SNC·LAVALIN
Building what matters

Management's Discussion and Analysis

First Quarter of 2018 versus
First Quarter of 2017

May 2, 2018

All financial information in Canadian dollars, unless otherwise indicated

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Management's Discussion and Analysis

May 2, 2018

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risks and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the first quarter of 2018 and accompanying notes, and should therefore **be read in conjunction with this document, with the MD&A and annual audited consolidated financial statements for the year ended December 31, 2017, and should also be read together with the text below on forward-looking statements**. Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on both the Company's website at **www.snclavalin.com** and through SEDAR at **www.sedar.com**. SEDAR is the electronic system for the official filing of documents by public companies with the Canadian securities regulatory authorities. None of the information contained on, or connected to the SNC-Lavalin website is incorporated by reference or otherwise part of this MD&A.

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

Non-IFRS Financial Measures and Additional IFRS Measures

Certain indicators used by the Company to analyze and evaluate its results, which are listed in the table below, are non-IFRS financial measures or additional IFRS measures. Consequently, they do not have a standardized meaning as prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS financial measures provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	
Performance	
› Adjusted diluted earnings per share from Engineering & Construction ("E&C") ("Adjusted diluted EPS from E&C") › Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") › Adjusted net income from E&C › Diluted earnings per share from E&C and Diluted earnings per share from Capital	› Earnings before interest and income taxes ("EBIT") › Earnings before interest, income taxes, depreciation and amortization ("EBITDA") › Profitability ratio › Return on average shareholders' equity ("ROASE") › Revenue backlog › Segment EBIT
Liquidity	
› Net recourse debt (or Cash net of recourse debt) › Net recourse debt to adjusted EBITDA ratio	› Recourse debt to capital ratio

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in Section 10 to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS, refer to Section 10 for references to the sections of this MD&A where these reconciliations are provided.

Comparative figures

Effective January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*, IFRS 9, *Financial Instruments* and Amendments to IFRS 2, *Share-based Payment,* without restatement of comparative figures, as described in Section 9.

The Company modified its comparative figures for the following changes:

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs. As such, this change resulted in a reclassification of $122.3 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the three-month period ended March 31, 2017.

At the same time, the Company changed the definition of segment EBIT, its measure of profit or loss for its reportable segments, to reflect a change made to its internal reporting. As such, segment EBIT now includes an additional allocation of certain corporate selling, general and administrative expenses, whereas in the past it only included corporate selling, general and administrative expenses that were directly related to projects or segments. The additional costs that are being allocated to the segment EBIT are mainly related to information technology and to employee benefits and incentives. These are based on a per employee basis for the information technology costs and on an employee compensation basis for the benefits and incentives. The Company believes that such allocation improves the measure of profitability of its reportable segments by better reflecting the overall costs incurred to support its operations. In addition, the Company introduced the measure of Total segment EBIT, which represents the sum of all segment EBIT and non-controlling interests before income taxes. Such measure of Total segment EBIT is now aligned with the presentation adopted in the Company's statement of income and corresponds to the Company's revenues less direct costs of activities.

Furthermore, the Company initiated a strategic realignment of its organizational structure aimed at integrating the Atkins business, more effectively serving its clients worldwide and strengthening its position for longer-term growth. This realignment, which became effective January 1, 2018, resulted in a change to the Company's reportable segments, which are now: i) Mining & Metallurgy; ii) Oil & Gas; iii) Nuclear; iv) Clean Power; v) Thermal Power; vi) Infrastructure; vii) Engineering, Design and Project Management ("EDPM"); and viii) Capital.

In addition, concurrent to the adoption of IFRS 9, *Financial Instruments*, on January 1, 2018, the Company presents "Loss arising on financial assets at fair value through profit or loss" separately in its income statement. This change resulted in a reclassification of a loss of $6.2 million related to derivative financial instruments used by the Company to limit its exposure to the variability of its share unit plans' liabilities from "Corporate selling, general and administrative expense" to "Loss arising on financial assets at fair value through profit or loss" for the three-month period ended March 31, 2017.

Caution Regarding Forward-Looking Statements

Statements made in this MD&A that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "aims", "anticipates", "assumes", "believes", "cost savings", "estimates", "expects", "goal", "intends", "may", "plans", "projects", "should", "synergies", "target", "vision", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include statements relating to the following: i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; and ii) business and management strategies and the expansion and growth of the Company's operations. All such forward-looking statements are made pursuant to the "safe-harbour" provisions of applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on May 2, 2018. The assumptions are set out throughout the Company's 2017 MD&A (particularly in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2017 MD&A), as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of (b) on February 19, 2015, the Company was charged with one count of corruption under the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) a negative impact on the Company's public image could influence its ability to obtain future projects; (e) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements or to execute projects efficiently may increase the volatility and unpredictability of its revenue and profitability; (f) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (g) the Company's remaining performance obligations are subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (h) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (i) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (j) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (k) the Company is dependent on third parties to complete many of its contracts; (l) the use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (m) the competitive nature of the markets in which the Company does business could adversely affect it; (n) the Company's project execution activities may result in professional liability or liability for faulty services; (o) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (p) the Company may not have in place sufficient insurance coverage to satisfy its needs; (q) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (r) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (s) work stoppages, union negotiations and other labour matters could adversely affect the Company; (t) the Company relies information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business, financial condition and results of operations; (u) any acquisition or other investment may present risks or uncertainties; (v) divestitures and the sale of significant assets may present risks or uncertainties;(w) increased indebtedness as a result of the Atkins Acquisition; (x) dependence on subsidiaries to help repay indebtedness as a result of the Atkins Acquisition; (y) security under the SNC-Lavalin Highway Holdings Loan being called at an inopportune time; (z) ability to pay dividends; (aa) Atkins' pension-related obligations; (bb) a deterioration or weakening of the Company's financial position could have a material adverse effect on its business and results of operations; (cc) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (dd) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (ee) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (ff) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its remaining performance obligations, revenues, net income and ability to secure and maintain financing; (gg) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (hh) inherent limitations to the Company's control framework could result in a material misstatement of financial information; and (ii) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services.

