



SNC • LAVALIN

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

As at and for the three-month periods ended
March 31, 2016 and 2015

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	March 31 2016	December 31 2015
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,388,390	\$ 1,581,834
Restricted cash		47,715	38,964
Trade receivables		1,070,378	1,200,890
Contracts in progress		1,131,950	985,852
Inventories		150,763	152,186
Other current financial assets		887,047	908,870
Other current non-financial assets		244,621	329,219
Total current assets		4,920,864	5,197,815
Property and equipment		266,803	265,077
Capital investments accounted for by the equity method	4	383,717	419,525
Capital investments accounted for by the cost method	4	47,280	48,331
Goodwill		3,263,464	3,386,849
Intangible assets related to Kentz acquisition		242,641	272,650
Deferred income tax asset		439,725	436,817
Non-current portion of receivables under service concession arrangements		313,693	291,858
Other non-current financial assets		63,654	74,064
Other non-current non-financial assets		93,707	110,167
Total assets		\$ 10,035,548	\$ 10,503,153
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 1,936,603	\$ 2,330,538
Downpayments on contracts		160,178	185,813
Deferred revenues		1,023,750	1,041,633
Other current financial liabilities		344,032	394,348
Other current non-financial liabilities		395,764	370,621
Advances under contract financing arrangements		411,882	394,144
Current portion of provisions		325,967	364,455
Short-term debt and current portion of long-term debt:			
Recourse		4,876	–
Non-recourse from Capital investments		9,098	8,200
Total current liabilities		4,612,150	5,089,752
Long-term debt:			
Recourse		349,199	349,144
Non-recourse from Capital investments		521,933	525,800
Other non-current financial liabilities		7,576	6,897
Non-current portion of provisions		356,250	344,325
Other non-current non-financial liabilities		9,984	10,215
Deferred income tax liability		279,155	273,524
Total liabilities		6,136,247	6,599,657
Equity			
Share capital		529,939	526,812
Retained earnings		2,981,374	2,901,353
Other components of equity	9	351,112	440,013
Equity attributable to SNC-Lavalin shareholders		3,862,425	3,868,178
Non-controlling interests		36,876	35,318
Total equity		3,899,301	3,903,496
Total liabilities and equity		\$ 10,035,548	\$ 10,503,153

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

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

2016

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

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

2015

	Equity attributable to SNC-Lavalin shareholders					Non-controlling interests	Total equity
	Share Capital		Retained earnings	Other components of equity (Note 9)	Total		
	Common shares (in thousands)	Amount					
Balance at beginning of the period	152,465	\$ 531,460	\$ 2,785,067	\$ (10,897)	\$ 3,305,630	\$ 11,080	\$ 3,316,710
Net income for the period	-	-	104,380	-	104,380	445	104,825
Other comprehensive income (loss) for the period	-	-	(12,498)	220,422	207,924	-	207,924
Total comprehensive income for the period	-	-	91,882	220,422	312,304	445	312,749
Dividends declared (Note 8)	-	-	(38,035)	-	(38,035)	-	(38,035)
Stock option compensation	-	-	335	-	335	-	335
Shares issued under stock option plans	6	258	(47)	-	211	-	211
Shares redeemed and cancelled	(329)	(1,145)	(11,418)	-	(12,563)	-	(12,563)
Capital contributions by non-controlling interests	-	-	-	-	-	235	235
Balance at end of the period	152,142	\$ 530,573	\$ 2,827,784	\$ 209,525	\$ 3,567,882	\$ 11,760	\$ 3,579,642

