SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31 2016	December 31 2015
ASSETS			
Current assets			
Cash and cash equivalents		**$ 1,055,484**	$ 1,581,834
Restricted cash		**55,577**	38,964
Trade receivables		**935,983**	1,200,890
Contracts in progress		**1,188,912**	985,852
Inventories		**138,795**	152,186
Other current financial assets		**492,725**	908,870
Other current non-financial assets		**315,847**	329,219
Assets held for sale	16	**6,706**	–
Total current assets		**4,190,029**	5,197,815
Property and equipment		**298,333**	265,077
Capital investments accounted for by the equity method	4	**399,425**	419,525
Capital investments accounted for by the cost method	4	**48,325**	48,331
Goodwill		**3,268,214**	3,386,849
Intangible assets related to Kentz acquisition		**194,164**	272,650
Deferred income tax asset		**421,461**	436,817
Non-current portion of receivables under service concession arrangements		**356,847**	291,858
Other non-current financial assets		**58,523**	74,064
Other non-current non-financial assets		**62,998**	110,167
Total assets		**$ 9,298,319**	$ 10,503,153
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 1,888,242**	$ 2,330,538
Downpayments on contracts		**263,382**	185,813
Deferred revenues		**851,158**	1,041,633
Other current financial liabilities		**303,975**	394,348
Other current non-financial liabilities		**397,790**	370,621
Advances under contract financing arrangements	14	**–**	394,144
Current portion of provisions		**236,594**	364,455
Short-term debt and current portion of long-term debt:			
Non-recourse from Capital investments		**21,011**	8,200
Total current liabilities		**3,962,152**	5,089,752
Long-term debt:			
Recourse		**349,369**	349,144
Non-recourse from Capital investments		**472,571**	525,800
Other non-current financial liabilities		**5,928**	6,897
Non-current portion of provisions		**326,401**	344,325
Other non-current non-financial liabilities		**15,846**	10,215
Deferred income tax liability		**269,718**	273,524
Total liabilities		**5,401,985**	6,599,657
Equity			
Share capital	9	**554,839**	526,812
Retained earnings		**2,959,366**	2,901,353
Other components of equity	10	**360,845**	440,013
Other components of equity of asset held for sale	16	**(1,828)**	–
Equity attributable to SNC-Lavalin shareholders		**3,873,222**	3,868,178
Non-controlling interests		**23,112**	35,318
Total equity		**3,896,334**	3,903,496
Total liabilities and equity		**$ 9,298,319**	$ 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)

YEAR ENDED DECEMBER 31
(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 year	**149,772**	**$ 526,812**	**$ 2,901,353**	**$ 440,013**	**$ 3,868,178**	**$ 35,318**	**$ 3,903,496**
Net income	**–**	**–**	**255,533**	**–**	**255,533**	**1,032**	**256,565**
Other comprehensive loss	**–**	**–**	**(36,646)**	**(80,996)**	**(117,642)**	**(3,336)**	**(120,978)**
Total comprehensive income (loss)	**–**	**–**	**218,887**	**(80,996)**	**137,891**	**(2,304)**	**135,587**
Dividends declared (Note 8)	**–**	**–**	**(156,104)**	**–**	**(156,104)**	**–**	**(156,104)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(10,002)**	**(10,002)**
Stock option compensation	**–**	**–**	**658**	**–**	**658**	**–**	**658**
Shares issued under stock option plans	**585**	**28,027**	**(5,428)**	**–**	**22,599**	**–**	**22,599**
Capital contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**100**	**100**
Balance at end of the year	**150,357**	**$ 554,839**	**$ 2,959,366**	**$ 359,017**	**$ 3,873,222**	**$ 23,112**	**$ 3,896,334**

YEAR ENDED DECEMBER 31
(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 year	152,465	$ 531,460	$ 2,785,067	$ (2,721)	$ 3,313,806	$ 11,080	$ 3,324,886
Net income	–	–	404,336	–	404,336	33,199	437,535
Other comprehensive income (loss)	–	–	(503)	442,734	442,231	3,625	445,856
Total comprehensive income	–	–	403,833	442,734	846,567	36,824	883,391
Dividends declared (Note 8)	–	–	(150,863)	–	(150,863)	–	(150,863)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(28,480)	(28,480)
Stock option compensation	–	–	(173)	–	(173)	–	(173)
Shares issued under stock option plans	111	5,210	(994)	–	4,216	–	4,216
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)
Reduction of participation in a subsidiary	–	–	(18,476)	–	(18,476)	18,476	–
Balance at end of the year	149,772	$ 526,812	$ 2,901,353	$ 440,013	$ 3,868,178	$ 35,318	$ 3,903,496