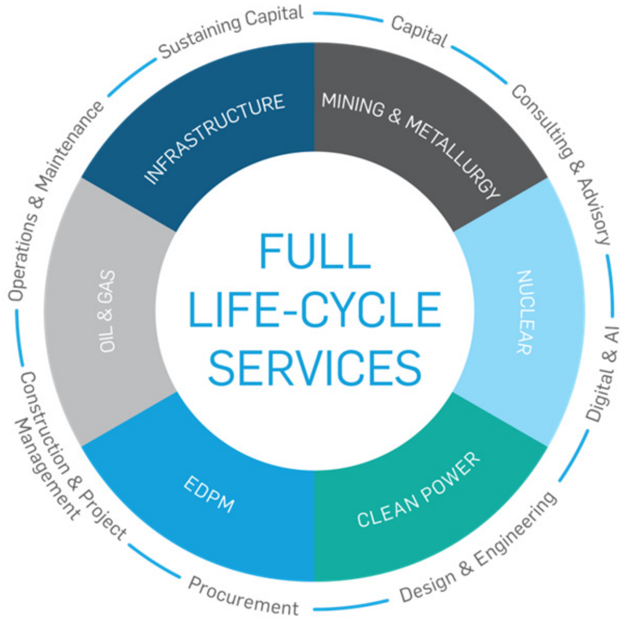
The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2017 MD&A, as updated in this MD&A, filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com and on the Company's website at www.snclavalin.com under the "Investors" section.

The forward-looking statements herein reflect the Company's expectations as at May 2, 2018, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

1 Our Business

Founded in 1911, SNC-Lavalin is a global fully integrated professional services and project management company and a major player in the ownership of infrastructure.

From offices around the world, SNC-Lavalin's employees are proud to build what matters.



Our teams provide comprehensive end-to-end project solutions – including capital investment, consulting, design, engineering, construction, sustaining capital and operations and maintenance – to clients in oil and gas, mining and metallurgy, infrastructure and power.

SNC-Lavalin maintains exceptionally high standards for health and safety, ethics and compliance and environmental protection, and is committed to delivering quality projects on budget and on schedule to the complete satisfaction of its clients.

2 How We Analyze and Report Our Results

The Company reports its results separately for Engineering and Construction ("E&C") and Capital, as described below.

E&C

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

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

While our contracts are negotiated using a variety of contracting options, E&C revenues are derived primarily from two major types of contracts: Reimbursable and engineering service contracts and EPC fixed-price contracts.

- Reimbursable and engineering service contracts: Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap. Engineering service contracts include i) time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks, and ii) O&M contracts.

- EPC fixed-price contracts: Under EPC fixed-price contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at or below the initial estimated costs.

The Company presents the information in the way management performance is evaluated by regrouping its E&C projects. Since January 1, 2018, the Company's new organizational structure is as follows: i) Mining & Metallurgy; ii) Oil & Gas; iii) Nuclear; iv) Clean Power; v) Thermal Power; vi) Infrastructure; and vii) Engineering, Design and Project Management.

CAPITAL

Capital is SNC-Lavalin's investment, financing and asset management arm, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure: such as bridges, highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

Capital's business model incorporates new project creation in the Oil & Gas, Mining & Metallurgy, and Power sectors as well as the Company's geographical regions. Furthermore, many countries are turning to the private sector to take ownership, finance, operate and maintain their assets, usually for a defined period of time.

These arrangements allow for the transfer to the private sector of many of the risks associated with designing, building, operating, maintaining and financing such assets. In return, the client will either: i) commit to making regular payments, usually in the form of availability payments, upon the start of operations of the infrastructure for a defined period of time (typically 20 to 40 years); ii) authorize the infrastructure concession entity to charge users of the infrastructure for a defined period of time; or iii) a combination of both.

All investments are structured to earn a return on capital adequate for the risk profile of each individual project. Capital investment revenues are generated mainly from dividends or distributions received by SNC-Lavalin from the investment concession entities or from all or a portion of an investment concession entity's revenues or net results, depending on the accounting method required by IFRS.

3 First Quarter of 2018 Executive Summary

3.1 Executive Summary – Key Financial Indicators

FINANCIAL HIGHLIGHTS

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	FIRST QUARTER 2018	2017
Income Statement		
Revenues	**$ 2,431.4**	$ 1,849.3
Net income attributable to SNC-Lavalin shareholders	**78.1**	89.7
Adjusted net income attributable to SNC-Lavalin from E&C(1)	**89.5**	60.7
Earnings per share - diluted ("Diluted EPS") (in $)	**0.44**	0.60
Adjusted diluted EPS from E&C (in $)(1)	**0.51**	0.40
EBIT(1)	**129.8**	117.1
EBITDA(1)	**213.9**	145.5
Adjusted E&C EBITDA (% of revenues)(1)	**7.5%**	5.6%
Financial Position & Cash Flows		
Cash and cash equivalents (at March 31)	**$ 646.8**	$ 810.5
Cash net of recourse debt (Net recourse debt) (at March 31)(1)	**(897.5)**	450.6
Net cash used for operating activities	**(146.7)**	(186.8)
Additional Indicator		
Remaining performance obligations (2018) / Revenue backlog (2017) (at March 31)	**$ 13,511.8**	$ 10,078.7

(1) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

It should be noted that the financial information for the three-month period ended March 31, 2018 includes the financial results of Atkins, which was acquired in the third quarter of 2017.

› **Revenues increased by $582.1 million in the first quarter of 2018,** compared with the corresponding quarter of 2017, due to the increase in revenues from EDPM and Nuclear, largely attributable to the incremental revenues from Atkins which was acquired in the third quarter of 2017, from Infrastructure and from Mining & Metallurgy, partially offset by a decrease in revenues from Oil & Gas, Clean Power and Thermal Power, mainly due to near completion or completion of major projects.

› **Net income attributable to SNC-Lavalin shareholders decreased by $11.6 million in the first quarter of 2018**, as the higher level of Segment EBIT was more than offset mainly by the increase in amortization of intangible assets related to business combinations, a higher level of net financial expenses and an increase in acquisition-related costs and integration costs.

› **Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased to $89.5 million ($0.51 per diluted share) in the first quarter of 2018** compared with $60.7 million ($0.40 per diluted share) in the corresponding quarter of 2017, due to an increase in segment EBIT from E&C, partly offset by higher net financial expenses largely attributable to the financing of the acquisition of Atkins.

- **EBIT, EBITDA and Adjusted E&C EBITDA (% of revenues) have increased in the first quarter of 2018** compared to the same quarter of 2017, mainly due to the factors described above.
- **Net recourse debt as at March 31, 2018 was $897.5 million,** compared with cash net of recourse debt of $450.6 million as at March 31, 2017, mainly reflecting an increase in recourse debt principally to finance the acquisition of Atkins in 2017.
- **Net cash used for operating activities improved by $40.0 million in the first three months of 2018**, compared with the corresponding period of 2017, mainly attributable to a higher EBITDA partly offset by an increased use of cash by non-cash working capital items.
- **Remaining performance obligations totalled $13.5 billion as at March 31, 2018**, compared with revenue backlog of $10.1 billion at the end of March 2017 and $10.4 billion as at December 31, 2017, partly due to the fact that the Company adopted a new indicator for future revenues as explained in section 5. **The Company's contract bookings amounted to $2.1 billion in the first quarter of 2018**.

