease in deposit notes that have reached maturity in 2015;
- > The increase in receivables under service concession arrangements net of recovery amounted to \$36.7 million for 2015, compared with \$6.2 million for 2014;
- > The acquisition of property and equipment from E&C amounted to a total cash outflow of \$116.0 million in 2015, compared with \$70.2 million in 2014, an increase mainly due to the inclusion of Kentz assets, starting August 22, 2014;
- > Cash outflow of \$16.9 million relating to payments for Capital investments in 2015, reflecting payments for Ambatovy, compared with \$133.1 million in 2014, reflecting payments for MIHG and Ambatovy;
- > Costs net of recovery of \$34.7 million associated to a foreign exchange hedge in 2014, as described in Note 6 to the Company's 2015 audited annual consolidated financial statements;
- > The Company received proceeds of \$49.3 million upon the settlement of a financial arrangement in 2015; and
- > The investment in 2014 in deposit notes of a portion of \$260.5 million of proceeds resulting from the issuance by InPower BC General Partnership of senior bonds as described in Note 5 to the Company's 2015 audited annual consolidated financial statements.

**Cash used for financing activities totalled \$241.5 million in 2015** compared with cash generated from financing activities of \$816.6 million in 2014. The major financing activities were as follows:

- > An increase of \$430.0 million in recourse debt in 2015, as well as the repayment of recourse debt of \$430.0 million in the same year, representing draws and reimbursements on the Company's credit facility, compared with an increase of \$2,630.0 million in recourse debt in 2014 to finance the purchase price of the acquisition of Kentz, which was repaid in full in 2014;
- > The increase in non-recourse debt from Capital amounted to \$2.1 million in 2015, compared with \$1,657.8 million in 2014. In 2014, the increase primarily related to AltaLink Holdings, L.P. and other related holding entities, as well as to InPower BC General Partnership;
- > Repayment of recourse debt of Kentz amounted to \$482.4 million in 2014;
- > The repayment of non-recourse debt from Capital amounted to \$10.5 million in 2015, compared with \$427.5 million in 2014, which related primarily to AltaLink;
- > An increase in advances under contract financing arrangements, net of repayments, of \$70.5 million in 2015, compared with \$230.1 million in 2014. These advances under contract financing arrangements are related to the Ste-Justine and Evergreen projects;
- > Dividends paid by subsidiaries to non-controlling interests of \$28.5 million in 2015;
- > Dividends paid to SNC-Lavalin shareholders amounted to \$150.9 million in 2015 compared with \$146.2 million in 2014, mainly reflecting an increase in dividends paid per share. The increase in dividends reflects dividends paid of \$1.00 per share in 2015 compared with \$0.96 per share for 2014;
- > The redemption of shares for \$121.8 million (2,803,900 shares at an average price of \$43.43) in 2015, compared with \$nil in 2014. On June 3, 2015, the Company announced that it had received the required regulatory approval to proceed with its previously-announced normal course issuer bid renewal through the facilities of the Toronto Stock Exchange ("TSX") and/or alternative trading systems to purchase, for cancellation, up to 13,287,774 of its Common Shares commencing June 5, 2015 and ending June 4, 2016; and
- > The issuance of shares pursuant to the exercise of stock options generated \$4.2 million of cash in 2015 (110,873 stock options at an average price of \$38.02), compared with \$26.9 million in 2014 (657,869 stock options at an average price of \$40.92). As at February 22, 2016, there were 1,927,918 stock options outstanding with exercise prices varying from \$37.04 to \$54.07 per common share. At that same date, there were 149,772,892 common shares issued and outstanding.

## 10.4 Recourse Debt and Non-Recourse Debt

### RECOURSE DEBT

#### RECOURSE REVOLVING CREDIT FACILITY

In December 2013, the Company entered into an unsecured revolving credit agreement (the "Facility") with a syndicate of financial institutions, totalling \$3,500 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of \$1,650 million applicable to financial letters of credit and cash draws but not to performance letters of credit. Amounts drawn under the Facility bear interest at variable rates plus an applicable margin. The Facility was initially set to mature in December 2016, with an annual extension option for a one-year period upon lenders' approval. As explained below, the Facility was amended in August 2014.

The Facility is committed and subject to affirmative, negative and financial covenants, including the requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to earnings before interest, taxes, depreciation and amortization ratio, as defined in the Facility agreement, not exceeding a certain limit.

If the covenants of the Facility are not met, the lenders may, among others, terminate the right of the Company to use the Facility and demand immediate payment of the whole or part of all indebtedness outstanding under the Facility.