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)	Note	FOURTH QUARTER 2016	FOURTH QUARTER 2015	YEAR ENDED DECEMBER 31 2016	YEAR ENDED DECEMBER 31 2015
Revenues from:					
E&C		**$ 2,146,484**	$ 2,590,297	**$ 8,223,085**	$ 9,363,508
Capital investments accounted for by the consolidation or cost methods		**19,168**	13,823	**64,904**	66,364
Capital investments accounted for by the equity method		**45,485**	42,167	**182,844**	157,082
		2,211,137	2,646,287	**8,470,833**	9,586,954
Direct cost of activities		**1,850,476**	2,237,504	**7,264,735**	8,154,155
Gross margin		**360,661**	408,783	**1,206,098**	1,432,799
Selling, general and administrative expenses		**213,864**	217,633	**724,115**	855,633
Restructuring costs	5	**87,832**	94,788	**115,405**	116,396
Acquisition-related costs and integration costs		**299**	340	**4,409**	19,574
Amortization of intangible assets related to Kentz acquisition		**16,538**	22,498	**68,810**	93,988
Loss (gain) on disposals of Capital investments	4A	**2,664**	–	**(55,875)**	(174,350)
Loss on disposals of E&C businesses	17	**37,133**	–	**37,133**	-
EBIT (1)		**2,331**	73,524	**312,101**	521,558
Financial expenses	6	**15,907**	21,857	**60,810**	75,151
Financial income and net foreign exchange losses (gains)	6	**(5,442)**	(11,395)	**(18,693)**	(74,846)
Earnings (loss) before income taxes		**(8,134)**	63,062	**269,984**	521,253
Income taxes		**(9,769)**	(5,507)	**13,419**	83,718
Net income for the period		**$ 1,635**	$ 68,569	**$ 256,565**	$ 437,535
Net income attributable to:					
SNC-Lavalin shareholders		**$ 1,576**	$ 49,244	**$ 255,533**	$ 404,336
Non-controlling interests		**59**	19,325	**1,032**	33,199
Net income for the period		**$ 1,635**	$ 68,569	**$ 256,565**	$ 437,535
Earnings per share (in $)					
Basic		**$ 0.01**	$ 0.33	**$ 1.70**	$ 2.68
Diluted		**$ 0.01**	$ 0.33	**$ 1.70**	$ 2.68
Weighted average number of outstanding shares (in thousands)	7				
Basic		**150,313**	149,769	**150,077**	150,918
Diluted		**150,497**	149,833	**150,279**	150,988

(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 DECEMBER 31
(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	**$ 1,576**	**$ 59**	**$ 1,635**	$ 49,244	$ 19,325	$ 68,569
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**142,808**	**(176)**	**142,632**	152,436	3,625	156,061
Available-for-sale financial assets (Note 10)	**1,053**	**–**	**1,053**	(987)	–	(987)
Cash flow hedges (Note 10)	**20,023**	**–**	**20,023**	(3,526)	–	(3,526)
Share of other comprehensive income of investments accounted for by the equity method (Note 10)	**11,693**	**–**	**11,693**	141	–	141
Income taxes (Note 10)	**(5,553)**	**–**	**(5,553)**	(3,897)	–	(3,897)
Total of items that will be reclassified subsequently to net income	**170,024**	**(176)**	**169,848**	144,167	3,625	147,792
Remeasurement on defined benefit plans (Note 10)	**3,652**	**–**	**3,652**	(7,842)	–	(7,842)
Income taxes (Note 10)	**(2,650)**	**–**	**(2,650)**	805	–	805
Total of items that will not be reclassified subsequently to net income	**1,002**	**–**	**1,002**	(7,037)	–	(7,037)
Total other comprehensive income (loss) for the period	**171,026**	**(176)**	**170,850**	137,130	3,625	140,755
Total comprehensive income (loss) for the period	**$ 172,602**	**$ (117)**	**$ 172,485**	$ 186,374	$ 22,950	$ 209,324

YEAR ENDED DECEMBER 31
(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 year	**$ 255,533**	**$ 1,032**	**$ 256,565**	$ 404,336	$ 33,199	$ 437,535
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(79,718)**	**(3,336)**	**(83,054)**	441,420	3,625	445,045
Available-for-sale financial assets (Note 10)	**1,252**	**–**	**1,252**	830	–	830
Cash flow hedges (Note 10)	**(12,159)**	**–**	**(12,159)**	14,412	–	14,412
Share of other comprehensive loss of investments accounted for by the equity method (Note 10)	**6,066**	**–**	**6,066**	(11,747)	–	(11,747)
Income taxes (Note 10)	**3,563**	**–**	**3,563**	(2,181)	–	(2,181)
Total of items that will be reclassified subsequently to net income	**(80,996)**	**(3,336)**	**(84,332)**	442,734	3,625	446,359
Remeasurement on defined benefit plans (Note 10)	**(40,501)**	**–**	**(40,501)**	(341)	–	(341)
Income taxes (Note 10)	**3,855**	**–**	**3,855**	(162)	–	(162)
Total of items that will not be reclassified subsequently to net income	**(36,646)**	**–**	**(36,646)**	(503)	–	(503)
Total other comprehensive income (loss) for the year	**(117,642)**	**(3,336)**	**(120,978)**	442,231	3,625	445,856
Total comprehensive income (loss) for the year	**$ 137,891**	**$ (2,304)**	**$ 135,587**	$ 846,567	$ 36,824	$ 883,391