3.2 Executive Summary – Other items

APPOINTMENT OF CHAIRMAN

Following the retirement of Mr. Lawrence N. Stevenson in December 2017, the Board of Directors appointed the Honourable Kevin G. Lynch as Chairman of the Board of Directors, effective January 1, 2018. Dr. Lynch has been Vice-Chairman of BMO Financial Group since 2010. Prior to that, Dr. Lynch built a distinguished 33-year career in the Government of Canada until his retirement in 2009, serving as Clerk of the Privy Council, Secretary to the Cabinet and Head of the Public Service of Canada. He also served as Deputy Minister of Industry from 1995 to 2000 and Deputy Minister of Finance from 2000 to 2004.

KEY ORGANISATIONAL CHANGES

Effective January 1, 2018, the Company's new organizational structure, aimed both at integrating Atkins and serving its clients worldwide even more effectively, is as follows:

- All Oil & Gas activities have been consolidated into one business led by Christian Brown. This combines the world-class capabilities from both SNC-Lavalin and Atkins, including Atkins' Offshore Upstream technology and capabilities, creating a highly compelling offering across the entire supply chain.
- The new Engineering, Design and Project Management activities is led by Nick Roberts, formerly the CEO of Atkins' U.K. and European business. Mr. Roberts oversees all infrastructure engineering and design services around the world, except for the Canadian market, which remained fully integrated within the Company's Infrastructure segment.
- The previous Power segment of SNC-Lavalin and the power element of Atkins' energy business created the foundation for two new segments in the newly integrated organization: Nuclear and Clean Power.
- Atkins' and SNC-Lavalin's nuclear businesses have been combined into a single Nuclear segment, under the leadership of Sandy Taylor, and leverages the unique skills of these respective teams, creating a market-leading capability in this fast-growing sector. The Company is now able to support clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPC(M) services, field services, technology services,

spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

- Clean Power activities is led by Marie-Claude Dumas. These incorporated SNC-Lavalin's activities in hydro, transmission & distribution, renewables and energy storage. The renewables market is growing at an unprecedented rate throughout the world and the Company has the skills and capabilities to deliver a fully integrated life of asset service to its clients.

- The following segments and project investment leadership team remain unchanged:
  - Infrastructure activities continue to be led by Ian L. Edwards.
  - Mining & Metallurgy activities continue to be led by José J. Suárez.
  - Capital continues to be led by Chantal Sorel.

- Since the Company is exiting the EPC part of the thermal business to minimize execution risk, the Thermal power results are disclosed as a distinct segment.

MAJOR CONTRACTS AWARDS

On April 12, 2018, a Partnership of which the Company is a 24% partner, finalized an agreement with Projet REM S.E.C., an affiliate of CDPQ Infra Inc., for the Engineering, Procurement and Construction of the Réseau express métropolitain ("REM") project in Montréal, Canada. The Partnership entered into a fixed price contract of approximately $5 billion.

On the same date, the Company in consortium with another party signed another contract with CDPQ Infra Inc. to deliver a complete automatic and driverless light metro system, including rolling stock and signaling, as well as operation and maintenance services, for the REM project. This other contract is worth approximately $2.8 billion and the Company's share is estimated at $600 million.

4 Financial Performance Analysis

The financial information presented in the table below has been derived from the Company's unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34, *Interim Financial Reporting*, for the three-month periods ended March 31, 2018 and 2017, with the exception of the non-IFRS financial measures specifically identified in the "Additional financial indicators" section below.

It should be noted that the financial information for the three-month period ended March 31, 2018, presented in the table below, includes the financial results of Atkins, which was acquired in the third quarter of 2017.

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	FIRST QUARTER 2018		2017 (1)	
Revenues	**$**	**2,431.4**	$	1,849.3
Total segment EBIT	**$**	**234.1**	$	170.6
Corporate selling, general and administrative expenses	**$**	**30.7**	$	28.6
Impairment loss arising from expected credit losses		**0.5**		-
Loss arising on financial assets at fair value through profit or loss		**4.2**		6.2
Restructuring costs		**1.5**		2.8
Acquisition-related costs and integration costs		**10.7**		1.4
Amortization of intangible assets related to business combinations		**56.7**		15.4
Gain from disposals of E&C businesses		**-**		(0.7)
Earnings before interest and income taxes	**$**	**129.8**	$	117.1
Net financial expenses	**$**	**42.0**	$	13.2
Earnings before income taxes	**$**	**87.8**	$	103.9
Income taxes	**$**	**9.5**	$	8.8
Net income for the period	**$**	**78.3**	$	95.1
Net income attributable to:				
SNC-Lavalin shareholders	**$**	**78.1**	$	89.7
Non-controlling interests		**0.2**		5.4
Net income for the period	**$**	**78.3**	$	95.1
Supplementary information:				
Earnings per share (in $):				
Basic	**$**	**0.44**	$	0.60
Diluted	**$**	**0.44**	$	0.60
Additional financial indicators:				
Diluted EPS from E&C (in $)(2)	**$**	**0.18**	$	0.30
Adjusted diluted EPS from E&C (in $)(2)		**0.51**		0.40
Adjusted EBITDA from E&C(2)		**177.3**		100.0

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its financial results. Please refer to Section 9 for further details.

(2) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from financial measures to the most directly comparable measure specified under IFRS, when applicable.

4.1 Revenues and Total Segment EBIT

(IN MILLIONS OF CA$)	FIRST QUARTER 2018	2017
Revenues:		
From E&C	**$ 2,367.2**	$ 1,788.3
From Capital	**64.2**	60.9
	$ 2,431.4	$ 1,849.3
Total Segment EBIT: [(1)]		
From E&C	**$ 177.7**	$ 115.3
From Capital	**56.4**	55.3
	$ 234.1	$ 170.6
Total Segment EBIT-to-revenue ratio (%):[(1)]		
From E&C	**7.5%**	6.4%
From Capital	**87.9%**	90.8%
	9.6%	9.2%

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its financial results. Please refer to Section 9 for further details.

The Company analyses its revenues and total segment EBIT separately for E&C and for Capital.

REVENUES AND TOTAL SEGMENT EBIT FROM E&C

Revenues from E&C for the first quarter of 2018 increased to $2.4 billion, compared with $1.8 billion for the same quarter of 2017, due to the increase in revenues from EDPM and Nuclear, largely attributable to the incremental revenues from Atkins which was acquired in the third quarter of 2017, from Infrastructure and from Mining & Metallurgy, partially offset by a decrease in revenues from Oil & Gas, Clean Power and Thermal Power, mainly due to near completion or completion of major projects.