To finance the acquisition of Kentz Corporation Limited (see Note 6 to the Company's 2015 audited annual consolidated financial statements), SNC-Lavalin entered into a recourse non-revolving acquisition credit agreement in June 2014 (the "Acquisition Facility") for an aggregate amount of \$2,750 million comprised of the following: i) an asset sale bridge facility of \$2,550 million, maturing at the latest in December 2015; and ii) a term facility of \$200 million, maturing at the latest in June 2016. Amounts drawn under the asset sale bridge facility and term facility bore interest at variable rates plus an applicable margin. Under the terms of the Acquisition Facility, SNC-Lavalin had to make a mandatory prepayment on the outstanding balance of borrowings under the Acquisition Facility upon the receipt by SNC-Lavalin of net proceeds from disposition of certain of its Capital investments, including AltaLink. The Acquisition Facility was to be used solely to fund the acquisition of Kentz and its related indebtedness, fees and expenses.

The Acquisition Facility was committed and subject to affirmative, negative and financial covenants, including a requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt (excluding borrowings made under the asset sale bridge facility) to adjusted earnings before interest, taxes, depreciation and amortization ratio, as defined in the Acquisition Facility, not exceeding a certain limit. The financial covenants of the Company's Facility were modified to exclude borrowings made under the asset sale bridge facility from the definition of net recourse debt.

In case of an event of default, the Acquisition Facility was subject to customary accelerated repayment terms.

In August 2014, in connection with the acquisition of Kentz, the Facility entered into by the Company in December 2013 was amended to: i) increase the committed amount from \$3,500 million to \$4,250 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of \$1,800 million applicable to financial letters of credit and cash draws but not to performance letters of credit; and ii) extend the maturity of the Facility from December 2016 to August 2017, with an annual extension option for a one-year period upon lenders' approval.

In September 2014, the Company amended the Acquisition Facility entered in June 2014 by cancelling the term facility of \$200 million, while all other terms of the Acquisition Facility remained unchanged. In addition, the Company used a portion of its unsecured recourse revolving credit facility to finance the acquisition of Kentz.

The use of funds from these facilities in 2014 is summarized in the table below:

YEAR ENDED DECEMBER 31 (IN MILLIONS CA\$)	2014
Increase in recourse short-term debt	\$ 2,630.0
Main use of funds from recourse short-term debt:	
Purchase price of Kentz	\$ (2,073.6)
Repayment of a portion of recourse debt of Kentz	(482.4)
Acquisition-related costs	(52.8)
Excess of financing over main use of funds listed above	\$ 21.2

In December 2014, following the disposition of AltaLink, the Company repaid in full the outstanding balance of the Acquisition Facility, which was cancelled at the same time, as well as the outstanding balance of the non-recourse debt related to the financing of the Company's equity contributions in AltaLink. As such, the Company successfully completed its acquisition of Kentz without ultimately increasing its level of indebtedness.

As at December 31, 2015, \$2,116.9 million of the Facility remained unused, while the balance of \$2,133.1 million was exclusively used for the issuance of letters of credit, including \$277.2 million of financial letters of credit.

In addition, the Facility contemplates the issuance of bilateral letters of credit on a non-committed basis for a maximum of \$2,000 million, which are subject to the covenants of the Facility. As at December 31, 2015, \$128.6 million was used for the issuance of bilateral letters of credit. Also, as at December 31, 2015, Kentz had \$123.3 million of issued bilateral letters of credit that were outside of the Company's Facility.

## RECOURSE DEBENTURE – CREDIT RATING

On February 19, 2015, Standard & Poor's revised its outlook to negative from stable while affirming its credit ratings on the Company, including its debenture at BBB, following the Charges described in section 13. The negative outlook reflects S&P's concern regarding the extent and magnitude that the Company's competitive position will be affected following the Charges. It also incorporates S&P's view that the resources and management attention will be used to address the Charges, which may impact the Company's operations. However, S&P continues to expect the Company will maintain strong liquidity over the next 18 months and that net cash will exceed recourse debt preserving the financial flexibility to manage possible financial penalties.

On February 19, 2015, following the Charges described in section 13, DBRS issued a press release. DBRS stated that no rating action was warranted in view that there was limited near-term impact to the Company, and that the Charges were not indicative of the Company's current business strategy and conduct. On September 8, 2015, DBRS confirmed the credit ratings of the Company and its debenture at BBB with stable trend. In confirming the rating, DBRS recognizes the Company's progress in completing almost all challenging legacy projects and executing the sale of AltaLink L.P. and the

Kentz acquisition, which together have materially enhanced the Company's scale and execution capability in the oil and gas sector without material increase in recourse debt.

The Company retains its investment grade status from both rating agencies.

## RECOURSE DEBT-TO-CAPITAL RATIO

This ratio compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. As at December 31, 2015 and 2014, the Company's recourse debt-to-capital ratio was 9:91 and 10:90, respectively, below the Company's objective, which is not to surpass a ratio of 30:70.