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)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	**2016**	2015	**2016**	2015
Operating activities					
Net income for the period		**$ 1,635**	$ 68,569	**$ 256,565**	$ 437,535
Income taxes paid		**(2,624)**	(8,370)	**(53,224)**	(309,352)
Interest paid from E&C		**(2,294)**	(3,513)	**(35,694)**	(37,394)
Interest paid from Capital investments		**(1,733)**	(2,640)	**(24,752)**	(28,385)
Other reconciling items	11A	**90,511**	136,633	**23,454**	67,088
		85,495	190,679	**166,349**	129,492
Net change in non-cash working capital items	11B	**154,372**	53,681	**(60,725)**	(644,184)
Net cash generated from (used for) operating activities		**239,867**	244,360	**105,624**	(514,692)
Investing activities					
Acquisition of property and equipment		**(37,117)**	(44,044)	**(151,339)**	(115,975)
Payments for Capital investments		**–**	–	**(11,687)**	(16,949)
Recovery associated to the settlement of a financial arrangement		**–**	49,279	**–**	49,279
Change in restricted cash position		**(7,568)**	(4,730)	**(16,666)**	(7,207)
Increase in receivables under service concession arrangements		**(61,313)**	(30,189)	**(195,361)**	(129,733)
Recovery of receivables under service concession arrangements		**45,362**	21,825	**119,483**	93,000
Decrease in short-term and long-term investments		**16,459**	19,954	**81,456**	81,931
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
Net cash outflow on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method	17	**(23,900)**	–	**(23,900)**	–
Other		**14,556**	(7,261)	**9,086**	28,965
Net cash generated (used for) from investing activities		**(53,521)**	4,834	**(87,077)**	584,028
Financing activities					
Increase in recourse credit facility		**–**	–	**4,876**	430,000
Repayment of recourse credit facility		**–**	(90,000)	**(4,876)**	(430,000)
Increase in non-recourse debt from Capital investments		**473**	700	**940**	2,074
Repayment of non-recourse debt from Capital investments		**(2,633)**	(2,866)	**(8,990)**	(10,491)
Increase in advances under contract financing arrangements		**–**	96,336	**52,426**	173,490
Repayment of advances under contract financing arrangements	14	**(68,027)**	(102,971)	**(448,125)**	(102,971)
Proceeds from exercise of stock options		**2,938**	197	**22,599**	4,216
Redemption of shares	9	**–**	–	**–**	(121,777)
Dividends paid to SNC-Lavalin shareholders	8	**(39,081)**	(37,442)	**(156,104)**	(150,863)
Dividends paid by subsidiaries to non-controlling interests		**(1,020)**	(28,324)	**(10,002)**	(28,480)
Other		**10,497**	10,311	**9,027**	(6,671)
Net cash used for financing activities		**(96,853)**	(154,059)	**(538,229)**	(241,473)
Increase (decrease) from exchange differences on translating cash and cash equivalents		**767**	31,003	**(6,668)**	51,766
Net increase (decrease) in cash and cash equivalents		**90,260**	126,138	**(526,350)**	(120,371)
Cash and cash equivalents at beginning of period		**965,224**	1,455,696	**1,581,834**	1,702,205
Cash and cash equivalents at end of period		**$ 1,055,484**	$ 1,581,834	**$ 1,055,484**	$ 1,581,834

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" in these financial statements.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2016 were consistently applied to all periods presented.

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

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

B) CHANGE IN AN ACCOUNTING POLICY

In 2016, the Company changed its measure of profit or loss for its reportable segments, such measure of profit or loss is referred to as the segment EBIT, which now excludes gains (losses) on disposals of E&C businesses and Capital investments, whereas in the past it only excluded disposals of activities that qualified as restructuring. This change in an accounting policy did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

2. BASIS OF PREPARATION (CONTINUED)

C) AMENDMENTS ADOPTED IN THE YEAR ENDED DECEMBER 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.
- *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.

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

The following amendments to standards 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.
- Amendments to IFRS 12, *Disclosure of Interests in Other Entities*, clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.*

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

- IFRS 9, *Financial Instruments*, ("IFRS 9") covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model.
- IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

<u>Considerations for the implementation of IFRS 9 and IFRS 15</u>

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

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

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application. The Company is currently evaluating the transition methods prescribed under IFRS 15. For companies like SNC-Lavalin that are currently applying IAS 11, *Construction Contracts*, the main impacts of adopting IFRS 15 are expected to be on timing of revenue recognition, contract assets and liabilities, as well as disclosure.

Although the Company has conducted a preliminary assessment of the effects of the application of IFRS 9 and IFRS 15 on the Company's interim and annual financial statements, it is not possible to make reasonable estimates of the impacts of the adoption of IFRS 9 and IFRS 15 at this date, as more data needs to be collected. The Company's current implementation roadmap extends into the fourth quarter of 2017; therefore, it will report on progress achieved over the course of the next financial reporting year.