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

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

THREE MONTHS ENDED MARCH 31

	Note	2016	2015
Revenues from:			
E&C		\$ 1,930,773	\$ 2,204,995
Capital investments accounted for by the consolidation or cost methods		12,889	12,903
Capital investments accounted for by the equity method		44,508	39,167
		1,988,170	2,257,065
Direct cost of activities		1,696,262	1,919,911
Gross margin		291,908	337,154
Selling, general and administrative expenses		168,107	206,650
Restructuring costs	5	13,015	484
Acquisition-related costs and integration costs		1,244	7,879
Amortization of intangible assets related to Kentz acquisition		20,289	20,983
Gain on disposals of Capital investments	4A	(58,539)	-
EBIT⁽¹⁾		147,792	101,158
Financial expenses	6	15,053	16,395
Financial income and net foreign exchange losses (gains)	6	(5,548)	(49,097)
Earnings before income taxes		138,287	133,860
Income taxes		10,900	29,035
Net income for the period		\$ 127,387	\$ 104,825
Net income attributable to:			
SNC-Lavalin shareholders		\$ 122,107	\$ 104,380
Non-controlling interests		5,280	445
Net income for the period		\$ 127,387	\$ 104,825
Earnings per share (in \$)			
Basic		\$ 0.82	\$ 0.68
Diluted		\$ 0.81	\$ 0.68
Weighted average number of outstanding shares (in thousands)			
	7		
Basic		149,787	152,388
Diluted		149,861	152,452

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

THREE MONTHS ENDED MARCH 31

(IN THOUSANDS OF CANADIAN DOLLARS)

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

THREE MONTHS ENDED MARCH 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	2015		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 104,380	\$ 445	\$ 104,825
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 9)	243,197	–	243,197
Available-for-sale financial assets (Note 9)	2,934	–	2,934
Cash flow hedges (Note 9)	(22,800)	–	(22,800)
Share of other comprehensive loss of investments accounted for by the equity method (Note 9)	(6,665)	–	(6,665)
Income taxes (Note 9)	3,756	–	3,756
Total of items that will be reclassified subsequently to net income	220,422	–	220,422
Defined benefit pension plans and other post-employment benefits (Note 9)	(13,377)	–	(13,377)
Income taxes (Note 9)	879	–	879
Total of items that will not be reclassified subsequently to net income	(12,498)	–	(12,498)
Total other comprehensive income for the period	207,924	–	207,924
Total comprehensive income for the period	\$ 312,304	\$ 445	\$ 312,749

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

THREE MONTHS ENDED MARCH 31

	Note	2016	2015
Operating activities			
Net income for the period		\$ 127,387	\$ 104,825
Income taxes received (paid)		5,940	(261,172)
Interest paid from E&C		(14,026)	(13,260)
Interest paid from Capital investments		(10,735)	(11,730)
Other reconciling items	10A	(47,097)	(50,888)
		61,469	(232,225)
Net change in non-cash working capital items	10B	(301,225)	(459,156)
Net cash used for operating activities		(239,756)	(691,381)
Investing activities			
Acquisition of property and equipment		(27,561)	(15,791)
Payments for Capital investments		(7,020)	-
Change in restricted cash position		(8,318)	4,956
Increase in receivables under service concession arrangements		(35,478)	(30,792)
Recovery of receivables under service concession arrangements		20,115	21,953
Decrease in short-term and long-term investments		24,264	22,574
Net cash inflow on disposals of Capital investments accounted for by the equity method	4A	101,851	-
Other		(9,105)	231
Net cash generated from investing activities		58,748	3,131
Financing activities			
Increase in recourse debt		4,876	30,000
Increase in non-recourse debt from Capital investments		-	748
Repayment of non-recourse debt from Capital investments		(2,411)	(1,638)
Increase in advances under contract financing arrangements		24,674	39,439
Repayment of advances under contract financing arrangements		(8,076)	-
Proceeds from exercise of stock options		2,558	211
Redemption of shares		-	(12,563)
Dividends paid to SNC-Lavalin shareholders	8	(38,954)	-
Other		5,777	(2,845)
Net cash generated from (used for) financing activities		(11,556)	53,352
Increase (decrease) from exchange differences on translating cash and cash equivalents		(880)	30,458
Net decrease in cash and cash equivalents		(193,444)	(604,440)
Cash and cash equivalents at beginning of period		1,581,834	1,702,205
Cash and cash equivalents at end of period		\$ 1,388,390	\$ 1,097,765

See accompanying notes to interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Notes to Interim Condensed Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS

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

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

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company’s annual audited consolidated financial statements for the year ended December 31, 2015 were consistently applied to all periods presented.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company’s annual audited consolidated financial statements for the year ended December 31, 2015 and remained unchanged for the three-month period ended March 31, 2016.