## NON RECOURSE-DEBT

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

# 10.5 Contractual Obligations and Financial Instruments

## CONTRACTUAL OBLIGATIONS

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

(IN MILLIONS CAS)	2016	2017-2018	2019-2020	THEREAFTER	TOTAL
Short-term debt and long-term debt repayments:					
Recourse	\$ -	\$ -	\$ 350.0	\$ -	\$ 350.0
Non-recourse from Capital	9.0	19.8	39.8	479.9	548.5
Commitments to invest in Capital	113.9	-	-	-	113.9
Rental obligations under operating lease arrangements	105.1	125.3	87.9	112.9	431.2
<b>Total</b>	<b>\$ 228.0</b>	<b>\$ 145.1</b>	<b>\$ 477.7</b>	<b>\$ 592.8</b>	<b>\$ 1,443.6</b>

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 20D to the Company's 2015 audited annual consolidated financial statements. The commitments to invest in Capital investments result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to the Company's 2015 audited annual consolidated financial statements. The commitments to invest in Capital investments are recognized for investments accounted for by the equity or cost methods and mainly related to Rideau, 407 EDGGP, SSL and Eglinton

Crosstown. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 33 to the Company's 2015 audited annual consolidated financial statements.

## FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 29 to the Company's 2015 audited annual consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS	FINANCIAL ARRANGEMENT
<p>SNC-Lavalin enters into derivative financial instruments, namely:</p> <ul style="list-style-type: none"> <li>&gt; Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects;</li> <li>&gt; Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements; and</li> <li>&gt; Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company's share price.</li> </ul>	<p>The Company had a financial arrangement with an investment grade financial institution to limit its exposure to the variability of its cash-settled share-based payment arrangements caused by fluctuations in its share price. This arrangement was terminated in 2015 and replaced by derivative financial instruments described on the left side of this table (refer to Note 22C to the Company's 2015 audited annual consolidated financial statements).</p>
<p>All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.</p>	

The Company does not hold or issue any derivative instruments for speculative purposes, but rather for hedging purposes only, including entering into a foreign exchange hedge in 2015 for the foreign exchange exposure of the Acquisition, as described in Note 6 to the Company's 2015 audited annual consolidated financial statements. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures.



## 10.6 Dividends Declared

The Board of Directors has decided to increase the quarterly cash dividend payable to shareholders from \$0.25 per share to \$0.26 per share for the fourth quarter of 2015, resulting in total cash dividends declared of \$1.01 per share relating to 2015.

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

YEAR ENDED DECEMBER 31 (IN C\$)	2015	2014	2013
Dividends per share declared to SNC-Lavalin shareholders <sup>(1)</sup>	\$ 1.01	\$ 0.97	\$ 0.93
Dividend increase (%)	4%	4%	4%

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

Total cash dividends paid in 2015 were \$150.9 million compared with \$146.2 million in 2014. The Company has paid quarterly dividends for 26 consecutive years and has increased its yearly dividend paid per share for each of the past 15 years.

## 10.7 Return on Average Shareholders Equity ("ROASE")

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

The Company excludes "other components of equity" because this element results mainly from the accounting treatment of cash flow hedges, and is not representative of the way the Company evaluates the management of its foreign currency exchange risk. Accordingly, the "other components of equity" are not representative of the Company's financial position.

For 2015, ROASE was 12.0%, compared with 58.7% for 2014, which included the impact of the net gain of \$1,320.7 million on disposal of AltaLink in 2014, and 1.6% for 2013.

## 10.8 Financial position analysis and other selected financial information

The following is an analysis of the changes to the Company's consolidated statements of financial position for the year ended December 31, 2015.

### ASSETS

AT DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	CHANGE (\$)	EXPLANATIONS
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,581.8	\$ 1,702.2	\$ (120.4)	See discussion in section 10.3.
Restricted cash	39.0	27.5	11.5	-
Trade receivables	1,200.9	1,251.2	(50.3)	Decrease due to cash collected partly offset by foreign currency translation.
Contracts in progress	985.9	844.8	141.1	Increase due to various ongoing projects.
Inventories	152.2	101.8	50.4	Increase in work in progress, finished goods and raw materials.
Other current financial assets	908.9	844.7	64.1	Increase in retention on client contracts and other receivables.
Other current non-financial assets	329.2	271.6	57.6	Increase in income taxes receivables, partially offset by a decrease in prepaid expenses and other.
<b>Total current assets</b>	<b>\$ 5,197.8</b>	<b>\$ 5,043.8</b>	<b>\$ 154.0</b>	
Property and equipment	\$ 265.1	\$ 246.1	\$ 19.0	Increase mainly due to additions in office furniture, computer equipment and machinery, partially offset by the 2015 depreciation expense.
Capital investments accounted for by the equity method	419.5	362.3	57.2	Increase mainly due to projects awarded in 2015, namely the Eglinton Crosstown and the New Champlain Bridge Corridor.
Capital investments accounted for by the cost method	48.3	440.8	(392.5)	Decrease principally reflecting the disposal of the Company's investment in Ambatovy in 2015.
Goodwill	3,386.8	2,895.4	491.5	Increase due to foreign currency translation.
Intangible assets related to Kentz acquisition	272.6	311.0	(38.4)	Decrease due to amortization expense of 2015, partly offset by foreign currency translation.
Deferred income tax asset	436.8	419.6	17.2	Increase due to the recognition of tax assets, temporary differences in amortization and depreciation, and foreign currency translation of deferred taxes.
Non-current portion of receivables under service concession arrangements	291.9	250.8	41.1	Increase mainly due to an increase in financial assets related to construction for InPower BC General Partnership.
Other non-current financial assets	74.1	157.5	(83.4)	Decrease mainly due to maturity of a portion of the deposit notes related to InPower BC General Partnership.
Other non-current non-financial assets	110.2	99.8	10.3	-
<b>Total assets</b>	<b>\$ 10,503.2</b>	<b>\$ 10,227.2</b>	<b>\$ 276.0</b>	