3. SEGMENT DISCLOSURES

The following table presents revenues and EBIT according to the Company's segments for the three-month periods ended December 31, 2016 and 2015:

THREE MONTHS ENDED DECEMBER 31	2016				2015 [1]			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 71,409**	**$ 2,847**	**$ –**	**$ 2,847**	$ 127,049	$ 15,771	$ –	$ 15,771
Oil & Gas	**1,013,994**	**100,809**	**–**	**100,809**	1,217,753	118,914	–	118,914
Power	**413,317**	**32,057**	**–**	**32,057**	502,886	31,172	–	31,172
Infrastructure								
Infrastructure & Construction	**404,032**	**7,592**	**–**	**7,592**	497,428	10,467	–	10,467
Operations & Maintenance	**243,732**	**16,514**	**–**	**16,514**	245,181	15,021	–	15,021
Sub-total - Infrastructure	**647,764**	**24,106**	**–**	**24,106**	742,609	25,488	–	25,488
Total E&C segments	**2,146,484**	**159,819**	**–**	**159,819**	2,590,297	191,345	–	191,345
Capital	**64,653**	**–**	**52,193**	**52,193**	55,990	–	49,030	49,030
	$ 2,211,137			**212,012**	$ 2,646,287			240,375
Reversal of non-controlling interests before income taxes included above		**79**	**–**	**79**		23,012	–	23,012
Corporate selling, general and administrative expenses and others not allocated to the segments		**(59,643)**	**(5,651)**	**(65,294)**		(64,271)	(7,966)	(72,237)
Restructuring costs (Note 5)		**(87,832)**	**–**	**(87,832)**		(94,788)	–	(94,788)
Acquisition-related costs and integration costs		**(299)**	**–**	**(299)**		(340)	–	(340)
Amortization of intangible assets related to Kentz acquisition		**(16,538)**	**–**	**(16,538)**		(22,498)	–	(22,498)
Loss on disposal of a Capital investment (Note 4A)		**–**	**(2,664)**	**(2,664)**		–	–	–
Loss on disposals of E&C businesses (Note 17)		**(37,133)**	**–**	**(37,133)**		–	–	–
EBIT		**(41,547)**	**43,878**	**2,331**		32,460	41,064	73,524
Net financial expenses (Note 6)		**6,850**	**3,615**	**10,465**		6,713	3,749	10,462
Earnings (loss) before income taxes		**(48,397)**	**40,263**	**(8,134)**		25,747	37,315	63,062
Income taxes		**(10,020)**	**251**	**(9,769)**		(7,565)	2,058	(5,507)
Net income (loss) for the period		**$ (38,377)**	**$ 40,012**	**$ 1,635**		$ 33,312	$ 35,257	$ 68,569
Net income attributable to:								
SNC-Lavalin shareholders				**$ 1,576**				$ 49,244
Non-controlling interests				**59**				19,325
Net income for the period				**$ 1,635**				$ 68,569

[1] Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B).

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the years ended December 31, 2016 and 2015:

YEAR ENDED DECEMBER 31	2016				2015 (1)			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 355,944**	**$ 35,302**	**$ –**	**$ 35,302**	$ 780,886	$ 73,135	$ –	$ 73,135
Oil & Gas	**3,735,456**	**186,273**	**–**	**186,273**	3,914,644	300,567	–	300,567
Power	**1,624,034**	**113,009**	**–**	**113,009**	1,784,821	116,399	–	116,399
Infrastructure								
Infrastructure & Construction	**1,629,413**	**67,761**	**–**	**67,761**	1,847,676	(2,237)	–	(2,237)
Operations & Maintenance	**878,238**	**63,247**	**–**	**63,247**	1,035,481	54,421	–	54,421
Sub-total - Infrastructure	**2,507,651**	**131,008**	**–**	**131,008**	2,883,157	52,184	–	52,184
Total E&C segments	**8,223,085**	**465,592**	**–**	**465,592**	9,363,508	542,285	–	542,285
Capital	**247,748**	**–**	**201,942**	**201,942**	223,446	–	194,073	194,073
	$ 8,470,833			**667,534**	$ 9,586,954			736,358
Reversal of non-controlling interests before income taxes included above		**1,050**	**–**	**1,050**		39,834	–	39,834
Corporate selling, general and administrative expenses and others not allocated to the segments		**(162,317)**	**(24,284)**	**(186,601)**		(180,873)	(18,153)	(199,026)
Restructuring costs (Note 5)		**(115,405)**	**–**	**(115,405)**		(116,396)	–	(116,396)
Acquisition-related costs and integration costs		**(4,409)**	**–**	**(4,409)**		(19,574)	–	(19,574)
Amortization of intangible assets related to Kentz acquisition		**(68,810)**	**–**	**(68,810)**		(93,988)	–	(93,988)
Gain on disposals of Capital investments (Note 4A)		**–**	**55,875**	**55,875**		–	174,350	174,350
Loss on disposals of E&C businesses (Note 17)		**(37,133)**	**–**	**(37,133)**		–	–	–
EBIT		**78,568**	**233,533**	**312,101**		171,288	350,270	521,558
Net financial expenses (income) (Note 6)		**27,926**	**14,191**	**42,117**		(7,693)	7,998	305
Earnings before income taxes		**50,642**	**219,342**	**269,984**		178,981	342,272	521,253
Income taxes		**3,265**	**10,154**	**13,419**		49,948	33,770	83,718
Net income		**47,377**	**209,188**	**$ 256,565**		$ 129,033	$ 308,502	$ 437,535
Net income attributable to:								
SNC-Lavalin shareholders				**$ 255,533**				$ 404,336
Non-controlling interests				**1,032**				33,199
Net income				**$ 256,565**				$ 437,535

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B).