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

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

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s 2015 annual audited consolidated financial statements.

These Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 4, 2016.

B) AMENDMENTS ADOPTED IN THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

The following amendments to existing standards have been adopted by the Company on January 1, 2016:

- *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.

2. BASIS OF PREPARATION (CONTINUED)

- *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 adoption of the amendments listed above did not have any impact on the Company’s financial statements.

C) STANDARDS AND AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

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 and amendments to a standard 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.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.

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*).

3. SEGMENT DISCLOSURES

The following table presents revenues and EBIT according to the Company's segments:

THREE MONTHS ENDED MARCH 31	2016		2015	
	REVENUES	SEGMENT EBIT	REVENUES	SEGMENT EBIT
Mining & Metallurgy	\$ 117,469	\$ 5,652	\$ 222,377	\$ 18,099
Oil & Gas	853,467	42,135	760,162	54,134
Power	383,265	29,179	470,628	43,781
Infrastructure				
Infrastructure & Construction	367,323	16,873	394,407	(10,617)
Operations & Maintenance	209,249	14,579	357,421	12,063
Sub-total - Infrastructure	576,572	31,452	751,828	1,446
E&C	1,930,773	108,418	2,204,995	117,460
Capital	57,397	108,946	52,070	42,780
	\$ 1,988,170	217,364	\$ 2,257,065	160,240
Reversal of non-controlling interests before income taxes included above		5,301		700
Corporate selling, general and administrative expenses and others not allocated to the segments		(40,325)		(30,436)
Restructuring costs (Note 5)		(13,015)		(484)
Acquisition-related costs and integration costs		(1,244)		(7,879)
Amortization of intangible assets related to Kentz acquisition		(20,289)		(20,983)
EBIT		147,792		101,158
Net financial expenses (income) (Note 6)		9,505		(32,702)
Earnings before income taxes		138,287		133,860
Income taxes		10,900		29,035
Net income for the period		\$ 127,387		\$ 104,825
Net income attributable to:				
SNC-Lavalin shareholders		\$ 122,107		\$ 104,380
Non-controlling interests		5,280		445
Net income for the period		\$ 127,387		\$ 104,825

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

THREE MONTHS ENDED MARCH 31	2016	2015
Supplementary information:		
Net income attributable to SNC-Lavalin shareholders from E&C	\$ 31,199	\$ 67,021
Net income attributable to SNC-Lavalin shareholders from Capital investments:		
From Highway 407	31,452	31,452
From other Capital investments:		
From a net gain on disposal of SNCL Malta (Note 4A)	53,595	–
From a net loss on disposal of Rayalseema (Note 4A)	(2,550)	–
Excluding the net gain (loss) listed above	8,411	5,907
Net income attributable to SNC-Lavalin shareholders for the period	\$ 122,107	\$ 104,380

4. CAPITAL INVESTMENTS

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

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

4. CAPITAL INVESTMENTS (CONTINUED)

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

A) DECREASES IN OWNERSHIP INTERESTS IN INVESTMENTS

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

MALTA INTERNATIONAL AIRPORT

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

Net gain on disposal of SNCL Malta

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

Net cash inflow on disposal of SNCL Malta

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

RAYALSEEMA

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

Gain on disposals of Capital investments

Following the dispositions of SNCL Malta and Rayalseema in the first quarter of 2016, the gain on disposals of Capital investments before taxes presented in the Company’s consolidated income statement is as follows:

THREE MONTHS ENDED MARCH 31	2016
Gain on disposal of SNCL Malta	\$ 61,089
Loss on disposal of Rayalseema	(2,550)
Gain on disposals of Capital investments	\$ 58,539

Net cash inflow on disposals of Capital investments

Following the dispositions of SNCL Malta and Rayalseema in the first quarter of 2016, the net cash inflow on disposals of Capital investments presented in the Company’s consolidated statement of cash flows is as follows:

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

4. CAPITAL INVESTMENTS (CONTINUED)

B) NET BOOK VALUE OF CAPITAL INVESTMENTS

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

	MARCH 31 2016	DECEMBER 31 2015
Net liabilities from Capital investments accounted for by the consolidation method	\$ (19,642)	\$ (15,895)
Net book value of Capital investments accounted for by the equity method ^{(1), (2)}	383,717	419,525
Net book value of Capital investments accounted for by the cost method	47,280	48,331
Total net book value of Capital investments	\$ 411,355	\$ 451,961

(1) Includes the Company's investment in Highway 407, for which the net book value was \$nil as at March 31, 2016 and December 31, 2015.

(2) Includes the Company's subordinated loan receivable from a Capital investment of \$109.3 million as at March 31, 2016 and December 31, 2015.

5. RESTRUCTURING COSTS

The Company incurred \$13.0 million of restructuring costs in the first quarter of 2016 (2015: \$0.5 million).

The restructuring costs recognized in the first quarters of 2016 and 2015 were mainly for severances.

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED MARCH 31	2016			2015		
	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL
Interest on debt:						
Recourse	\$ 5,470	\$ -	\$ 5,470	\$ 5,435	\$ -	\$ 5,435
Non-recourse	-	6,557	6,557	-	6,663	6,663
Other	2,783	243	3,026	4,279	18	4,297
Financial expenses	8,253	6,800	15,053	9,714	6,681	16,395
Financial income	(2,747)	(3,406)	(6,153)	(2,694)	(5,539)	(8,233)
Net foreign exchange losses (gains)	605	-	605	(41,115)	251	(40,864)
Financial income and net foreign exchange losses (gains)	(2,142)	(3,406)	(5,548)	(43,809)	(5,288)	(49,097)
Net financial expenses (income)	\$ 6,111	\$ 3,394	\$ 9,505	\$ (34,095)	\$ 1,393	\$ (32,702)

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the first quarters of 2016 and 2015 used to calculate the basic and diluted earnings per share were as follows:

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS)	2016	2015
Weighted average number of outstanding shares - basic	149,787	152,388
Dilutive effect of stock options	74	64
Weighted average number of outstanding shares - diluted	149,861	152,452

In the first quarter of 2016, 677,263 outstanding stock options (2015: 753,096 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

8. DIVIDENDS

During the three-month period ended March 31, 2016, the Company recognized as distributions to its equity shareholders dividends of \$39.0 million or \$0.26 per share (2015: \$38.0 million or \$0.25 per share). As at March 31, 2015, the amount payable on April 2, 2015 was included in “other current financial liabilities” on the consolidated statement of financial position.

THREE MONTHS ENDED MARCH 31	2016		2015	
Dividends payable at January 1	\$	–	\$	–
Dividends declared during the period		38,954		38,035
Dividends paid during the period		(38,954)		–
Dividends payable at March 31	\$	–	\$	38,035

9. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at March 31, 2016 and December 31, 2015:

	MARCH 31		DECEMBER 31	
	2016		2015	
Exchange differences on translating foreign operations	\$	370,013	\$	472,355
Available-for-sale financial assets		2,180		1,768
Cash flow hedges		29,016		10,036
Share of other comprehensive loss of investments accounted for by the equity method		(50,097)		(44,146)
Other components of equity	\$	351,112	\$	440,013

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

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the three-month periods ended March 31, 2016 and 2015:

THREE MONTHS ENDED MARCH 31	2016		2015	
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$	472,355	\$	19,848
Current period gains (losses)		(114,477)		241,921
Reclassification to net income		5,776		–
Net investment hedge - current period gains		8,698		1,276
Income taxes relating to current period gains		(2,339)		(342)
Balance at end of period		370,013		262,703
Available-for-sale financial assets:				
Balance at beginning of period		1,768		645
Current period gains (losses) ⁽¹⁾		(929)		5,165
Income taxes relating to current period gains (losses)		(274)		(2,538)
Reclassification to net income ⁽¹⁾		1,615		(2,231)
Income taxes relating to amounts reclassified to net income		–		174
Balance at end of period		2,180		1,215
Cash flow hedges:				
Balance at beginning of period		10,036		4,244
Current period gains (losses)		17,650		(19,611)
Income tax relating to current period gains (losses)		(24)		5,319
Reclassification to net income		5,159		(3,189)
Income taxes relating to amounts reclassified to net income		(3,805)		(611)
Balance at end of period		29,016		(13,848)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period		(44,146)		(35,634)
Current period share		(10,133)		(8,219)
Income taxes relating to current period share		2,636		2,167
Reclassification to net income		2,108		1,554
Income taxes relating to amounts reclassified to net income		(562)		(413)
Balance at end of period		(50,097)		(40,545)
Other components of equity	\$	351,112	\$	209,525

⁽¹⁾ For the three-month period ended March 31, 2016, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to \$1.6 million (2015: \$0.4 million) and the loss arising on adjustment for hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to \$1.6 million (2015: \$0.4 million).

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the three-month periods ended March 31, 2016 and 2015:

THREE MONTHS ENDED MARCH 31	2016			2015		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (33,519)	\$ 6,241	\$ (27,278)	\$ (33,178)	\$ 6,403	\$ (26,775)
Losses recognized during the period	(3,098)	229	(2,869)	(13,377)	879	(12,498)
Cumulative amount at end of period	\$ (36,617)	\$ 6,470	\$ (30,147)	\$ (46,555)	\$ 7,282	\$ (39,273)

10. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

THREE MONTHS ENDED MARCH 31	2016	2015
Depreciation of property and equipment and amortization of other non-current assets	\$ 40,321	\$ 31,856
Income taxes recognized in net income	10,900	29,035
Net financial expenses (income) recognized in net income (Note 6)	9,505	(32,702)
Share-based expense	3,628	5,036
Income from Capital investments accounted for by the equity method	(44,508)	(39,167)
Dividends and distributions received from Capital investments accounted for by the equity method	31,832	31,852
Net change in provisions related to forecasted losses on certain contracts	(4,608)	(31,264)
Gain on disposals of Capital investments (Note 4A)	(58,539)	–
Restructuring costs recognized in net income (Note 5)	13,015	484
Restructuring costs paid	(33,447)	(20,382)
Other	(15,196)	(25,636)
Other reconciling items	\$ (47,097)	\$ (50,888)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

THREE MONTHS ENDED MARCH 31	2016	2015
Decrease in trade receivables	\$ 119,201	\$ 83,654
Increase in contracts in progress	(159,558)	(195,447)
Increase in inventories	(4,232)	(53,201)
Decrease (increase) in other current financial assets	9,891	(64,815)
Decrease in other current non-financial assets	18,706	41,143
Decrease in trade payables	(267,780)	(52,847)
Decrease in downpayments on contracts	(23,671)	(37,749)
Decrease in deferred revenues	(12,580)	(111,763)
Increase (decrease) in other current financial liabilities	2,890	(23,260)
Increase (decrease) in other current non-financial liabilities	15,908	(44,871)
Net change in non-cash working capital items	\$ (301,225)	\$ (459,156)

11. RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

11. RELATED PARTY TRANSACTIONS (CONTINUED)

For the first three months of 2016, SNC-Lavalin recognized revenues of \$173.6 million (2015: \$135.0 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 \$44.5 million for the three-month period ended March 31, 2016 (2015: \$39.2 million).

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to \$80.8 million as at March 31, 2016 (December 31, 2015: \$65.4 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to \$105.8 million as at March 31, 2016 (December 31, 2015: \$94.2 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was \$106.9 million at March 31, 2016 (December 31, 2015: \$113.9 million).