(1) In 2015, the Company finalized the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

## LIABILITIES

AT DECEMBER 31 (IN MILLIONS C\$)	2015	2014 <sup>(1)</sup>	CHANGE (\$)	EXPLANATIONS
<b>Current Liabilities</b>				
Trade payables	\$ 2,330.6	\$ 2,329.2	\$ 1.4	Increase due to progress on ongoing projects and foreign currency translation, partially offset by completed or substantially completed projects in 2015.
Downpayments on contracts	185.8	249.5	(63.7)	Decrease mainly due to downpayments used on major ongoing projects.
Deferred revenues	1,041.6	1,196.3	(154.6)	Decrease mainly due to revenue recognized for projects that are completed or substantially completed in 2015, partially offset by deferred revenues from contracts awarded in 2015.
Other current financial liabilities	394.3	354.5	39.9	Variation due to increases in derivative financial instruments and commitments to invest, partially offset by a decrease in retention on supplier contracts in 2015.
Other current non-financial liabilities	370.6	603.2	(232.5)	Variation principally reflecting a decrease in income taxes payable in 2015.
Advances under contract financing arrangements	394.1	319.3	74.8	Variation due to the Sainte-Justine and Evergreen projects. Refer to note 19 to the 2015 consolidated financial statements of the Company for further details.
Current portion of provisions	364.5	349.5	15.0	Variation mainly due to additional provisions recognized for restructuring in 2015, as well as foreign currency translation, partly offset by payments made in 2015. Refer to note 21 to the 2015 consolidated financial statements of the Company for further details.
Short-term debt and current portion of long-term debt:				
Non-recourse from Capital investments	8.2	7.8	0.4	Refer to note 20C to the 2015 consolidated financial statements of the Company for details.
<b>Total current liabilities</b>	<b>\$ 5,089.8</b>	<b>\$ 5,409.2</b>	<b>\$ (319.4)</b>	
Long-term debt:				
Recourse	\$ 349.1	\$ 348.9	\$ 0.2	Debenture, with a face value of \$350.0 million.
Non-recourse from Capital investments	525.8	530.7	(4.9)	Refer to note 20C to the 2015 consolidated financial statements of the Company for details.
Other non-current financial liabilities	6.9	9.5	(2.6)	-
Non-current portion of provisions	344.3	341.3	3.1	Refer to note 21 to the 2015 consolidated financial statements of the Company for details.
Other non-current non-financial liabilities	10.2	3.7	6.5	-
Deferred income tax liability	273.5	259.1	14.5	Increase due to the recognition of tax liabilities, temporary differences in amortization and depreciation, and foreign currency translation of deferred taxes.
<b>Total liabilities</b>	<b>\$ 6,599.7</b>	<b>\$ 6,902.3</b>	<b>\$ (302.6)</b>	

(1) In 2015, the Company finalized the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

## EQUITY

AT DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	CHANGE (\$)	EXPLANATIONS
Share Capital	\$ 526.8	\$ 531.5	\$ (4.6)	Decrease due to shares repurchased by the Company and cancelled in 2015.
Retained Earnings	2,901.4	2,785.1	116.3	Increase due to 2015 results, partially offset by dividends paid and shares repurchased by the Company and cancelled in 2015.
Other Components of Equity	440.0	(2.7)	442.7	Increase largely due to exchange differences on translating foreign operations.
<b>Equity attributable to SNC-Lavalin shareholders</b>	<b>\$ 3,868.2</b>	<b>\$ 3,313.8</b>	<b>\$ 554.4</b>	
Non-Controlling Interests	35.3	11.1	24.2	Difference mainly due to 2015 results, partially offset by dividends paid to non-controlling interests.
<b>Total Equity</b>	<b>\$ 3,903.5</b>	<b>\$ 3,324.9</b>	<b>\$ 578.6</b>	

(1) In 2015, the Company finalized the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

