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Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2016 and 2015

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	September 30 2016	December 31 2015
ASSETS			
Current assets			
Cash and cash equivalents		**$ 895,533**	$ 1,581,834
Restricted cash		**48,049**	38,964
Trade receivables		**851,060**	1,200,890
Contracts in progress		**1,205,281**	985,852
Inventories		**121,919**	152,186
Other current financial assets		**626,234**	908,870
Other current non-financial assets		**206,358**	329,219
Assets of disposal groups classified as held for sale and assets held for sale	17	**291,567**	–
Total current assets		**4,246,001**	5,197,815
Property and equipment		**276,154**	265,077
Capital investments accounted for by the equity method	4	**383,810**	419,525
Capital investments accounted for by the cost method	4	**47,295**	48,331
Goodwill		**3,142,121**	3,386,849
Intangible assets related to Kentz acquisition		**206,644**	272,650
Deferred income tax asset		**488,135**	436,817
Non-current portion of receivables under service concession arrangements		**331,161**	291,858
Other non-current financial assets		**69,599**	74,064
Other non-current non-financial assets		**53,214**	110,167
Total assets		**$ 9,244,134**	$ 10,503,153
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 1,848,153**	$ 2,330,538
Downpayments on contracts		**224,475**	185,813
Deferred revenues		**797,538**	1,041,633
Other current financial liabilities		**312,359**	394,348
Other current non-financial liabilities		**342,172**	370,621
Advances under contract financing arrangements	14	**68,027**	394,144
Current portion of provisions		**226,427**	364,455
Short-term debt and current portion of long-term debt:			
Non-recourse from Capital investments		**7,112**	8,200
Liabilities of disposal groups classified as held for sale	17	**251,372**	–
Total current liabilities		**4,077,635**	5,089,752
Long-term debt:			
Recourse		**349,312**	349,144
Non-recourse from Capital investments		**472,121**	525,800
Other non-current financial liabilities		**1,649**	6,897
Non-current portion of provisions		**322,997**	344,325
Other non-current non-financial liabilities		**9,903**	10,215
Deferred income tax liability		**249,623**	273,524
Total liabilities		**5,483,240**	6,599,657
Equity			
Share capital	9	**551,203**	526,812
Retained earnings		**2,996,449**	2,901,353
Other components of equity	10	**196,003**	440,013
Other components of equity of disposal groups classified as held for sale	17	**(7,010)**	–
Equity attributable to SNC-Lavalin shareholders		**3,736,645**	3,868,178
Non-controlling interests		**24,249**	35,318
Total equity		**3,760,894**	3,903,496
Total liabilities and equity		**$ 9,244,134**	$ 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)

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

2016

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

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

2015

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 10)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	152,465	$ 531,460	$ 2,785,067	$ (2,721)	$ 3,313,806	$ 11,080	$ 3,324,886
Net income for the period	–	–	355,092	–	355,092	13,874	368,966
Other comprehensive income for the period	–	–	6,534	298,567	305,101	–	305,101
Total comprehensive income for the period	–	–	361,626	298,567	660,193	13,874	674,067
Dividends declared (Note 8)	–	–	(113,421)	–	(113,421)	–	(113,421)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(156)	(156)
Stock option compensation	–	–	768	–	768	–	768
Shares issued under stock option plans	105	4,964	(945)	–	4,019	–	4,019
Shares redeemed and cancelled (Note 9)	(2,804)	(9,858)	(111,919)	–	(121,777)	–	(121,777)
Capital contributions by non-controlling interests	–	–	–	–	–	1,296	1,296
Acquisition of non-controlling interests	–	–	(5,122)	–	(5,122)	(3,878)	(9,000)
Balance at end of the period	149,766	$ 526,566	$ 2,916,054	$ 295,846	$ 3,738,466	$ 22,216	$ 3,760,682