Total Segment EBIT from E&C for the first quarter of 2018 increased to $177.7 million, compared with $115.3 million for the corresponding quarter of 2017, principally reflecting higher revenues from E&C, as explained above, and an increase in the segment EBIT-to-revenue ratio from EDPM, Oil & Gas, Clean Power and Mining & Metallurgy, a lower negative segment EBIT-to-revenue ratio from Thermal Power partially offset by a decrease in the segment EBIT-to-revenue ratio from Infrastructure and Nuclear.

REVENUES AND TOTAL SEGMENT EBIT FROM CAPITAL

Revenues from Capital for the first quarter of 2018 increased to $64.2 million, compared with $60.9 million for the same quarter of 2017, mainly reflecting an increase in dividends received from Highway 407 ETR partially offset by lower revenues from certain capital investments, including the investments transferred to SNC-Lavalin Infrastructure Partners LP and its subsequent partial disposal in the third quarter of 2017.

Total Segment EBIT from Capital was $56.4 million for the first quarter of 2018, in line with the corresponding period of 2017.

4.2 Net Income Analysis

	FIRST QUARTER			
(IN MILLIONS OF CA$)		2018		2017
Net income attributable to SNC-Lavalin shareholders:				
From E&C	$	31.5	$	45.3
From Capital		46.5		44.4
Net income attributable to SNC-Lavalin shareholders	$	78.1	$	89.7
Non-controlling interests	$	0.2	$	5.4
Net income	$	78.3	$	95.1

The Company analyses its net income separately for E&C and for Capital.

For the first quarter of 2018, net income attributable to SNC-Lavalin shareholders from E&C was $31.5 million, compared with $45.3 million for the corresponding period of 2017, as the higher level of Segment EBIT was more than offset mainly by the increase in amortization of intangible assets related to business combinations, a higher level of net financial expenses and an increase in acquisition-related costs and integration costs.

For the first quarter of 2018, net income attributable to SNC-Lavalin shareholders from Capital increased to $46.5 million, compared with $44.4 million for the same period last year, primarily due to a decrease in net financial expenses as explained in Section 4.9.

Additionally, certain significant items had an impact on net income attributable to SNC-Lavalin shareholders in the first quarters of 2018 and 2017, namely:

› **Amortization of intangible assets related to business combinations** amounted to $56.7 million ($46.8 million after taxes) in the first quarter of 2018, compared with $15.4 million ($12.3 million after taxes) for the corresponding period of 2017, an increase that was attributable to the incremental amortization expense of the intangible assets related to the acquisition of Atkins;

› **Acquisition-related costs and integration costs** amounted to $10.7 million ($8.4 million after taxes) in the first quarter of 2018, compared with $1.4 million ($1.1 million after taxes) in the same quarter of last year, mainly due to costs incurred in connection with the integration of Atkins, acquired in the third quarter of 2017; and

› **Restructuring costs** amounted to $1.5 million ($1.3 million after taxes) in the first quarter of 2018, compared with $2.8 million ($2.6 million after taxes) in the corresponding quarter of 2017; these costs were mainly for severances.

4.3 Adjusted Net Income from E&C and Adjusted Diluted EPS from E&C

Adjusted net income from E&C and adjusted diluted EPS from E&C are non-IFRS financial measures. Definitions of these financial measures are provided in Section 10.

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2018				2017			
				PER DILUTED SHARE				PER DILUTED SHARE
Net income	$	78.3		N/A	$	95.1		N/A
Less:								
Non-controlling interests		0.2		N/A		5.4		N/A
Net income attributable to SNC-Lavalin shareholders from Capital		46.5	$	0.26		44.4	$	0.30
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$	31.5	$	0.18	$	45.3	$	0.30
Adjustments (net of income taxes):								
Restructuring, right-sizing costs and other	$	1.3	$	0.01	$	2.6	$	0.02
Acquisition-related costs and integration costs		8.4		0.05		1.1		0.01
Amortization of intangible assets related to business combinations		46.8		0.27		12.3		0.08
Impact of U.S. Corporate tax reform		1.4		0.01		–		–
Gain from disposals of E&C businesses		–		–		(0.6)		–
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$	89.5	$	0.51	$	60.7	$	0.40

Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased to $89.5 million ($0.51 per share on a diluted basis) for the first quarter of 2018, compared with $60.7 million ($0.40 per share on a diluted basis) for the first quarter of 2017, due to an increase in total segment EBIT from E&C, mainly due to the higher contribution from EDPM, attributable to the incremental contribution from Atkins, which was acquired in the third quarter of 2017. The increased amortization of intangible assets related to business combinations also had a favourable impact on the adjusted net income attributable to SNC-Lavalin shareholders from E&C.

For the first quarter of 2018, adjusted net income attributable to SNC-Lavalin shareholders from E&C included the following adjustments:

- **Amortization of intangible assets related to business combinations** of $46.8 million ($0.27 per diluted share), compared with $12.3 million ($0.08 per diluted share) for the first quarter of 2017, due to the additional amortization expense of the intangible assets related to the acquisition of Atkins, which was acquired in the third quarter of 2017;
- **Acquisition-related costs and integration costs** of $8.4 million ($0.05 per diluted share), largely due to the integration of Atkins, compared with $1.1 million ($0.01 per diluted share), attributable to the integration of Kentz, for the corresponding period of 2017; and
- **Restructuring costs, right-sizing costs and other** of $1.3 million ($0.01 per diluted share), compared with $2.6 million ($0.02 per diluted share) in the corresponding quarter of 2017. These costs were mainly for severances.

4.4 EBIT, EBITDA and Adjusted EBITDA Analysis

EBIT, EBITDA and Adjusted EBITDA are non-IFRS financial measures. Definitions of these financial measures are presented in Section 10.