## OTHER SELECTED FINANCIAL INFORMATION

AT DECEMBER 31 (IN MILLIONS CA\$)	2015	2014 <sup>(1)</sup>	2013
<b>Total assets</b>	<b>\$ 10,503.2</b>	<b>\$ 10,227.2</b>	<b>\$ 11,772.6</b>
<b>Non-current financial liabilities</b>			
Long-term debt:			
Recourse	\$ 349.1	\$ 348.9	\$ 348.7
Non-recourse from Capital investments	525.8	530.7	3,536.9
Non-current portion of provisions	25.1	15.9	-
Other non-current financial liabilities	6.9	9.5	125.0
<b>Total non-current financial liabilities</b>	<b>\$ 906.9</b>	<b>\$ 905.0</b>	<b>\$ 4,010.7</b>

(1) In 2015, the Company finalized the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

## ASSETS

- > Total assets have increased by \$276.0 million from 2014 to 2015. Refer to the discussion in the section 10.8 under "Assets" for a detailed analysis of the variation.
- > Total assets have decreased by \$1,545.5 million from 2013 to 2014. The decrease is mainly due to derecognition of AltaLink's assets, following the sale of the Company's ownership in this Capital investment in December 2014.

## NON-CURRENT FINANCIAL LIABILITIES

- > Total non-current financial liabilities remained in line compared with 2014. Refer to the discussion in the section 10.8 under "Liabilities" for a detailed analysis of the variation.
- > Total non-current financial liabilities have decreased by \$3,105.7 million from 2013 to 2014. The decrease is primarily reflecting derecognition of non-current financial liabilities following the disposal of the Company's ownership in AltaLink in December 2014.

## 11 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the Company's 2015 audited annual consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the Company's 2015 audited annual consolidated financial statements.

## 12 Accounting Policies and Changes

### 12.1 Change in an accounting policy

In 2015, 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 no longer includes the corporate selling, general and administrative expenses that are not directly related to projects or segments. 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*.

### 12.2 Change in an accounting estimate

In 2015, the Company conducted a formal review of its computer equipment and accordingly reassessed its useful life. As a result of the review, the depreciation period of the Company's computer equipment was changed from 2 years to a period varying between 2 and 5 years. This resulted in a decrease estimated to \$13.2 million of the depreciation charge for the year ended December 31, 2015. This change of useful life of the Company's computer equipment was applied prospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

## 12.3 New accounting policies adopted in 2015

In 2015, the Company adopted two new accounting policies applicable to: i) hedges of net investments in foreign operations (see Note 2K to the Company's 2015 audited annual consolidated financial statements); and ii) fair value hedges of available-for-sale investments (see note 2K to the Company's 2015 audited annual consolidated financial statements).

## 12.4 Amendments adopted in 2015

The following amendments to existing standards have been adopted by the Company on January 1, 2015:

- > *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19, *Employee Benefits*) apply to contributions from employees or third parties to defined benefit plans, which objective is to simplify the accounting for contributions that are independent of the number of years of employee service.
- > Annual improvements to IFRS (2010-2012 Cycle), which include among others:
  - > Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
  - > Amendments to IFRS 13, *Fair Value Measurement*, ("IFRS 13") clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.
- > Annual improvements to IFRS (2011-2013 Cycle), which include among others:
  - > Amendments to IFRS 3, *Business Combinations*, ("IFRS 3") clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
  - > Amendments to IFRS 13, *Fair Value Measurement*, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, even if those contracts do not meet the definition of financial assets or financial liabilities.

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

## 12.5 Standards and amendments issued to be adopted at a later date

The following amendments to the standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2016 and thereafter, with an earlier application permitted:

- > *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities

from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.

- > *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.
- > Annual Improvements to IFRS (2012-2014 Cycle):
  - › Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
  - › Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.
  - › Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
  - › Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

- > *Disclosure Initiative* (Amendments to IAS 7, *Statement of Cash Flows*) require disclosures of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities.

The following standards 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*, 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.

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

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

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

In December 2015, the International Accounting Standards Board postponed the effective date of the following amendments to the standards indefinitely pending the outcome of its research project on the equity method of accounting:

- > *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*)

## 13 Risks and Uncertainties

The Company is subject to a number of risks and uncertainties in carrying out its activities and you should carefully consider the risks and uncertainties below before investing in its securities. Additional risks not currently known or that the Company currently believes are immaterial may also impair its business, results of operations, financial condition and liquidity.

### RISKS RELATED TO LITIGATION, REGULATORY MATTERS AND INVESTIGATIONS

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

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



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

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

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

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

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

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

On June 12, 2014, the Quebec Superior Court rendered a decision in 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 defendants, on an *in solidum* basis. SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and 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. In addition to the Appeal of the decision, recourses in warranty have been filed against another party, which may result in reduction of SNC-Lavalin's share of the damages.

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

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

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

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

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

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

### Charges and RCMP Investigations

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 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 RCMP is also conducting a formal investigation into whether improper payments were made or offered to government officials in Bangladesh to influence the award of a proposed construction supervision consulting contract to a subsidiary of the Company in violation of the CFPOA and its involvement in projects in certain North African countries (the "RCMP Investigation"). This investigation has led to criminal charges being laid against three former employees of a subsidiary of the Company pursuant to the anti-bribery provisions of the CFPOA. Although, to date, the Company has not been charged in connection with the subject matter of this RCMP Investigation, it may result in criminal charges being laid against the Company and/or certain of its subsidiaries under the CFPOA and could result in a conviction on one or more of such charges.