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2016**	2015	**2016**	2015
Revenues from:					
E&C		**$ 2,100,591**	$ 2,376,340	**$ 6,076,601**	$ 6,773,211
Capital investments accounted for by the consolidation or cost methods		**21,578**	20,156	**45,736**	52,541
Capital investments accounted for by the equity method		**46,371**	36,744	**137,359**	114,915
		2,168,540	2,433,240	**6,259,696**	6,940,667
Direct cost of activities		**1,955,807**	2,047,927	**5,414,259**	5,916,651
Gross margin		**212,733**	385,313	**845,437**	1,024,016
Selling, general and administrative expenses		**141,062**	207,763	**510,251**	638,000
Restructuring costs	5	**11,829**	13,424	**27,573**	21,608
Acquisition-related costs and integration costs		**1,141**	5,819	**4,110**	19,234
Amortization of intangible assets related to Kentz acquisition		**16,202**	29,402	**52,272**	71,490
Gain on disposals of Capital investments	4A	**–**	(174,350)	**(58,539)**	(174,350)
EBIT [1]		**42,499**	303,255	**309,770**	448,034
Financial expenses	6	**13,047**	17,807	**44,903**	53,294
Financial income and net foreign exchange losses (gains)	6	**(3,172)**	(9,027)	**(13,251)**	(63,451)
Earnings before income taxes		**32,624**	294,475	**278,118**	458,191
Income taxes		**(2,578)**	61,207	**23,188**	89,225
Net income for the period		**$ 35,202**	$ 233,268	**$ 254,930**	$ 368,966
Net income (loss) attributable to:					
SNC-Lavalin shareholders		**$ 43,340**	$ 224,203	**$ 253,957**	$ 355,092
Non-controlling interests		**(8,138)**	9,065	**973**	13,874
Net income for the period		**$ 35,202**	$ 233,268	**$ 254,930**	$ 368,966
Earnings per share (in $)					
Basic		**$ 0.29**	$ 1.50	**$ 1.69**	$ 2.35
Diluted		**$ 0.29**	$ 1.49	**$ 1.69**	$ 2.35
Weighted average number of outstanding shares (in thousands)	7				
Basic		**150,230**	149,933	**149,997**	151,306
Diluted		**150,442**	149,979	**150,194**	151,376

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

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

	2016			2015		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 43,340**	**$ (8,138)**	**$ 35,202**	$ 224,203	$ 9,065	$ 233,268
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(10,359)**	**213**	**(10,146)**	156,686	–	156,686
Available-for-sale financial assets (Note 10)	**(992)**	**–**	**(992)**	271	–	271
Cash flow hedges (Note 10)	**(11,486)**	**–**	**(11,486)**	29,851	–	29,851
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 10)	**29**	**–**	**29**	(6,814)	–	(6,814)
Income taxes (Note 10)	**3,759**	**–**	**3,759**	(3,740)	–	(3,740)
Total of items that will be reclassified subsequently to net income	**(19,049)**	**213**	**(18,836)**	176,254	–	176,254
Defined benefit pension plans and other post-employment benefits (Note 10)	**(25,814)**	**–**	**(25,814)**	(540)	–	(540)
Income taxes (Note 10)	**4,411**	**–**	**4,411**	(211)	–	(211)
Total of items that will not be reclassified subsequently to net income	**(21,403)**	**–**	**(21,403)**	(751)	–	(751)
Total other comprehensive income (loss) for the period	**(40,452)**	**213**	**(40,239)**	175,503	–	175,503
Total comprehensive income (loss) for the period	**$ 2,888**	**$ (7,925)**	**$ (5,037)**	$ 399,706	$ 9,065	$ 408,771

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

	2016			2015		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 253,957**	**$ 973**	**$ 254,930**	$ 355,092	$ 13,874	$ 368,966
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(222,526)**	**(3,160)**	**(225,686)**	288,984	–	288,984
Available-for-sale financial assets (Note 10)	**199**	**–**	**199**	1,817	–	1,817
Cash flow hedges (Note 10)	**(32,182)**	**–**	**(32,182)**	17,938	–	17,938
Share of other comprehensive loss of investments accounted for by the equity method (Note 10)	**(5,627)**	**–**	**(5,627)**	(11,888)	–	(11,888)
Income taxes (Note 10)	**9,116**	**–**	**9,116**	1,716	–	1,716
Total of items that will be reclassified subsequently to net income	**(251,020)**	**(3,160)**	**(254,180)**	298,567	–	298,567
Defined benefit pension plans and other post-employment benefits (Note 10)	**(44,153)**	**–**	**(44,153)**	7,501	–	7,501
Income taxes (Note 10)	**6,505**	**–**	**6,505**	(967)	–	(967)
Total of items that will not be reclassified subsequently to net income	**(37,648)**	**–**	**(37,648)**	6,534	–	6,534
Total other comprehensive income (loss) for the period	**(288,668)**	**(3,160)**	**(291,828)**	305,101	–	305,101
Total comprehensive income (loss) for the period	**$ (34,711)**	**$ (2,187)**	**$ (36,898)**	$ 660,193	$ 13,874	$ 674,067

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)