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income	$ 31.7	$ 46.5	$ 78.3	$ 50.7	$ 44.4	$ 95.1
Net financial expenses	40.7	1.3	42.0	10.1	3.1	13.2
Income taxes	8.5	1.0	9.5	7.4	1.4	8.8
EBIT	$ 80.9	$ 48.8	$ 129.8	$ 68.1	$ 48.9	$ 117.1
Depreciation and amortization	$ 27.4	$ –	$ 27.4	$ 13.0	$ –	$ 13.0
Amortization of intangible assets related to business combinations	56.7	–	56.7	15.4	–	15.4
EBITDA	$ 165.1	$ 48.8	$ 213.9	$ 96.5	$ 48.9	$ 145.5
(as % of Revenues)	7.0%	N/A	8.8%	5.4%	N/A	7.9%
Restructuring, right-sizing costs and other	$ 1.5	$ –	$ 1.5	$ 2.8	$ –	$ 2.8
Acquisition-related costs and integration costs	10.7	–	10.7	1.4	–	1.4
Gain from disposals of E&C businesses	–	–	–	(0.7)	–	(0.7)
Adjusted EBITDA	$ 177.3	$ 48.8	$ 226.2	$ 100.0	$ 48.9	$ 148.9
(as % of Revenues)	7.5%	N/A	9.3%	5.6%	N/A	8.1%

For the first quarter of 2018, EBIT from E&C amounted to $80.9 million compared with $68.1 million for the corresponding period of 2017, mainly reflecting higher contributions from EDPM, partially offset by a decrease in contributions from Nuclear. EBIT from E&C included $84.1 million of amortization of intangible assets related to business combinations and depreciation and amortization expenses in the first quarter of 2018, compared with $28.4 million in the first quarter of 2017. As a result, **EBITDA from E&C was $165.1 million for the first quarter of 2018,** compared with $96.5 million for the corresponding period of 2017. EBITDA from E&C included $1.5 million in restructuring, right-sizing costs and other in the first quarter of 2018, compared with $2.8 million in the corresponding quarter of 2017. Also, in the first quarter of 2018, the Company incurred $10.7 million in acquisition-related costs and integration costs, compared with $1.4 million in the first quarter of 2017, an increase primarily due to the acquisition of Atkins in the third quarter of 2017. As such, the **Adjusted EBITDA from E&C amounted to $177.3 million for the first quarter of 2018,** compared with $100.0 million for the first quarter of 2017.

For the first quarter of 2018, EBIT from Capital amounted to $48.8 million in line with the corresponding period of 2017. **EBITDA from Capital amounted to $48.8 million for the first quarter of 2018,** in line with the same period of 2017.

4.5 Corporate Selling, General and Administrative Expenses Analysis

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CA$)	2018			2017[1]		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	**$ 23.6**	**$ 7.1**	**$ 30.7**	$ 22.2	$ 6.4	$ 28.6

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its financial results. Please refer to Section 9 for further details.

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs. As such, this change resulted in a reclassification of $122.3 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the three-month period ended March 31, 2017.

For the first quarter of 2018, corporate selling, general and administrative expenses amounted to $30.7 million, compared with $28.6 million in the first quarter of 2017, explained in part by the growth in the size of the Company compared with the corresponding period of 2017.

4.6 Restructuring Costs

	FIRST QUARTER	
(IN MILLIONS OF CA$)	**2018**	2017
Restructuring costs	**$ 1.5**	$ 2.8

The Company incurred restructuring costs totalling $1.5 million in the first quarter of 2018 (2017: $2.8 million). The restructuring costs recognized in the first quarters of 2018 and 2017 were mainly for severances.

4.7 Acquisition-Related Costs and Integration Costs

	FIRST QUARTER	
(IN MILLIONS OF CA$)	**2018**	2017
Professional fees and other related costs	**$ 10.7**	$ 1.4
Acquisition-related costs and integration costs	**$ 10.7**	$ 1.4

In the first quarter of 2018, the Company incurred $10.7 million of acquisition-related costs and integration costs, compared with $1.4 million in the corresponding period of 2017, a variance that was attributable to the fees incurred in connection with the integration of Atkins.

4.8 Gain from Disposals of E&C Businesses

In the fourth quarter of 2016, the Company disposed of its ongoing local activities in France and in Monaco and of its non-core Real Estate Facilities Management business in Canada. The consideration receivable (payable) from these transactions is subject to certain adjustments. While the adjustments have not been finalized yet as at March 31, 2018, certain assumptions used to estimate such adjustments have been revised, resulting in no impact in the first quarter of 2018 and in a gain of $0.7 million ($0.6 million net of taxes) in the first quarter of 2017.

4.9 Net Financial Expenses Analysis

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	**$ (1.8)**	**$ (2.2)**	**$ (4.1)**	$ (2.7)	$ (3.0)	$ (5.8)
Net foreign exchange losses (gains)	**5.8**	**0.1**	**5.9**	3.7	–	3.7
Interest on debt:						
Recourse	**14.9**	**–**	**14.9**	5.4	–	5.4
Limited recourse	**26.0**	**–**	**26.0**	–	–	–
Non-recourse	**–**	**3.4**	**3.4**	–	6.1	6.1
Other	**(4.2)**	**–**	**(4.2)**	3.7	0.1	3.8
Net financial expenses	**$ 40.7**	**$ 1.3**	**$ 42.0**	$ 10.1	$ 3.1	$ 13.2

For the first quarter of 2018, net financial expenses from E&C were $40.7 million, compared with $10.1 million for the first quarter of 2017, a variation that was primarily attributable to an increase from limited recourse debt and recourse debt, mainly due to the financing of the acquisition of Atkins.

For the first quarter of 2018, net financial expenses from Capital decreased to $1.3 million, compared with $3.1 million for the first quarter of 2017, primarily due to a decrease in non-recourse debt following the transfer of investments to SNC-Lavalin Infrastructure Partners LP and its subsequent partial disposal in the third quarter of 2017.

4.10 Income Taxes Analysis

(IN MILLIONS OF CA$)	FIRST QUARTER 2018	2017
Earnings before income taxes from E&C	**$ 40.2**	$ 58.1
Earnings before income taxes from Capital	**47.6**	45.8
Earnings before income taxes	**$ 87.8**	$ 103.9
Income taxes from E&C	**$ 8.5**	$ 7.4
Income taxes from Capital	**1.0**	1.4
Income taxes	**$ 9.5**	$ 8.8
Effective income tax rate from E&C (%)	**21.0 %**	12.7 %
Effective income tax rate from Capital (%)	**2.2 %**	3.1 %
Effective income tax rate (%)	**10.8 %**	8.5 %

For the first quarter of 2018, the income tax expense from E&C was $8.5 million, compared with $7.4 million for the corresponding period of 2017. The effective income tax rate from E&C was lower than the Canadian statutory income tax rate of 26.8% for the first quarter of 2018, principally due to the impact of geographic mix of earnings before income taxes and earnings not affected by tax partially offset by non-deductible expenses and other permanent items, as well as net losses that did not generate an income tax benefit. In the first quarter of 2017, the effective income tax rate from E&C was lower than the Canadian statutory income tax rate of 26.6%, mainly due to the geographic mix of earnings before income taxes and earnings not affected by tax, partially offset by the non-deductible expenses and other permanent items.

For the first quarter of 2018, the income tax expense from Capital was $1.0 million, compared with $1.4 million for the first quarter of 2017. The effective income tax rate was lower than the Canadian statutory income tax rate of 26.8% for the first quarter of 2018 and 26.6% for the first quarter of 2017, principally due to non-taxable dividends received mainly from Highway 407 ETR.