The Charges and the RCMP Investigation 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 and/or the RCMP Investigation 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) would have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

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

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

In addition, as announced on February 5, 2014, certain subsidiaries of the Company obtained the requisite certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. In the event 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 an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract.

#### World Bank Settlement

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

#### African Development Bank Settlement

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

#### Canada's Integrity Regime

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

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

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

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

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

#### Other Investigations

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

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty, a sum equivalent to CA\$17.2 million (representing the equivalent of 12.9 million CHF and US\$2.0 million) plus interest, out of which a sum of CA\$11.9 million has been received as at December 31, 2015 with the balance expected to be received upon the forced execution of seized assets.

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

The outcomes of the above investigations or the Charges could also result in, among other things, (i) covenant defaults under various project contracts, (ii) third party claims, which may include claims for special, indirect, derivative or consequential damages, or (iii) adverse consequences on the Company's ability to secure or continue its own financing, or to continue or secure financing for current or future projects, any of which could materially adversely affect the

Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities. In addition, the Charges, these investigations and outcomes of these investigations or Charges (including the World Bank Settlement) and any negative publicity associated therewith, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of the Charges or these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described above).

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

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

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

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

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

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

or debarment from contracting, any or all of which could harm the Company's reputation, subject the Company to criminal and administrative enforcement actions and civil actions and have a negative impact on SNC-Lavalin's business.

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

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

## RISKS RELATING TO THE COMPANY'S OPERATIONS

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

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

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

A significant portion of the Company's business and revenues is dependent on fixed-price contracts. The Company bears the risk for cost overruns from fixed-price contracts. Contract revenues and costs are established, in part, based on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, productivity, performance of the Company's employees and of subcontractors or equipment suppliers, price, availability of labour, equipment and materials and other requirements that may affect project costs or schedule, such as obtaining the required environmental permits and approvals on a timely basis. Cost overruns may also occur when unforeseen circumstances arise.

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

In addition, in certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs should the project or facility subsequently fail to meet the scheduled completion date or performance standards. A project's

revenues could also be reduced in the event the Company is required to pay liquidated damages or in connection with contractual penalty provisions, which can be substantial and can accrue on a daily basis.

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

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

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

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



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

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

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

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting. SNC-Lavalin's failure to comply with the terms of one or more government contracts or government statutes and regulations could result in the Company's contracts with government agencies being terminated or the Company being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties and the risk of public scrutiny of the Company's performance, and potential harm to its reputation, each of which could have a material adverse effect on SNC-Lavalin's business. Other remedies that the Company's government clients may seek for improper activities or performance issues include sanctions such as forfeiture of profits and suspension of payments. In addition, virtually all of the Company's contracts with governments contain "termination for convenience" provisions, as described in the risk factor above entitled "*The Company's backlog is subject to unexpected adjustments and cancellations, including under 'termination for convenience' provisions, and does not represent a guarantee of the Company's future revenues or profitability.*"

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

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

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

- > recessions and other economic crises in other regions, or specific foreign economies and the impact on the Company's costs of doing business in those countries;

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

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

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

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

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

state of the capital and/or credit markets. In addition, the Company is sometimes required to guarantee the obligations of the Capital investments or partners in such Capital investments, which may result in a liability for the Company in the event such guarantee is enforced or applied.

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

The Company's non-recourse debt from Capital investments can be affected by fluctuations in interest rates.

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

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

SNC-Lavalin undertakes contracts wherein it subcontracts a portion of the project or the supply of material and equipment to third parties. If the amount the Company is required to pay for subcontractors or equipment and supplies exceeds what was estimated, the Company may suffer losses on these contracts. If a supplier or subcontractor fails to provide supplies, equipment or services as required under a negotiated contract for any reason, or provides supplies, equipment or services that are not of an acceptable quality, the Company may be required to source those supplies, equipment or services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. In addition, faulty equipment or materials could impact the overall project, resulting in claims against SNC-Lavalin for failure to meet required project specifications. These risks may be intensified during an economic downturn if these suppliers or subcontractors experience financial difficulties or find it difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the services or supplies necessary for the Company's business. In addition, in instances where SNC-Lavalin relies on a single contracted supplier or subcontractor or a small number of subcontractors, there can be no assurance that the marketplace can provide these products or services on a timely basis, or at the costs the Company had anticipated. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact SNC-Lavalin's business and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on the Company.