	Note	THIRD QUARTER 2016	THIRD QUARTER 2015	NINE MONTHS ENDED SEPTEMBER 30 2016	NINE MONTHS ENDED SEPTEMBER 30 2015
Operating activities					
Net income for the period		**$ 35,202**	$ 233,268	**$ 254,930**	$ 368,966
Income taxes received (paid)		**(21,969)**	9,290	**(50,600)**	(300,982)
Interest paid from E&C		**(16,928)**	(15,771)	**(33,400)**	(33,881)
Interest paid from Capital investments		**(8,199)**	(11,261)	**(23,019)**	(25,745)
Other reconciling items	11A	**22,153**	(75,794)	**(67,057)**	(69,545)
		10,259	139,732	**80,854**	(61,187)
Net change in non-cash working capital items	11B	**177,080**	26,946	**(215,097)**	(697,865)
Net cash generated from (used for) operating activities		**187,339**	166,678	**(134,243)**	(759,052)
Investing activities					
Acquisition of property and equipment		**(56,541)**	(31,162)	**(114,222)**	(71,931)
Payments for Capital investments		**(1,018)**	(11,432)	**(11,687)**	(16,949)
Change in restricted cash position		**848**	(3,848)	**(9,098)**	(2,477)
Increase in receivables under service concession arrangements		**(50,463)**	(35,251)	**(134,048)**	(99,544)
Recovery of receivables under service concession arrangements		**33,398**	24,237	**74,121**	71,175
Decrease in short-term and long-term investments		**23,775**	23,774	**64,997**	61,977
Net cash inflow on disposals of Capital investments accounted for by the equity method	4A	**–**	–	**101,851**	–
Net cash inflow on disposal of a Capital investment accounted for by the cost method	4A	**–**	600,717	**–**	600,717
Other		**(2,153)**	19,106	**(5,470)**	36,226
Net cash generated (used for) from investing activities		**(52,154)**	586,141	**(33,556)**	579,194
Financing activities					
Increase in recourse credit facility		**–**	195,000	**4,876**	430,000
Repayment of recourse credit facility		**(3,712)**	(340,000)	**(4,876)**	(340,000)
Increase in non-recourse debt from Capital investments		**467**	530	**467**	1,374
Repayment of non-recourse debt from Capital investments		**(2,479)**	(2,844)	**(6,357)**	(7,625)
Increase in advances under contract financing arrangements		**403**	2,033	**52,426**	77,154
Repayment of advances under contract financing arrangements	14	**(214,280)**	–	**(380,098)**	–
Proceeds from exercise of stock options		**3,968**	221	**19,661**	4,019
Redemption of shares	9	**–**	(35,214)	**–**	(121,777)
Dividends paid to SNC-Lavalin shareholders	8	**(39,059)**	(37,440)	**(117,023)**	(113,421)
Other		**(10,948)**	(13,194)	**(10,452)**	(17,138)
Net cash used for financing activities		**(265,640)**	(230,908)	**(441,376)**	(87,414)
Increase (decrease) from exchange differences on translating cash and cash equivalents		**(2,298)**	(695)	**(7,435)**	20,763
Net increase (decrease) in cash and cash equivalents		**(132,753)**	521,216	**(616,610)**	(246,509)
Cash and cash equivalents at beginning of period		**1,097,977**	934,480	**1,581,834**	1,702,205
Cash and cash equivalents at end of period		**$ 965,224**	$ 1,455,696	**$ 965,224**	$ 1,455,696
Presented on the statement of financial position as follows:					
Cash and cash equivalents		**$ 895,533**	$ 1,455,696	**$ 895,533**	$ 1,455,696
Assets of disposal groups classified as held for sale and assets held for sale	17	**69,691**	–	**69,691**	–
		$ 965,224	$ 1,455,696	**$ 965,224**	$ 1,455,696

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

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

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 and nine-month periods ended September 30, 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 November 2, 2016.

B) AMENDMENTS ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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.
- *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.

2. BASIS OF PREPARATION (CONTINUED)

- 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 a 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 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.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.

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 for the three-month periods ended September 30, 2016 and 2015:

THREE MONTHS ENDED SEPTEMBER 30	2016				2015			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 74,928**	**$ 11,571**	**$ –**	**$ 11,571**	$ 202,847	$ 19,782	$ –	$ 19,782
Oil & Gas [(1)]	**967,973**	**(28,067)**	**–**	**(28,067)**	1,045,718	62,277	–	62,277
Power	**412,273**	**23,068**	**–**	**23,068**	401,992	16,285	–	16,285
Infrastructure								
Infrastructure & Construction	**445,698**	**29,227**	**–**	**29,227**	512,724	41,155	–	41,155
Operations & Maintenance	**199,719**	**16,960**	**–**	**16,960**	213,059	15,256	–	15,256
Sub-total - Infrastructure	**645,417**	**46,187**	**–**	**46,187**	725,783	56,411	–	56,411
Total E&C segments	**2,100,591**	**52,759**	**–**	**52,759**	2,376,340	154,755	–	154,755
Capital	**67,949**	**–**	**52,574**	**52,574**	56,900	–	224,763	224,763
	$ 2,168,540			**105,333**	$ 2,433,240			379,518
Reversal of non-controlling interests before income taxes included above		**(8,145)**	**–**	**(8,145)**		9,267	–	9,267
Corporate selling, general and administrative expenses and others not allocated to the segments		**(18,984)**	**(6,533)**	**(25,517)**		(33,094)	(3,791)	(36,885)
Restructuring costs (Note 5)		**(11,829)**	**–**	**(11,829)**		(13,424)	–	(13,424)
Acquisition-related costs and integration costs		**(1,141)**	**–**	**(1,141)**		(5,819)	–	(5,819)
Amortization of intangible assets related to Kentz acquisition		**(16,202)**	**–**	**(16,202)**		(29,402)	–	(29,402)
EBIT		**(3,542)**	**46,041**	**42,499**		82,283	220,972	303,255
Net financial expenses (Note 6)				**9,875**				8,780
Earnings before income taxes				**32,624**				294,475
Income taxes				**(2,578)**				61,207
Net income for the period				**$ 35,202**				$ 233,268
Net income (loss) attributable to:								
SNC-Lavalin shareholders				**$ 43,340**				$ 224,203
Non-controlling interests				**(8,138)**				9,065
Net income for the period				**$ 35,202**				$ 233,268