5 Remaining performance obligations

Effective January 1, 2018, the Company's revenue backlog was replaced by the measure of "Remaining performance obligations" ("RPO"), which is based on IFRS 15, *Revenue from contracts with customers* ("IFRS 15"), without restatement of the prior periods. The RPO is defined as a forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that are firm and amounting to the transaction price allocated to remaining performance obligations. Management could be required to make estimates regarding the revenue to be generated for certain contracts. Applying the new measure of RPO created a positive adjustment of $3.4 billion as at January 1, 2018, compared to the December 31, 2017 revenue backlog closing balance, mainly due to two significant changes. The first change is due to the Company's previous practice to limit the O&M activities revenues backlog, which can cover a period of up to 40 years, to the earlier of: i) the contract term awarded; and ii) the next five years. Under the RPO, the Company now includes the full term of its O&M signed long-term contracts. The second change relates to the exclusion of anticipated volume of work, which the Company used to estimate (under a signed Master Service Agreement ("MSA") for example), for which no formal purchase orders or work orders have yet been issued.

The following table provides a breakdown of the Company's RPO and revenue backlog by segment:

(IN MILLIONS OF CA$)	MARCH 31 2018	DECEMBER 31 2017
BY SEGMENT	RPO	Revenue Backlog
Mining & Metallurgy	**$ 570.7**	$ 618.5
Oil & Gas	**1,593.6**	2,226.1
Nuclear	**1,290.1**	1,398.5
Clean Power	**361.5**	258.7
Thermal Power	**12.2**	56.0
Infrastructure	**7,277.5**	3,907.0
EDPM	**2,235.8**	1,941.6
Total E&C	**$ 13,341.5**	$ 10,406.4
Capital (1)	**170.3**	–
Total	**$ 13,511.8**	$ 10,406.4

(1) Remaining performance obligations from Capital represent the amount that will be recognized as revenue from contracts with customers in the Capital segment from a concession agreement.

As at March 31, 2018, the Company reported remaining performance obligations of $13.5 billion, compared with a revenue backlog of $10.4 billion at the end of December 2017, mainly reflecting an increase in Infrastructure, partially offset by a decrease in Oil & Gas. The increase in Infrastructure is mainly due to the inclusion of the full term of its O&M signed long-term contracts, as explained above. The decrease in Oil & Gas is mainly due to the exclusion of anticipated volume of work for which no formal purchase orders or work orders have yet been issued, as explained above. Contract bookings, excluding the IFRS 15 adjustment, amounted to $2.2 billion for the first quarter of 2018, with $1.1 billion in EDPM, $0.5 billion in Oil & Gas and $0.3 billion in Infrastructure. It is important to note that the awarded contracts in April 2018 for the Réseau Express Métropolitain (REM) project for the EPC work on Montreal's new light rail transit system, and the related provision of rolling stock, systems and operation and maintenance ("RSSOM") have not been included in the March 31, 2018 balance. The Company expects that these contracts to be added to the remaining performance obligations in the second quarter of 2018 should represent approximately $1.9 billion.

In the first quarter of 2018, the Company also reviewed its classification methodology relating to the type of contracts for a better risk profile disclosure and a better comparison with Company's peers. Therefore, management decided to separate all Engineering, Procurement and Construction ("EPC") fixed-price contracts from contracts that do not have such construction risk. The following table shows the proportions of reimbursable and engineering service contracts and EPC fixed-price contracts included in each segment's RPO, as at March 31, 2018:

	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	EPC FIXED-PRICE CONTRACTS
BY SEGMENT		
Mining & Metallurgy	**15%**	**85%**
Oil & Gas	**64%**	**36%**
Nuclear	**96%**	**4%**
Clean Power	**35%**	**65%**
Thermal Power	**91%**	**9%**
Infrastructure	**74%**	**26%**
EDPM	**100 %**	**- %**
Capital (1)	**100 %**	**- %**
Total	**76%**	**24%**

(1) Remaining performance obligations from Capital represent the amount that will be recognized as revenue from contracts with customers in the Capital segment from a concession agreement.

6 Segment Information

As mentioned in Section 2, the Company's results are analyzed by segment, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated.

The Company evaluates segment performance, using **segment EBIT**, which is a non-IFRS financial measure defined in Section 10. Effective January 1, 2018, the Company changed the definition of segment EBIT, its measure of profit or loss for its reportable segments, to reflect a change made to its internal reporting. As such, segment EBIT now includes an additional allocation of certain corporate selling, general and administrative expenses, whereas in the past it only included corporate selling, general and administrative expenses that were directly related to projects or segments. The additional costs that are being allocated to the segment EBIT are mainly related to information technology and to employee benefits and incentives. These are based on a per employee basis for the information technology costs and on an employee compensation basis for the benefits and incentives. The Company believes that such allocation improves the measure of profitability of its reportable segments by better reflecting the overall costs incurred to support its operations. In addition, the Company introduced the measure of **Total segment EBIT**, which represents the sum of all segment EBIT and non-controlling interests before income taxes. Such measure of Total segment EBIT is now aligned with the presentation adopted in the Company's statement of income and corresponds to the Company's revenues less direct costs of activities, as further explained in Section 9.2.

The Company derives its revenues from reimbursable and engineering service contracts (first quarter of 2018: 75%, 2017: 70%) and EPC fixed-price contracts (first quarter of 2018: 25%, 2017: 30%).

SNC-Lavalin's Capital investments are accounted for as follows:

TYPE OF INFLUENCE	ACCOUNTING METHOD
Non-significant influence	Cost method
Significant influence	Equity method
Joint control	Equity method
Control	Consolidation method

Such investments are grouped into the Capital segment wherein its performance is evaluated, as follows:

ACCOUNTING METHOD	PERFORMANCE EVALUATION
Cost method	Dividends or distributions received from investments
Equity method	SNC-Lavalin's share of the net results of its investments, or dividends from Capital investments for which the carrying amount is $ nil (such as Highway 407 ETR), before taxes
Consolidation method	EBIT from investments

The following table summarizes the Company's **revenues and segment EBIT and reconciles the segment EBIT to the Company's EBIT** for the **first quarters** ended March 31, 2018 and 2017:

(IN MILLIONS OF CA$)	FIRST QUARTER 2018								2017[1]							
BY SEGMENT	REVENUES		SEGMENT EBIT FROM E&C		SEGMENT EBIT FROM CAPITAL		TOTAL SEGMENT EBIT		REVENUES		SEGMENT EBIT FROM E&C		SEGMENT EBIT FROM CAPITAL		TOTAL SEGMENT EBIT	
Mining & Metallurgy	**$**	**114.1**	**$**	**6.4**	**$**	**–**	**$**	**6.4**	$	101.4	$	5.1	$	–	$	5.1
Oil & Gas		**643.0**		**47.7**		**–**		**47.7**		856.5		53.6		–		53.6
Nuclear		**230.0**		**31.2**		**–**		**31.2**		166.6		45.0		–		45.0
Clean Power		**80.1**		**10.3**		**–**		**10.3**		121.5		10.3		–		10.3
Thermal Power		**46.7**		**(11.0)**		**–**		**(11.0)**		85.4		(26.5)		–		(26.5)
Infrastructure		**465.9**		**12.1**		**–**		**12.1**		417.3		19.9		–		19.9
EDPM		**787.3**		**80.7**		**–**		**80.7**		39.6		2.5		–		2.5
Total E&C segments	**$**	**2,367.2**	**$**	**177.4**	**$**	**–**	**$**	**177.4**	$	1,788.3	$	110.0	$	–	$	110.0
Capital		**64.2**		**–**		**56.4**		**56.4**		60.9		–		55.3		55.3
Reversal of non-controlling interests before income taxes included above				**0.3**		**–**		**0.3**				5.4				5.4
Total revenues and segment EBIT	**$**	**2,431.4**	**$**	**177.7**	**$**	**56.4**	**$**	**234.1**	$	1,849.3	$	115.3	$	55.3	$	170.6
Less:																
Corporate selling, general and administrative expenses				**(23.6)**		**(7.1)**		**(30.7)**				(22.2)		(6.4)		(28.6)
Impairment loss arising from expected credit losses				**(0.5)**		**–**		**(0.5)**				–		–		
Loss arising on financial assets at fair value through profit or loss				**(3.7)**		**(0.5)**		**(4.2)**				(6.2)		–		(6.2)
Restructuring costs, right-sizing costs and other				**(1.5)**		**–**		**(1.5)**				(2.8)		–		(2.8)
Acquisition-related costs and integration costs				**(10.7)**		**–**		**(10.7)**				(1.4)		–		(1.4)
Amortization of intangible assets related to business combinations				**(56.7)**		**–**		**(56.7)**				(15.4)		–		(15.4)
Gain from disposals of E&C businesses				**–**		**–**						0.7		–		0.7
EBIT			**$**	**80.9**	**$**	**48.8**	**$**	**129.8**			$	68.1	$	48.9	$	117.1

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

6.1 Mining & Metallurgy

Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects. The Mining & Metallurgy segment derives its revenues from reimbursable and engineering service contracts, 33% for the first quarter of 2018 (2017: 70%), and EPC fixed-price contracts, 67% for the first quarter of 2018 (2017: 30%).

	FIRST QUARTER			
(IN MILLIONS OF CA$)		**2018**		2017 [(1)]
Revenues from Mining & Metallurgy	**$**	**114.1**	$	101.4
Segment EBIT from Mining & Metallurgy	**$**	**6.4**	$	5.1
Segment EBIT over revenues from Mining & Metallurgy (%)		**5.6%**		5.0%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

Mining & Metallurgy revenues increased to $114.1 million for the first quarter of 2018, compared with $101.4 million for the corresponding period of 2017, mainly attributable to revenues generated by recent contracts awards, namely the construction of sulphuric acid plants in Chile and an anhydrous liquid ammonia plant in the Sultanate of Oman, partially offset by a lower level of activity due to the near completion of certain major projects, notably a sulphur dioxide mitigation project in Russia and sulphuric acid plants in the Middle East.

For the first quarter of 2018, Mining & Metallurgy Segment EBIT increased to $6.4 million, compared with $5.1 million for the corresponding period of 2017, mainly attributable to an increase in volume, due to the reasons stated above, and in profitability ratio partly offset by an increase in Segment's overhead costs.

6.2 Oil & Gas

Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle, from front-end evaluation through decommissioning (operational and capital expenditures). The Oil & Gas segment derives its revenues from reimbursable and engineering service contracts, 76% for the first quarter of 2018 (2017: 83%), and EPC fixed-price contracts, 24% for the first quarter of 2018 (2017: 17%).

	FIRST QUARTER	
(IN MILLIONS OF CA$)	**2018**	2017 [1]
Revenues from Oil & Gas	**$ 643.0**	$ 856.5
Segment EBIT from Oil & Gas	**$ 47.7**	$ 53.6
Segment EBIT over revenues from Oil & Gas (%)	**7.4%**	6.3%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

Oil & Gas revenues were $643.0 million for the first quarter of 2018, compared with $856.5 million for the first quarter of 2017, mainly attributable to lower revenues from certain major projects nearing completion, most notably Liquefied Natural Gas ("LNG") projects in Australia, partly offset by higher revenues from sustaining capital projects that were awarded in 2016 and 2017, principally in the Middle East.

For the first quarter of 2018, Oil & Gas Segment EBIT was $47.7 million, compared with $53.6 million for the first quarter of 2017, primarily due to a lower volume as explained above, combined to higher Segment's overhead costs, which include higher proposal activities partly offset by a higher profitability ratio.

6.3 Nuclear

Nuclear supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPC(M) services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. The Nuclear segment derives its revenues from reimbursable and engineering service contracts, 99% for the first quarter of 2018 (2017: 94%), and EPC fixed-price contracts, 1% for the first quarter of 2018 (2017: 6%).

	FIRST QUARTER			
(IN MILLIONS OF CA$)		**2018**		2017 (1)
Revenues from Nuclear	**$**	**230.0**	$	166.6
Segment EBIT from Nuclear	**$**	**31.2**	$	45.0
Segment EBIT over revenues from Nuclear (%)		**13.6%**		27.0%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

Nuclear revenues were $230.0 million for the first quarter of 2018, compared with $166.6 million for the first quarter of 2017, largely attributable to the incremental revenues from Atkins which was acquired in the third quarter of 2017, partially offset by a lower level of activity on certain major projects.

For the first quarter of 2018, Nuclear Segment EBIT was $31.2 million, compared with $45.0 million for the corresponding quarter of 2017, as the increased contribution from the Atkins incremental activities was more than offset by the lower profitability in 2018, mainly due to a favourable reforecast on a major project in the first quarter of 2017.

6.4 Clean Power

Clean Power combines the Company's established leadership in hydro, transmission and distribution and extensive renewable energy capabilities, including in energy storage, providing fully integrated life-of-asset services capabilities. The Clean Power segment derives its revenues from reimbursable and engineering service contracts, 40% for the first quarter of 2018 (2017: 49 %), and EPC fixed-price contracts, 60% for the first quarter of 2018 (2017: 51 %).