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

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

These circumstances could also lead to disputes and litigation with the Company's partners or clients, all of which could have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

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

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

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

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

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

The Company's failure to act or to make judgments and recommendations in accordance with applicable professional standards could result in large monetary damages awards against the Company. The Company's business involves making professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. A failure or event at one of SNC-Lavalin's project sites or completed projects resulting from the work it has performed could result in significant professional or product liability, warranty or other claims against the Company as well as reputational harm, especially if public safety is impacted. These liabilities could exceed the Company's insurance limits or the fees it generates, or could impact the Company's ability to obtain insurance in the future. In addition, clients or subcontractors who have agreed to indemnify SNC-Lavalin against any such liabilities or losses might refuse or be unable to pay. An uninsured claim, either in part or in whole, if successful and of a material magnitude, could have a material adverse impact on the Company's financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Any acquisition or other investment may present risks or uncertainties.***

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

***2015 Restructuring***

In 2015, due to the persisting softer economic environment, the Company extended its restructuring efforts by launching the STEP Change program. This program is designed to make the Company more agile customer-facing and allow the Company to further improve operational efficiency, including a realignment of its corporate and operating organization. If the Company does not achieve the expected cost savings and efficiency gains, it may not realize all the value of its reorganization costs and/or it may experience execution or performance risks as a result of the reorganization and related head-count reduction.

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

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

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

A deterioration in the Company's financial condition could also result in a reduction or downgrade of its credit ratings, including to below investment grade, which could prohibit or restrict the Company from utilizing letters of credit or performance guarantees or accessing external sources of short- and long-term debt financing or could significantly increase the costs associated with utilizing such letters of credit and performance guarantees, bank credit facilities and issuing long-term debt, which would in turn have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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



## GLOBAL / MACROECONOMIC RISKS

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

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

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

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

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

## RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

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

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

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

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

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

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

## 14 Legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings. See also Section 13 "Risks and Uncertainties – Risks Related to Litigation, Regulatory Matters and Investigations"; including the general cautionary language relating to the risks inherent to all litigation and proceedings against SNC-Lavalin, which is equally applicable to the legal proceedings described below.

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

SNC-Lavalin's subsidiary SNC-Lavalin Inc. and a joint arrangement partner are in arbitration with a client which has claimed damages in relation to the design and construction of a mining facility. The client is alleging, among other things, breach of contract and negligence, gross negligence and negligent misrepresentation. SNC-Lavalin Inc. and its joint arrangement partner have launched a separate arbitration to recover amounts due but unpaid under the agreement with the client. The dispute resolution process is subject to confidential and binding arbitration.

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.

## 15 Controls and Procedures

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

### 15.1 Disclosure Controls and Procedures

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

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

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2015.

### 15.2 Internal Control Over Financial Reporting

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

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2015, using the *Internal Control - Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

At the request of the Company's Audit Committee, its independent auditor, Deloitte, conducted an audit of the effectiveness of the Company's internal control over financial reporting as at December 31, 2015 based on the COSO

2013 Framework. Deloitte has issued an audit report dated March 2, 2016, which concludes that, in Deloitte's opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2015, in accordance with criteria established in the COSO 2013 Framework. The Independent Auditor's Report on the effectiveness of the Company's internal control over financial reporting as at December 31, 2015 is included with the Company's 2015 audited annual consolidated financial statements and should be read in its entirety.

## 15.3 Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## 16 Event After the Reporting Period

On February 1, 2016, SNC-Lavalin announced that it has reached an agreement to sell its indirect ownership interest in SNC-Lavalin (Malta) Limited ("SNCL Malta") to an affiliate of Flughafen Wien AG for cash consideration of approximately €63 million (approximately CA\$96 million), pending the satisfaction of certain closing conditions by both parties and subject to working capital adjustments. SNCL Malta is the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c.