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

12. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at March 31, 2016 and December 31, 2015 by category and classification, with the corresponding fair value, when available:

	2016					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL ⁽¹⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 1,388,390	\$ –	\$ –	\$ –	\$ 1,388,390	\$ 1,388,390
Restricted cash	47,715	–	–	–	47,715	47,715
Trade receivables	–	–	1,070,378	–	1,070,378	1,070,378
Other current financial assets	–	–	879,433	7,614	887,047	888,626
Capital investments accounted for by the equity method	–	–	109,306	–	109,306	109,306
Capital investments accounted for by the cost method ⁽²⁾	–	46,666	614	–	47,280	See ⁽²⁾
Non-current portion of receivables under service concession arrangements ⁽³⁾	–	–	313,693	–	313,693	353,937
Other non-current financial assets ⁽³⁾	17,551	–	46,103	–	63,654	63,654
Total	\$ 1,453,656	\$ 46,666	\$ 2,419,527	\$ 7,614	\$ 3,927,463	

	2015					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL ⁽¹⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 1,581,834	\$ –	\$ –	\$ –	\$ 1,581,834	\$ 1,581,834
Restricted cash	38,964	–	–	–	38,964	38,964
Trade receivables	–	–	1,200,890	–	1,200,890	1,200,890
Other current financial assets	–	–	899,128	9,742	908,870	911,004
Capital investments accounted for by the equity method	–	–	109,306	–	109,306	109,306
Capital investments accounted for by the cost method ⁽²⁾	–	47,717	614	–	48,331	See ⁽²⁾
Non-current portion of receivables under service concession arrangements ⁽³⁾	–	–	291,858	–	291,858	327,619
Other non-current financial assets ⁽³⁾	6,825	–	67,239	–	74,064	74,064
Total	\$ 1,627,623	\$ 47,717	\$ 2,569,035	\$ 9,742	\$ 4,254,117	

⁽¹⁾ Fair value through profit or loss ("FVTPL").

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

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

12. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at March 31, 2016 and December 31, 2015 by category and classification, with the corresponding fair value, when available:

	2016				FAIR VALUE
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL		
Trade payables	\$ —	\$ 1,936,603	\$ 1,936,603	\$ 1,936,603	\$ 1,936,603
Downpayments on contracts	—	160,178	160,178	160,178	160,178
Other current financial liabilities	48,035	295,997	344,032	344,032	344,032
Advances under contract financing arrangements ⁽¹⁾	—	411,882	411,882	411,882	413,178
Provisions	—	72,429	72,429	72,429	72,429
Short-term debt and long-term debt ⁽²⁾	—	885,106	885,106	885,106	986,487
Other non-current financial liabilities	3,162	4,414	7,576	7,576	7,576
Total	\$ 51,197	\$ 3,766,609	\$ 3,817,806		

	2015				FAIR VALUE
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL		
Trade payables	\$ —	\$ 2,330,538	\$ 2,330,538	\$ 2,330,538	\$ 2,330,538
Downpayments on contracts	—	185,813	185,813	185,813	185,813
Other current financial liabilities	92,503	301,845	394,348	394,348	394,348
Advances under contract financing arrangements ⁽¹⁾	—	394,144	394,144	394,144	397,024
Provisions	—	93,057	93,057	93,057	93,057
Short-term debt and long-term debt ⁽²⁾	—	883,144	883,144	883,144	977,513
Other non-current financial liabilities	2,857	4,040	6,897	6,897	6,897
Total	\$ 95,360	\$ 4,192,581	\$ 4,287,941		

(1) The fair value of the advances under contract financing arrangements was determined using the market approach, which uses prices and other relevant information generated by market transactions involving similar or comparable liabilities.

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

For the three-month periods ended March 31, 2016 and 2015, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

13. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

Charges and RCMP 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 preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company’s customers or other third parties as a result of the Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

The 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.

13. CONTINGENT LIABILITIES (CONTINUED)

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.

13. CONTINGENT LIABILITIES (CONTINUED)

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 up to March 31, 2016 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 below).

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

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.

13. CONTINGENT LIABILITIES (CONTINUED)

B) CLASS ACTION LAWSUITS

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

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

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

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

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

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

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in 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.

Legal proceedings

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

13. CONTINGENT LIABILITIES (CONTINUED)

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.

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of 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.

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



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www.snclavalin.com

SNC-LAVALIN

455 René-Lévesque Blvd. West

Montreal, Quebec

H2Z 1Z3 Canada

Tel.: 514-393-1000

Fax: 514-866-0795