3. SEGMENT DISCLOSURES (CONTINUED)

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

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

	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	2016	2015	**2016**	2015
Supplementary information:				
Net loss on disposals of E&C businesses (Note 17)	**$ (44,582)**	$ –	**$ (44,582)**	$ –
Excluding the net loss listed above	**6,146**	13,987	**90,927**	95,834
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**(38,436)**	13,987	**46,345**	95,834
Net gain (loss) on disposals of Capital investments (Note 4A)	**(2,664)**	–	**48,381**	145,719
Highway 407 ETR dividends	**34,806**	31,452	**132,516**	125,807
Excluding the items listed above	**7,870**	3,805	**28,291**	36,976
Net income attributable to SNC-Lavalin shareholders from Capital investments	**40,012**	35,257	**209,188**	308,502
Net income attributable to SNC-Lavalin shareholders for the period	**$ 1,576**	$ 49,244	**$ 255,533**	$ 404,336

4. CAPITAL INVESTMENTS

SNC-Lavalin makes investments in infrastructure concessions for public services such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power 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. The Société d'Exploitation de l'Aéroport de Mayotte S.A.S. concession was accounted for under the bifurcated model and was disposed of in the fourth quarter of 2016, as described below. The Rayalseema Expressway Private Limited ("Rayalseema") concession was accounted for under the intangible asset model and was disposed of in the first quarter of 2016, as described below.

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

A) DECREASES IN OWNERSHIP INTERESTS IN INVESTMENTS AND ADDITIONS OF INVESTMENTS

I) IN THE YEAR ENDED DECEMBER 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 was the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c.

Net gain on disposal of SNCL Malta

YEAR ENDED DECEMBER 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

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

SOCIÉTÉ D'EXPLOITATION DE L'AÉROPORT DE MAYOTTE S.A.S.

On December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing activities in France and in Monaco to Ciclad and Impact Holding for a nominal amount, including its investment in Société d'Exploitation de l'Aéroport de Mayotte S.A.S. ("Mayotte Airport"). See Note 17 for further details.

4. CAPITAL INVESTMENTS (CONTINUED)

Gain on disposals of Capital investments

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

YEAR ENDED DECEMBER 31	2016		
	BEFORE TAXES	INCOME TAXES	NET OF TAXES
Gain on disposal of SNCL Malta	$ 61,089	$ (7,494)	$ 53,595
Loss on disposal of Rayalseema	(2,550)	–	(2,550)
Loss on disposal of Mayotte Airport (Note 17)	(2,664)	–	(2,664)
Gain on disposals of Capital investments	**$ 55,875**	**$ (7,494)**	**$ 48,381**

Net cash inflow on disposals of Capital investments

Following the disposal of SNCL Malta and Rayalseema in the year ended December 31, 2016, the net cash inflow on disposals of Capital investments accounted for by the equity method presented in the Company's consolidated statement of cash flows is as follows:

YEAR ENDED DECEMBER 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**

The cash impact from the disposal of Mayotte Airport is included in the "net cash outflow on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method" in the Company's consolidated statement of cash flows.

II) IN THE YEAR ENDED DECEMBER 31, 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 LRT") 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 LRT. 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 exercised its option. As such, SNC-Lavalin sold to one of Ambatovy shareholders its investment in Ambatovy and its loans for a cash consideration of US$449.7 million (CA$600.7 million).

4. CAPITAL INVESTMENTS (CONTINUED)

Net gain on disposal of Ambatovy

YEAR ENDED DECEMBER 31	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**

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.

	DECEMBER 31 2016	DECEMBER 31 2015
Net liabilities from Capital investments accounted for by the consolidation method	**$ (31,231)**	$ (15,895)
Net book value of Capital investments accounted for by the equity method [(1), (2), (3)]	**399,425**	419,525
Net book value of Capital investments accounted for by the cost method	**48,325**	48,331
Total net book value of Capital investments	**$ 416,519**	$ 451,961

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

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

(3) Excludes the Company's investment in TC Dôme S.A.S., which is included in the "Assets held for sale" in the Company's consolidated statement of financial position, as at December 31, 2016.

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

5. RESTRUCTURING COSTS

The Company incurred restructuring costs totalling $87.8 million in the fourth quarter of 2016 (2015: $94.8 million) and $115.4 million in the year ended December 31, 2016 (2015: $116.4 million).

The restructuring costs recognized in the year ended December 31, 2016 were mainly for severances (2015: severances, the disposal of certain activities and closure of certain offices).

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED DECEMBER 31	**2016**			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 5,465**	**$ –**	**$ 5,465**	$ 5,521	$ –	$ 5,521
Non-recourse	**–**	**6,702**	**6,702**	–	6,796	6,796
Other	**3,687**	**53**	**3,740**	9,093	447	9,540
Financial expenses	**9,152**	**6,755**	**15,907**	14,614	7,243	21,857
Financial income	**(1,733)**	**(3,140)**	**(4,873)**	(4,924)	(3,494)	(8,418)
Net foreign exchange gains	**(569)**	**–**	**(569)**	(2,977)	–	(2,977)
Financial income and net foreign exchange gains	**(2,302)**	**(3,140)**	**(5,442)**	(7,901)	(3,494)	(11,395)
Net financial expenses	**$ 6,850**	**$ 3,615**	**$ 10,465**	$ 6,713	$ 3,749	$ 10,462