# 17 Quarterly Information

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

	2015					2014				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues :										
From E&C	2,205.0	2,191.9	2,376.4	2,590.3	9,363.5	1,489.0	1,467.6	1,760.8	2,617.3	7,334.7
From Capital	52.1	58.5	56.9	56.0	223.4	231.2	228.8	243.3	200.7	904.1
	<b>2,257.1</b>	<b>2,250.4</b>	<b>2,433.2</b>	<b>2,646.3</b>	<b>9,587.0</b>	<b>1,720.1</b>	<b>1,696.5</b>	<b>2,004.1</b>	<b>2,818.0</b>	<b>8,238.8</b>
Gross margin	337.2	301.5	385.3	408.8	1,432.8	356.9	348.7	420.2	215.0	1,340.8
Selling, general and administrative expenses:										
From E&C	199.0	218.2	202.2	205.1	824.6	176.8	191.3	186.1	211.5	765.7
From Capital	7.7	5.3	5.6	12.5	31.1	10.1	16.9	18.2	30.6	75.7
	<b>206.7</b>	<b>223.6</b>	<b>207.8</b>	<b>217.6</b>	<b>855.6</b>	<b>186.8</b>	<b>208.3</b>	<b>204.3</b>	<b>242.0</b>	<b>841.4</b>
Restructuring costs and impairment of investments	0.5	7.7	13.4	94.8	116.4	1.2	0.9	13.8	122.5	138.3
Acquisition-related costs and integration costs	7.9	5.5	5.8	0.3	19.6	-	25.9	30.0	6.7	62.5
Amortization of intangible assets related to the Acquisition	21.0	21.1	29.4	22.5	94.0	-	-	12.3	24.2	36.5
(Gain) loss from disposals of Capital investments	-	-	(174.4)	-	(174.4)	-	-	4.1	(1,619.5)	(1,615.4)
<b>EBIT</b>	<b>101.2</b>	<b>43.6</b>	<b>303.3</b>	<b>73.5</b>	<b>521.6</b>	<b>168.9</b>	<b>113.7</b>	<b>155.7</b>	<b>1,439.1</b>	<b>1,877.4</b>
Net financial expenses:										
From E&C	(34.1)	12.8	6.9	6.7	(7.7)	4.0	11.9	18.7	4.4	38.9
From Capital	1.4	1.0	1.9	3.7	8.0	46.6	51.8	54.8	27.7	180.9
	<b>(32.7)</b>	<b>13.8</b>	<b>8.8</b>	<b>10.5</b>	<b>0.3</b>	<b>50.6</b>	<b>63.7</b>	<b>73.5</b>	<b>32.1</b>	<b>219.8</b>
Earnings (Loss) before income taxes	133.9	29.9	294.5	63.1	521.3	118.3	50.1	82.2	1,407.0	1,657.6
Income taxes:										
From E&C	27.9	(3.3)	33.0	(7.6)	49.9	12.0	3.3	3.0	(41.0)	(22.7)
From Capital	1.2	2.3	28.2	2.1	33.8	11.6	14.7	18.4	301.0	345.8
	<b>29.0</b>	<b>(1.0)</b>	<b>61.2</b>	<b>(5.5)</b>	<b>83.7</b>	<b>23.6</b>	<b>17.9</b>	<b>21.4</b>	<b>260.0</b>	<b>323.0</b>
<b>Net income</b>	<b>104.8</b>	<b>30.9</b>	<b>233.3</b>	<b>68.6</b>	<b>437.5</b>	<b>94.7</b>	<b>32.1</b>	<b>60.8</b>	<b>1,147.0</b>	<b>1,334.6</b>
Net income attributable to:										
SNC-Lavalin shareholders	104.4	26.5	224.2	49.2	404.3	94.6	32.1	60.0	1,146.6	1,333.3
Non-controlling interests	0.4	4.4	9.1	19.3	33.2	0.1	0.1	0.7	0.3	1.2
<b>Net income</b>	<b>104.8</b>	<b>30.9</b>	<b>233.3</b>	<b>68.6</b>	<b>437.5</b>	<b>94.7</b>	<b>32.1</b>	<b>60.8</b>	<b>1,147.0</b>	<b>1,334.6</b>
<b>Basic earnings per share (\$)</b>	<b>0.68</b>	<b>0.17</b>	<b>1.50</b>	<b>0.33</b>	<b>2.68</b>	<b>0.62</b>	<b>0.21</b>	<b>0.39</b>	<b>7.52</b>	<b>8.76</b>
Diluted earnings (loss) per share(\$):										
From E&C	0.44	(0.12)	0.22	0.09	0.63	0.20	(0.31)	(0.19)	(1.68)	(1.97)
From Capital	0.25	0.30	1.27	0.24	2.04	0.42	0.52	0.58	9.18	10.71
<b>Diluted earnings per share (\$)</b>	<b>0.68</b>	<b>0.17</b>	<b>1.49</b>	<b>0.33</b>	<b>2.68</b>	<b>0.62</b>	<b>0.21</b>	<b>0.39</b>	<b>7.51</b>	<b>8.74</b>
<b>Dividend declared per share (\$)</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.26</b>	<b>1.01</b>	<b>0.24</b>	<b>0.24</b>	<b>0.24</b>	<b>0.25</b>	<b>0.97</b>
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	67.0	(18.5)	33.3	14.0	95.8	30.8	(46.9)	(28.9)	(255.6)	(300.5)
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407	31.5	31.5	31.5	31.5	125.8	29.4	29.4	29.4	34.4	122.5
From AltaLink	-	-	-	-	-	23.2	44.7	58.9	48.8	175.6
From other Capital investments	5.9	13.6	159.4	3.8	182.7	11.2	4.9	0.7	1,319.0	1,335.9
<b>Net income attributable to SNC-Lavalin shareholders</b>	<b>104.4</b>	<b>26.5</b>	<b>224.2</b>	<b>49.2</b>	<b>404.3</b>	<b>94.6</b>	<b>32.1</b>	<b>60.0</b>	<b>1,146.6</b>	<b>1,333.3</b>
<b>Revenue backlog (at end of quarter)</b>	<b>11,631.1</b>	<b>12,388.2</b>	<b>12,725.6</b>	<b>11,991.9</b>		<b>8,374.1</b>	<b>8,213.2</b>	<b>12,513.9</b>	<b>12,325.5</b>	