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

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the nine-month periods ended September 30, 2016 and 2015:

NINE MONTHS ENDED SEPTEMBER 30	2016				2015			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 284,535**	**$ 32,455**	**$ –**	**$ 32,455**	$ 653,837	$ 57,364	$ –	$ 57,364
Oil & Gas [(1)]	**2,721,462**	**85,464**	**–**	**85,464**	2,696,891	181,653	–	181,653
Power	**1,210,717**	**80,952**	**–**	**80,952**	1,281,935	85,227	–	85,227
Infrastructure								
Infrastructure & Construction	**1,225,381**	**60,169**	**–**	**60,169**	1,350,248	(12,704)	–	(12,704)
Operations & Maintenance	**634,506**	**46,733**	**–**	**46,733**	790,300	39,400	–	39,400
Sub-total - Infrastructure	**1,859,887**	**106,902**	**–**	**106,902**	2,140,548	26,696	–	26,696
Total E&C segments	**6,076,601**	**305,773**	**–**	**305,773**	6,773,211	350,940	–	350,940
Capital	**183,095**	**–**	**208,288**	**208,288**	167,456	–	319,393	319,393
	$ 6,259,696			**514,061**	$ 6,940,667			670,333
Reversal of non-controlling interests before income taxes included above		**971**	**–**	**971**		16,822	–	16,822
Corporate selling, general and administrative expenses and others not allocated to the segments		**(102,674)**	**(18,633)**	**(121,307)**		(116,609)	(10,180)	(126,789)
Restructuring costs (Note 5)		**(27,573)**	**–**	**(27,573)**		(21,608)	–	(21,608)
Acquisition-related costs and integration costs		**(4,110)**	**–**	**(4,110)**		(19,234)	–	(19,234)
Amortization of intangible assets related to Kentz acquisition		**(52,272)**	**–**	**(52,272)**		(71,490)	–	(71,490)
EBIT		**120,115**	**189,655**	**309,770**		138,821	309,213	448,034
Net financial expenses (income) (Note 6)				**31,652**				(10,157)
Earnings before income taxes				**278,118**				458,191
Income taxes				**23,188**				89,225
Net income for the period				**$ 254,930**				$ 368,966
Net income attributable to:								
SNC-Lavalin shareholders				**$ 253,957**				$ 355,092
Non-controlling interests				**973**				13,874
Net income for the period				**$ 254,930**				$ 368,966

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

3. SEGMENT DISCLOSURES (CONTINUED)

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

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	**2016**	2015
Supplementary information:				
Net income attributable to SNC-Lavalin shareholders from E&C	**$ 688**	$ 33,334	**$ 84,781**	$ 81,847
Net income attributable to SNC-Lavalin shareholders from Capital investments:				
From Highway 407	**34,807**	31,452	**97,710**	94,355
From other Capital investments:				
From a net gain on disposal of Ambatovy (Note 4A)	**–**	145,719	**–**	145,719
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 gains (loss) listed above	**7,845**	13,698	**20,421**	33,171
Net income attributable to SNC-Lavalin shareholders for the period	**$ 43,340**	$ 224,203	**$ 253,957**	$ 355,092

4. CAPITAL INVESTMENTS

SNC-Lavalin makes investments in certain infrastructure concessions from bridges, buildings and highways to mass transit systems, power facilities and water treatment plants.

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12") are all accounted for under the financial asset model, 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.

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 AND ADDITIONS OF INVESTMENTS

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

MALTA INTERNATIONAL AIRPORT

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

<u>Net gain on disposal of SNCL Malta</u>

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

<u>Net cash inflow on disposal of SNCL Malta</u>

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

RAYALSEEMA

In 2016, SNC-Lavalin completed the sale of its ownership interest of 36.9% in 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.

<u>Gain on disposals of Capital investments</u>

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

NINE MONTHS ENDED SEPTEMBER 30		2016
Gain on disposal of SNCL Malta	$	61,089
Loss on disposal of Rayalseema		(2,550)
Gain on disposals of Capital investments	**$**	**58,539**

4. CAPITAL INVESTMENTS (CONTINUED)

Net cash inflow on disposals of Capital investments

The net cash inflow on disposals of SNCL Malta and Rayalseema is presented as follows in the Company's consolidated statement of cash flows:

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

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

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 (the "investment") 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).