6. NET FINANCIAL EXPENSES (CONTINUED)

YEAR ENDED DECEMBER 31	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 21,901**	**$ –**	**$ 21,901**	$ 24,857	$ –	$ 24,857
Non-recourse	**–**	**27,123**	**27,123**	–	26,832	26,832
Other	**11,595**	**191**	**11,786**	22,742	720	23,462
Financial expenses	**33,496**	**27,314**	**60,810**	47,599	27,552	75,151
Financial income	**(9,363)**	**(13,123)**	**(22,486)**	(12,377)	(19,614)	(31,991)
Net foreign exchange losses (gains)	**3,793**	**–**	**3,793**	(42,915)	60	(42,855)
Financial income and net foreign exchange losses (gains)	**(5,570)**	**(13,123)**	**(18,693)**	(55,292)	(19,554)	(74,846)
Net financial expenses (income)	**$ 27,926**	**$ 14,191**	**$ 42,117**	$ (7,693)	$ 7,998	$ 305

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the fourth quarters and the years ended December 31, 2016 and 2015 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2016	2015	**2016**	2015
Weighted average number of outstanding shares - basic	**150,313**	149,769	**150,077**	150,918
Dilutive effect of stock options	**184**	64	**202**	70
Weighted average number of outstanding shares - diluted	**150,497**	149,833	**150,279**	150,988

In the fourth quarter and year ended December 31, 2016, all of the outstanding stock options have been included in the computation of diluted earnings per share. In the fourth quarter and year ended December 31, 2015, 687,763 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive.

8. DIVIDENDS

During the year ended December 31, 2016, the Company recognized as distributions to its equity shareholders dividends of $156.1 million or $1.04 per share (2015: $150.9 million or $1.00 per share).

YEAR ENDED DECEMBER 31	**2016**	2015
Dividends payable at January 1	**$ –**	$ –
Dividends declared during the year	**156,104**	150,863
Dividends paid during the year	**(156,104)**	(150,863)
Dividends payable at December 31	**$ –**	$ –

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 year ended December 31, 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 December 31, 2016 and 2015:

		DECEMBER 31 2016		DECEMBER 31 2015
Exchange differences on translating foreign operations	**$**	**389,726**	$	472,355
Available-for-sale financial assets		**2,384**		1,768
Cash flow hedges		**6,695**		10,036
Share of other comprehensive loss of investments accounted for by the equity method		**(39,788)**		(44,146)
Other components of equity	**$**	**359,017**	$	440,013
Presented on the statement of financial position as follows:				
Other components of equity	**$**	**360,845**	$	440,013
Other components of equity of asset classified as held for sale (Note 17)	**$**	**(1,828)**	$	–

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

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the fourth quarters and the years ended December 31, 2016 and 2015:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2016	2015	**2016**	2015
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ 246,918**	$ 318,595	**$ 472,355**	$ 28,024
Current period gains (losses)	**137,096**	157,358	**(102,422)**	452,243
Reclassification to net income	**5,712**	–	**11,488**	–
Net investment hedge - current period gains (losses)	**–**	(4,922)	**11,216**	(10,823)
Income taxes relating to current period gains (losses)	**–**	1,324	**(2,911)**	2,911
Balance at end of period	**389,726**	472,355	**389,726**	472,355
Available-for-sale financial assets:				
Balance at beginning of period	**2,366**	2,311	**1,768**	645
Current period gains (losses) (1)	**1,989**	926	**(22)**	6,830
Income taxes relating to current period gains (losses)	**(1,035)**	444	**(636)**	(61)
Reclassification to net income (1)	**(936)**	(1,913)	**1,274**	(6,000)
Income taxes relating to amounts reclassified to net income	**–**	–	**–**	354
Balance at end of period	**2,384**	1,768	**2,384**	1,768
Cash flow hedges:				
Balance at beginning of period	**(12,520)**	19,187	**10,036**	4,244
Current period gains (losses)	**12,194**	(3,311)	**21,874**	(31,580)
Income tax relating to current period gains (losses)	**(3,185)**	(814)	**(339)**	6,663
Reclassification to net income	**7,829**	(215)	**(34,033)**	45,992
Income taxes relating to amounts reclassified to net income	**2,377**	(4,811)	**9,157**	(15,283)
Balance at end of period	**6,695**	10,036	**6,695**	10,036
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(47,771)**	(44,247)	**(44,146)**	(35,634)
Current period share	**11,882**	(1,678)	**(2,464)**	(19,135)
Income taxes relating to current period share	**(3,155)**	444	**468**	5,201
Reclassification to net income	**(189)**	1,819	**8,530**	7,388
Income taxes relating to amounts reclassified to net income	**(555)**	(484)	**(2,176)**	(1,966)
Balance at end of period	**(39,788)**	(44,146)	**(39,788)**	(44,146)
Other components of equity	**$ 359,017**	$ 440,013	**$ 359,017**	$ 440,013
Presented on the statement of financial position as follows:				
Other components of equity	**$ 360,845**	$ 440,013	**$ 360,845**	$ 440,013
Other components of equity of asset held for sale (Note 17)	**$ (1,828)**	$ –	**$ (1,828)**	$ –

(1) For the fourth quarter and year ended December 31, 2016, the loss arising on derivatives designated as hedging instruments in fair value hedges amounted to $0.9 million (2015: $0.5 million) and the gain amounted to $1.3 million (2015: loss of $3.4 million), respectively, and the gain arising on adjustments for the hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to $0.9 million (2015: $0.5 million) and the loss amounted to $1.3 million (2015: gain of $3.4 million), respectively.