Net gain on disposal of Ambatovy

NINE MONTHS ENDED SEPTEMBER 30		2015
Consideration received	$	600,717
Carrying amount of the investment and loans		(425,367)
Disposition-related costs		(1,000)
Gain on disposal of Ambatovy		174,350
Income taxes		(28,631)
Net gain on disposal of Ambatovy	**$**	**145,719**

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.

	SEPTEMBER 30 2016	DECEMBER 31 2015
Net liabilities from Capital investments accounted for by the consolidation method	**$ (28,793)**	$ (15,895)
Net book value of Capital investments accounted for by the equity method [1], [2]	**383,810**	419,525
Net book value of Capital investments accounted for by the cost method	**47,295**	48,331
Net assets from French Capital investments classified as held for sale (Note 17)	**11,380**	–
Total net book value of Capital investments	**$ 413,692**	$ 451,961

(1) Includes the Company's investment in Highway 407, for which the net book value was $nil as at September 30, 2016 and December 31, 2015.

(2) Includes the Company's subordinated loan receivable from a Capital investment of $109.3 million as at September 30, 2016 and December 31, 2015.

5. RESTRUCTURING COSTS

The Company incurred restructuring costs totalling $11.8 million in the third quarter of 2016 (2015: $13.4 million) and $27.6 million in the nine-month period ended September 30, 2016 (2015: $21.6 million).

The restructuring costs recognized in the nine-month periods ended September 30, 2016 and 2015 were mainly for severances.

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED SEPTEMBER 30	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 5,480**	**$ –**	**$ 5,480**	$ 7,395	$ –	$ 7,395
Non-recourse	**–**	**6,763**	**6,763**	–	6,798	6,798
Other	**758**	**46**	**804**	3,568	46	3,614
Financial expenses	**6,238**	**6,809**	**13,047**	10,963	6,844	17,807
Financial income	**(1,688)**	**(3,257)**	**(4,945)**	(2,626)	(5,044)	(7,670)
Net foreign exchange losses (gains)	**1,773**	**–**	**1,773**	(1,419)	62	(1,357)
Financial income and net foreign exchange losses (gains)	**85**	**(3,257)**	**(3,172)**	(4,045)	(4,982)	(9,027)
Net financial expenses	**$ 6,323**	**$ 3,552**	**$ 9,875**	$ 6,918	$ 1,862	$ 8,780

NINE MONTHS ENDED SEPTEMBER 30	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 16,436**	**$ –**	**$ 16,436**	$ 19,336	$ –	$ 19,336
Non-recourse	**–**	**20,421**	**20,421**	–	20,036	20,036
Other	**7,908**	**138**	**8,046**	13,649	273	13,922
Financial expenses	**24,344**	**20,559**	**44,903**	32,985	20,309	53,294
Financial income	**(7,630)**	**(9,983)**	**(17,613)**	(7,453)	(16,120)	(23,573)
Net foreign exchange losses (gains)	**4,362**	**–**	**4,362**	(39,938)	60	(39,878)
Financial income and net foreign exchange losses (gains)	**(3,268)**	**(9,983)**	**(13,251)**	(47,391)	(16,060)	(63,451)
Net financial expenses (income)	**$ 21,076**	**$ 10,576**	**$ 31,652**	$ (14,406)	$ 4,249	$ (10,157)

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the third quarters and the nine-month periods ended September 30, 2016 and 2015 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	**2016**	2015
Weighted average number of outstanding shares - basic	**150,230**	149,933	**149,997**	151,306
Dilutive effect of stock options	**212**	46	**197**	70
Weighted average number of outstanding shares - diluted	**150,442**	149,979	**150,194**	151,376

In the third quarter and nine-month period ended September 30, 2016, all of the outstanding stock options have been included in the computation of diluted earnings per share. In the third quarter and nine-month period ended September 30, 2015, 719,263 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive.

8. DIVIDENDS

During the nine-month period ended September 30, 2016, the Company recognized as distributions to its equity shareholders dividends of $117.0 million or $0.78 per share (2015: $113.4 million or $0.75 per share).

NINE MONTHS ENDED SEPTEMBER 30	**2016**	2015
Dividends payable at January 1	**$ –**	$ –
Dividends declared during the period	**117,023**	113,421
Dividends paid during the period	**(117,023)**	(113,421)
Dividends payable at September 30	**$ –**	$ –

9. REDEMPTION OF SHARES

In the second quarter of 2016, the Company announced that it had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 4, 2016. In the notice, SNC-Lavalin stated that a maximum of 3,000,000 common shares may be purchased for cancellation, on the open market. Purchases may commence on June 6, 2016 and will terminate no later than June 5, 2017. For the period from June 5, 2015 to June 4, 2016, the number of common shares subject to the issuer bid was 13,287,774 common shares.