REMEASUREMENT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the fourth quarters and the years ended December 31, 2016 and 2015:

THREE MONTHS ENDED DECEMBER 31	**2016**			2015		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (77,672)**	**$ 12,746**	**$ (64,926)**	$ (25,677)	$ 5,436	$ (20,241)
Gains (losses) recognized during the period	**3,652**	**(2,650)**	**1,002**	(7,842)	805	(7,037)
Cumulative amount at end of period	**$ (74,020)**	**$ 10,096**	**$ (63,924)**	$ (33,519)	$ 6,241	$ (27,278)

YEAR ENDED DECEMBER 31	**2016**			2015		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ (33,519)**	**$ 6,241**	**$ (27,278)**	$ (33,178)	$ 6,403	$ (26,775)
Gains (losses) recognized during the year	**(40,501)**	**3,855**	**(36,646)**	(341)	(162)	(503)
Cumulative amount at December 31	**$ (74,020)**	**$ 10,096**	**$ (63,924)**	$ (33,519)	$ 6,241	$ (27,278)

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:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2016	2015	**2016**	2015
Depreciation of property and equipment and amortization of other non-current assets:				
From E&C	**$ 32,788**	$ 53,543	**$ 140,566**	$ 162,419
From Capital	**–**	–	**2,533**	–
Income taxes recognized in net income	**(9,769)**	(5,507)	**13,419**	83,718
Net financial expenses recognized in net income (Note 6)	**10,465**	10,462	**42,117**	305
Share-based expense	**10,340**	3,519	**30,541**	21,625
Income from Capital investments accounted for by the equity method	**(45,485)**	(42,167)	**(182,844)**	(157,082)
Dividends and distributions received from Capital investments accounted for by the equity method	**43,483**	54,863	**162,389**	157,070
Net change in provisions related to forecasted losses on certain contracts	**(24,616)**	20,037	**(125,043)**	(24,717)
Loss (gain) on disposals of Capital investments (Note 4A)	**2,664**	–	**(55,875)**	(174,350)
Restructuring costs recognized in net income (Note 5)	**87,832**	94,788	**115,405**	116,396
Restructuring costs paid	**(29,241)**	(44,942)	**(109,051)**	(78,747)
Loss on disposals of E&C businesses (Note 17)	**37,133**	–	**37,133**	–
Other	**(25,083)**	(7,963)	**(47,836)**	(39,549)
Other reconciling items	**$ 90,511**	$ 136,633	**$ 23,454**	$ 67,088

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:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2016	2015	**2016**	2015
Decrease (increase) in trade receivables	**$ (90,024)**	$ (92,069)	**$ 178,219**	$ 118,395
Decrease (increase) in contracts in progress	**21,583**	(84,103)	**(246,719)**	(86,120)
Decrease (increase) in inventories	**(14,941)**	24,158	**(1,298)**	(27,033)
Decrease (increase) in other current financial assets	**122,940**	55,128	**357,339**	(81,605)
Increase in other current non-financial assets	**(104,904)**	(34,730)	**(104,661)**	(18,435)
Increase (decrease) in trade payables	**34,041**	204,694	**(226,718)**	(112,098)
Increase (decrease) in downpayments on contracts	**43,751**	(12,168)	**89,403**	(86,575)
Increase (decrease) in deferred revenues	**45,325**	21,452	**(150,186)**	(191,954)
Decrease in other current financial liabilities	**(5,128)**	(30,209)	**(19,748)**	(80,049)
Increase (decrease) in other current non-financial liabilities	**101,729**	1,528	**63,644**	(78,710)
Net change in non-cash working capital items	**$ 154,372**	$ 53,681	**$ (60,725)**	$ (644,184)

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 investment. Profits generated from transactions with Capital investments accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

CAPITAL 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 fourth quarter and the year ended December 31, 2016, SNC-Lavalin recognized revenues of $180.5 million (2015: $224.0 million) and $755.8 million (2015: $733.9 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 $45.5 million for the fourth quarter of 2016 (2015: $42.2 million) and $182.8 million for the year ended December 31, 2016 (2015: $157.1 million), respectively.

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to $90.2 million as at December 31, 2016 (2015: $65.4 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to $83.0 million as at December 31, 2016 (2015: $94.2 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was $98.0 million at December 31, 2016 (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 December 31, 2016 and December 31, 2015 by category and classification, with the corresponding fair value, when available:

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

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 year ended December 31, 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 $38.1 million, while the net loss on corresponding share unit plans' liabilities amounted to $23.5 million.

13. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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 (2)	–	394,144	394,144	397,024
Provisions	–	93,057	93,057	93,057
Short-term debt and long-term debt (1)	–	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 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.

(2) 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.

For the years ended December 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.

14. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

In the fourth quarter of 2016, the Company repaid in full the balance outstanding under the non-recourse credit facility agreement used to finance part of the Evergreen Line rapid transit project and such facility was terminated according to the credit agreement.

15. 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 investigation

On February 19, 2015, the Royal Canadian Mounted Police (the "RCMP") and the Public Prosecution Service of Canada laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under section 380 of the Criminal Code (Canada) (the "Criminal Code") and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA"), (the "Charges"). These Charges follow the RCMP's formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation, referred to as Project Assistance by the RCMP, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018 but may be rescheduled to start in late 2017. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company's customers or other third parties as a result of the Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

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

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

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

15. CONTINGENT LIABILITIES (CONTINUED)

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*. Such certification is subject to periodic renewal by the AMF. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract.

World Bank Settlement

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

African Development Bank Settlement

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

Canada's Integrity Regime

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

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

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

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

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

15. CONTINGENT LIABILITIES (CONTINUED)

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

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

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. The Company has so far received CA$15.2 million up to December 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 or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. While the Company continues to cooperate and communicate with authorities in connection with all ongoing investigations as noted above, if regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties including temporary or permanent, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain administrative organizations (such as those provided for in the World Bank Settlement) or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

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

15. CONTINGENT LIABILITIES (CONTINUED)

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 move to the stage of examinations for discovery by the plaintiffs commencing in the first quarter of 2017.

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.

15. CONTINGENT LIABILITIES (CONTINUED)

C) OTHER

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

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

<u>Legal proceedings</u>

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

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

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

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

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

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

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

As at December 31, 2016, “Other components of equity of asset held for sale” of $1.8 million presented in the Company’s consolidated statement of financial position related solely to TC Dôme S.A.S.

17. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT

On December 31, 2016, SNC-Lavalin completed the sale of its non-core Real Estate Facilities Management business in Canada, included in the Operations & Maintenance sub-segment of the Infrastructure segment, to Brookfield Global Integrated Solutions, as detailed below.

In addition, on December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing activities in France and in Monaco, including its investment in Société d’Exploitation de l’Aéroport de Mayotte (see Note 5A), to Ciclad and Impact Holding for a nominal amount, as detailed below. These activities were presented in the Infrastructure & Construction and Operations & Maintenance sub-segments of the Infrastructure segment and in the Capital segment.

YEAR ENDED DECEMBER 31	2016		
	REAL ESTATE FACILITIES MANAGEMENT	LOCAL FRENCH OPERATIONS AND MAYOTTE AIRPORT	TOTAL
Consideration received	$ 42,667	$ –	$ 42,667
Consideration receivable (payable)	11,604	(14,700)	(3,096)
Net assets disposed of	(1,168)	(55,030)	(56,198)
Cumulative loss on cash flow hedges reclassified from equity	–	(9,241)	(9,241)
Cumulative exchange loss on translating foreign operations reclassified from equity	–	(5,712)	(5,712)
Disposition-related costs and other	(3,017)	(5,200)	(8,217)
Gain (loss) on disposals	**50,086**	**(89,883)**	**(39,797)**
Income taxes	(7,449)	–	(7,449)
Net gain (loss) on disposals	**$ 42,637**	**$ (89,883)**	**$ (47,246)**
Allocated as follows:			
Gain (loss) on disposals before taxes - E&C	$ 50,086	$ (87,219)	$ (37,133)
Loss on disposals before taxes - Capital	–	(2,664)	(2,664)
Total gain (loss) on disposals before taxes	**$ 50,086**	**$ (89,883)**	**$ (39,797)**
Allocated as follows:			
Gain (loss) on disposals after taxes - E&C	$ 42,637	$ (87,219)	$ (44,582)
Loss on disposals after taxes - Capital	–	(2,664)	(2,664)
Total gain (loss) on disposals after taxes	**$ 42,637**	**$ (89,883)**	**$ (47,246)**

17. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT (CONTINUED)

Upon disposal, the major classes of assets and liabilities of E&C businesses and Mayotte Airport disposed of were as follows:

	REAL ESTATE FACILITIES MANAGEMENT	LOCAL FRENCH OPERATIONS AND MAYOTTE AIRPORT	TOTAL
Cash and cash equivalents	$ 22,627	$ 43,940	$ 66,567
Other current assets	42,255	70,371	112,626
Non-current assets	13,716	78,375	92,091
Assets disposed of	78,598	192,686	271,284
Current liabilities	77,287	92,251	169,538
Non-current liabilities	143	45,405	45,548
Liabilities disposed of	77,430	137,656	215,086
Net assets disposed of	**$ 1,168**	**$ 55,030**	**$ 56,198**
Allocated as follows:			
Net assets disposed of – E&C	**$ 1,168**	**$ 43,423**	**$ 44,591**
Net assets disposed of – Capital	**$ –**	**$ 11,607**	**$ 11,607**

Net cash inflow (outflow) on disposals

YEAR ENDED DECEMBER 31		2016	
	REAL ESTATE FACILITIES MANAGEMENT	LOCAL FRENCH OPERATIONS AND MAYOTTE AIRPORT	TOTAL
Consideration received in cash	$ 42,667	$ –	$ 42,667
Less: cash and cash equivalents balances disposed of	(22,627)	(43,940)	(66,567)
Net cash inflow (outflow) on disposals	**$ 20,040**	**$ (43,940)**	**$ (23,900)**