There was no redemption of shares in the first nine months of 2016 (2015: 2,803,900 common shares were redeemed resulting in cash outflows of $121.8 million).

10. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at September 30, 2016 and December 31, 2015:

		SEPTEMBER 30 2016		DECEMBER 31 2015
Exchange differences on translating foreign operations	**$**	**246,918**	$	472,355
Available-for-sale financial assets		**2,366**		1,768
Cash flow hedges		**(12,520)**		10,036
Share of other comprehensive loss of investments accounted for by the equity method		**(47,771)**		(44,146)
Other components of equity	**$**	**188,993**	$	440,013
Presented on the statement of financial position as follows:				
Other components of equity	**$**	**196,003**	$	–
Other components of equity of disposal groups classified as held for sale	**$**	**(7,010)**	$	–

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

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the third quarters and the nine-month periods ended September 30, 2016 and 2015:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	**2016**	2015
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ 257,277**	$ 159,600	**$ 472,355**	$ 28,024
Current period gains (losses)	**(10,359)**	165,270	**(239,518)**	294,885
Reclassification to net income	**–**	–	**5,776**	–
Net investment hedge - current period gains (losses)	**–**	(8,584)	**11,216**	(5,901)
Income taxes relating to current period gains (losses)	**–**	2,309	**(2,911)**	1,587
Balance at end of period	**246,918**	318,595	**246,918**	318,595
Available-for-sale financial assets:				
Balance at beginning of period	**2,559**	2,142	**1,768**	645
Current period gains (losses) (1)	**37**	3,163	**(2,011)**	5,904
Income taxes relating to current period gains (losses)	**799**	(102)	**399**	(505)
Reclassification to net income (1)	**(1,029)**	(2,892)	**2,210**	(4,087)
Income taxes relating to amounts reclassified to net income	**–**	–	**–**	354
Balance at end of period	**2,366**	2,311	**2,366**	2,311
Cash flow hedges:				
Balance at beginning of period	**(3,488)**	(2,779)	**10,036**	4,244
Current period gains (losses)	**(1,549)**	(12,434)	**9,680**	(28,269)
Income tax relating to current period gains (losses)	**(215)**	2,982	**2,846**	7,477
Reclassification to net income	**(9,937)**	42,285	**(41,862)**	46,207
Income taxes relating to amounts reclassified to net income	**2,669**	(10,867)	**6,780**	(10,472)
Balance at end of period	**(12,520)**	19,187	**(12,520)**	19,187
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(48,306)**	(39,371)	**(44,146)**	(35,634)
Current period share	**(4,084)**	(9,293)	**(14,346)**	(17,457)
Income taxes relating to current period share	**1,035**	2,597	**3,623**	4,757
Reclassification to net income	**4,113**	2,479	**8,719**	5,569
Income taxes relating to amounts reclassified to net income	**(529)**	(659)	**(1,621)**	(1,482)
Balance at end of period	**(47,771)**	(44,247)	**(47,771)**	(44,247)
Other components of equity	**$ 188,993**	$ 295,846	**$ 188,993**	$ 295,846
Presented on the statement of financial position as follows:				
Other components of equity	**$ 196,003**	$ –	**$ 196,003**	$ –
Other components of equity of disposal group classified as held for sale	**$ (7,010)**	$ –	**$ (7,010)**	$ –

(1) For the third quarter and the nine-month period ended September 30, 2016, the loss arising on derivatives designated as hedging instruments in fair value hedges amounted to $1.0 million (2015: $2.9 million) and the gain amounted to $2.2 million (2015: loss of $1.5 million), respectively, and the gain arising on adjustment for hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to $1.0 million (2015: $2.9 million) and the loss amounted to $2.2 million (2015: gain of $1.5 million), respectively.

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 third quarters and the nine-month periods ended September 30, 2016 and 2015:

THREE MONTHS ENDED SEPTEMBER 30		**2016**			2015	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (51,858)**	**$ 8,335**	**$ (43,523)**	$ (25,137)	$ 5,647	$ (19,490)
Gains (losses) recognized during the period	**(25,814)**	**4,411**	**(21,403)**	(540)	(211)	(751)
Cumulative amount at end of period	**$ (77,672)**	**$ 12,746**	**$ (64,926)**	$ (25,677)	$ 5,436	$ (20,241)

NINE MONTHS ENDED SEPTEMBER 30		**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)
Gains (losses) recognized during the period	**(44,153)**	**6,505**	**(37,648)**	7,501	(967)	6,534
Cumulative amount at end of period	**$ (77,672)**	**$ 12,746**	**$ (64,926)**	$ (25,677)	$ 5,436	$ (20,241)

11. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	**2016**	2015
Depreciation of property and equipment and amortization of other non-current assets:				
From E&C	**$ 36,715**	$ 36,942	**$ 107,778**	$ 108,876
From Capital	**841**	–	**2,533**	–
Income taxes recognized in net income	**(2,578)**	61,207	**23,188**	89,225
Net financial expenses (income) recognized in net income (Note 6)	**9,875**	8,780	**31,652**	(10,157)
Share-based expense	**18,462**	5,700	**20,201**	18,106
Income from Capital investments accounted for by the equity method	**(46,371)**	(36,744)	**(137,359)**	(114,915)
Dividends and distributions received from Capital investments accounted for by the equity method	**54,156**	33,067	**118,906**	102,207
Net change in provisions related to forecasted losses on certain contracts	**(52,905)**	(15,652)	**(100,427)**	(44,754)
Gain on disposals of Capital investments (Note 4A)	**–**	(174,350)	**(58,539)**	(174,350)
Restructuring costs recognized in net income (Note 5)	**11,829**	13,424	**27,573**	21,608
Restructuring costs paid	**(18,622)**	(8,082)	**(79,810)**	(33,805)
Other	**10,751**	(86)	**(22,753)**	(31,586)
Other reconciling items	**$ 22,153**	$ (75,794)	**$ (67,057)**	$ (69,545)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	**2016**	2015
Decrease in trade receivables	**$ 69,254**	$ 98,661	**$ 268,243**	$ 210,464
Decrease (increase) in contracts in progress	**173,635**	155,815	**(268,302)**	(2,017)
Decrease (increase) in inventories	**16,107**	(11,180)	**13,643**	(51,191)
Decrease (increase) in other current financial assets	**53,449**	(74,345)	**234,399**	(136,733)
Decrease (increase) in other current non-financial assets	**6,057**	(7,220)	**243**	16,295
Decrease in trade payables	**(38,998)**	(41,249)	**(260,759)**	(316,792)
Increase (decrease) in downpayments on contracts	**28,532**	(18,089)	**45,652**	(74,407)
Decrease in deferred revenues	**(105,805)**	(39,472)	**(195,511)**	(213,406)
Increase (decrease) in other current financial liabilities	**10,290**	5,799	**(14,620)**	(49,840)
Decrease in other current non-financial liabilities	**(35,441)**	(41,774)	**(38,085)**	(80,238)
Net change in non-cash working capital items	**$ 177,080**	$ 26,946	**$ (215,097)**	$ (697,865)

12. 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.

12. RELATED PARTY TRANSACTIONS (CONTINUED)

For the third quarter and the first nine months of 2016, SNC-Lavalin recognized revenues of $209.1 million (2015: $216.9 million) and $575.3 million (2015: $509.9 million), respectively, from contracts with Capital investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these Capital investments accounted for by the equity method of $46.4 million for the third quarter of 2016 (2015: $36.7 million) and $137.4 million for the first nine months of 2016 (2015: $114.9 million), respectively.

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to $100.9 million as at September 30, 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 $76.6 million as at September 30, 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 $102.3 million at September 30, 2016 (December 31, 2015: $113.9 million).

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

13. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at September 30, 2016 and December 31, 2015 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	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	**$ 895,533**	**$ –**	**$ –**	**$ –**	**$ 895,533**	**$ 895,533**
Restricted cash	**48,049**	**–**	**–**	**–**	**48,049**	**48,049**
Trade receivables	**–**	**–**	**851,060**	**–**	**851,060**	**851,060**
Other current financial assets	**–**	**–**	**621,080**	**5,154**	**626,234**	**627,981**
Capital investments accounted for by the equity method	**–**	**–**	**109,306**	**–**	**109,306**	**109,306**
Capital investments accounted for by the cost method [2]	**–**	**46,713**	**582**	**–**	**47,295**	**See [2]**
Non-current portion of receivables under service concession arrangements [3]	**–**	**–**	**331,161**	**–**	**331,161**	**390,382**
Other non-current financial assets [3], [4]	**28,688**	**–**	**40,911**	**–**	**69,599**	**69,599**
Total	**$ 972,270**	**$ 46,713**	**$ 1,954,100**	**$ 5,154**	**$ 2,978,237**	

AT DECEMBER 31	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"), comprised of financial assets classified as held for trading.

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

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

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

13. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at September 30, 2016 and December 31, 2015 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	2016			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	**$ –**	**$ 1,848,153**	**$ 1,848,153**	**$ 1,848,153**
Downpayments on contracts	**–**	**224,475**	**224,475**	**224,475**
Other current financial liabilities	**42,372**	**269,987**	**312,359**	**312,359**
Advances under contract financing arrangements (1)	**–**	**68,027**	**68,027**	**68,070**
Provisions	**–**	**41,899**	**41,899**	**41,899**
Short-term debt and long-term debt (2)	**–**	**828,545**	**828,545**	**928,072**
Other non-current financial liabilities	**–**	**1,649**	**1,649**	**1,649**
Total	**$ 42,372**	**$ 3,282,735**	**$ 3,325,107**	

AT DECEMBER 31	2015			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,330,538	$ 2,330,538	$ 2,330,538
Downpayments on contracts	–	185,813	185,813	185,813
Other current financial liabilities	92,503	301,845	394,348	394,348
Advances under contract financing arrangements (1)	–	394,144	394,144	397,024
Provisions	–	93,057	93,057	93,057
Short-term debt and long-term debt (2)	–	883,144	883,144	977,513
Other non-current financial liabilities	2,857	4,040	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 nine-month periods ended September 30, 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.

14. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

In the third quarter of 2016, the Company repaid in full the balance outstanding under the non-recourse credit facility agreement used to finance part of the Sainte-Justine University Hospital Centre project and such facility was terminated according to the credit agreement. The $68.0 million balance included in “Advances under contract financing arrangements” in the consolidated statement of financial position as at September 30, 2016 relates solely to the non-recourse credit facility agreement related to the Evergreen Line rapid transit project.

15. SHORT-TERM DEBT AND LONG-TERM DEBT

In the third quarter of 2016, the Company amended its revolving credit facility (the “Facility”) to: i) extend its maturity from August 2018 to August 2019; and ii) increase its limit from $1.8 billion to $2.0 billion applicable to financial letters of credit and cash draws.

16. 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 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.

16. 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.

16. 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.

<u>Quebec's Voluntary Reimbursement Program (the "Program")</u>

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

<u>Other Investigations</u>

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 September 30, 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.

16. CONTINGENT LIABILITIES (CONTINUED)

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.

B) CLASS ACTION LAWSUITS

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

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

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

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

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

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

16. CONTINGENT LIABILITIES (CONTINUED)

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

C) **OTHER**

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the 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.

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

Legal proceedings

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

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

SNC-Lavalin'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 and its joint arrangement partner filed a counterclaim 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.

16. CONTINGENT LIABILITIES (CONTINUED)

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.

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

A) REAL ESTATE FACILITIES MANAGEMENT

On June 30, 2016, SNC-Lavalin announced that is has reached an agreement to sell its non-core Real Estate Facilities Management business in Canada to Brookfield Global Integrated Solutions, which includes facilities management, property management, realty management and related project management. The agreement provides for a selling price of $45 million, subject to working capital adjustments. The agreement is subject to customary regulatory approvals and other conditions, and is expected to close by the end of 2016.

This disposal group is presented in the Operations & Maintenance sub-segment of the Infrastructure segment in accordance with IFRS 8, *Operating Segments*.

B) LOCAL FRENCH OPERATIONS AND FRENCH CAPITAL INVESTMENTS

In the third quarter of 2016, SNC-Lavalin classified its local operations and its Capital investments in France as disposal group presented as held for sale following its decision to dispose of these activities. These activities, presented in the Infrastructure & Construction and Operations & Maintenance sub-segments of the Infrastructure segment and in the Capital segment, are expected to be disposed of by the end of 2016.

C) OTHER COMPREHENSIVE INCOME AND MAJOR CLASSES OF ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As the assets and liabilities of the disposal groups and non-current assets classified as held for sale are expected to be realized through these transactions, the Company presents the aggregate amount of such assets and such liabilities of the disposal groups and the amount of non-current assets as assets and liabilities of disposal groups and assets classified as held for sale on its consolidated statement of financial position. However, there was no impact on the Company's consolidated income statement and consolidated statement of cash flows from the presentation of the disposal groups and non-current assets as disposal groups and non-current assets classified as held for sale.

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

The major classes of assets and liabilities and accumulated other comprehensive income (loss) of the disposal groups and non-current assets classified as held for sale as at September 30, 2016 were as follows:

AT SEPTEMBER 30, 2016	REAL ESTATE FACILITIES MANAGEMENT	LOCAL FRENCH OPERATIONS	FRENCH CAPITAL INVESTMENTS	OTHER NON-CURRENT ASSETS (1)	TOTAL
Cash and cash equivalents	$ 31,356	$ 36,716	$ 1,619	$ –	$ 69,691
Other current assets	38,833	67,504	4,597	–	110,934
Non-current assets	12,524	32,928	60,508	4,982	110,942
Assets of disposal groups classified as held for sale and assets held for sale	82,713	137,148	66,724	4,982	291,567
Current liabilities	88,168	98,253	5,473	–	191,894
Non-current liabilities	–	9,607	49,871	–	59,478
Liabilities of disposal groups classified as held for sale	88,168	107,860	55,344	–	251,372
Net assets (liabilities) of disposal groups classified as held for sale and assets held for sale	$ (5,455)	$ 29,288	$ 11,380	$ 4,982	$ 40,195
Accumulated other comprehensive loss of disposals groups classified as held for sale	$ –	$ (934)	$ (6,076)	$ –	$ (7,010)

(1) The other non-current assets are presented in the Oil & Gas segment in accordance with IFRS 8, *Operating Segments* .

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