	FIRST QUARTER			
(IN MILLIONS OF CA$)		**2018**		2017 (1)
Revenues from Clean Power	**$**	**80.1**	$	121.5
Segment EBIT from Clean Power	**$**	**10.3**	$	10.3
Segment EBIT over revenues from Clean Power (%)		**12.8%**		8.5%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

Clean Power revenues were $80.1 million for the first quarter of 2018, compared with $121.5 million for the first quarter of 2017, due to the near completion of certain major projects.

For the first quarter of 2018, Clean Power Segment EBIT was $10.3 million, in line with the corresponding quarter of 2017, mainly attributable to an increase in profitability ratio in part due to favourable outcomes on certain major projects, offset by a lower level of activity, due to the reason stated above.

6.5 Thermal Power

Thermal Power includes projects in thermal power generation, a market that the Company is currently exiting. The Thermal Power segment derives its revenues from reimbursable and engineering service contracts, 14% for the first quarter of 2018 (2017: 4%), and EPC fixed-price contracts, 86% for the first quarter of 2018 (2017: 96%).

	FIRST QUARTER			
(IN MILLIONS OF CA$)		**2018**		2017 (1)
Revenues from Thermal Power	**$**	**46.7**	$	85.4
Segment EBIT from Thermal Power	**$**	**(11.0)**	$	(26.5)
Segment EBIT over revenues from Thermal Power (%)		**(23.6%)**		(31.1%)

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

Thermal Power revenues were $46.7 million for the first quarter of 2018, compared with $85.4 million for the first quarter of 2017, largely attributable to near completion or completion of gas-fired combined-cycle power plant projects in the United States.

For the first quarter of 2018, Thermal Power Segment EBIT was negative $11.0 million, compared with a negative Segment EBIT of $26.5 million for the corresponding quarter of 2017. For the first quarter of 2018, the Thermal Power Segment EBIT was negatively impacted by a reforecast on its last ongoing EPC fixed-price contract. In 2017, the Thermal Power Segment was also negatively impacted by reforecasts on two major projects.

6.6 Infrastructure

Infrastructure provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects. The Infrastructure segment derives its revenues from reimbursable and engineering service contracts, 54% for the first quarter of 2018 (2017: 58%), and EPC fixed-price contracts, 46% for the first quarter of 2018 (2017: 42%).

	FIRST QUARTER			
(IN MILLIONS OF CA$)		2018		2017 (1)
Revenues from Infrastructure	$	465.9	$	417.3
Segment EBIT from Infrastructure	$	12.1	$	19.9
Segment EBIT over revenues from Infrastructure (%)		2.6%		4.8%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

Infrastructure revenues increased to $465.9 million for the first quarter of 2018, compared with $417.3 million for the corresponding period of 2017, mainly due to an increase in revenues from certain major projects, most notably mass transit systems in Central Canada and a concrete gravity structure for a fixed drilling platform in Eastern Canada.

For the first quarter of 2018, Infrastructure Segment EBIT was $12.1 million, compared with $19.9 million for the corresponding quarter of 2017, principally reflecting a lower profitability ratio, partly offset by a higher level of activity as explained above.

6.7 Engineering, Design and Project Management ("EDPM")

EDPM incorporates all engineering, design and project management services around the world, except for the Canadian market which remains fully integrated within Infrastructure segment. It also harnesses our enhanced capabilities in intelligent mobility and digital asset management. Projects are mainly in transportation, including rail, mass transit and roads, infrastructure, aerospace, defence and security & technology. Some projects are primarily funded by the public sector and include projects with several departments of transportation, as well as the water treatment, environment, city and county markets, and the intermodal business. The EDPM segment derived all its revenues from reimbursable and engineering service contracts in the first quarters of 2018 and 2017.

	FIRST QUARTER			
(IN MILLIONS OF CA$)		**2018**		2017 (1)
Revenues from EDPM	**$**	**787.3**	$	39.6
Segment EBIT from EDPM	**$**	**80.7**	$	2.5
Segment EBIT over revenues from EDPM (%)		**10.3%**		6.4%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

EDPM revenues increased to $787.3 million for the first quarter of 2018, compared with $39.6 million for the corresponding period of 2017, largely attributable to the incremental revenues from Atkins, which was acquired in the third quarter of 2017.

For the first quarter of 2018, EDPM Segment EBIT increased to $80.7 million, compared with $2.5 million for the corresponding quarter of 2017, due to the reason stated above.

6.8 Capital

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes capital investments in a variety of infrastructure assets such as bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants. These investments are grouped together in the Capital segment and described in Section 7.6 of the Company's 2017 annual Management's Discussion and Analysis.

NET BOOK VALUE OF CAPITAL INVESTMENTS

The Company provides additional information on the net book value of its Capital investments in Note 4 to its unaudited interim condensed consolidated financial statements for the first quarter ended March 31, 2018.

The following table presents the net book value of Capital investments segregated by the method used to account for the investments:

(IN MILLIONS OF CA$)	MARCH 31 2018	DECEMBER 31 2017
Capital investments accounted for by the consolidation method	**$ (26.0)**	$ (36.1)
Capital investments accounted for by the equity method	**329.5**	296.7
Capital investments accounted for by the cost method	**55.2**	55.6
Total net book value of Capital investments	**$ 358.7**	$ 316.2

As at March 31, 2018, the Company estimated that the fair value of its Capital investments portfolio was much higher than its net book value, with the Company's investment in Highway 407 ETR having the highest estimated fair value of its portfolio. The net book value of the Company's investment in Highway 407 ETR was $nil as at March 31, 2018 and as at December 31, 2017.

SEGMENT EBIT - CAPITAL

	FIRST QUARTER	
(IN MILLIONS OF CA$)	2018	2017 (1)
Revenues from Capital	$ 64.2	$ 60.9
Segment EBIT:		
From Highway 407 ETR	$ 38.0	$ 34.8
From other Capital investments (2)	18.5	20.5
Segment EBIT from Capital	**$ 56.4**	$ 55.3

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

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

The Company's Capital investments are accounted for by the cost, equity or consolidation methods depending on whether or not SNC-Lavalin exercises significant influence, joint control or control. In evaluating the performance of the segment, the relationship between revenues and segment EBIT is not meaningful, as a significant portion of the investments are accounted for by the cost and equity methods, which do not reflect the line by line items of the individual Capital investment's financial results.

Capital Segment EBIT was $56.4 million for the first quarter of 2018, in line with the same period last year.

7 Liquidity and Capital Resources

This section has been prepared to provide the reader with a better understanding of the Company's liquidity and capital resources, and has been structured as follows:

- A **cash flows analysis**, providing details on how the Company generated and used its cash and cash equivalents;
- A discussion on the Company's **capital resources**;
- A discussion on the Company's **capital management indicators**;
- An update on the Company's **credit ratings**;
- The presentation of the Company's **dividends declared** and **normal course issuer bid**; and
- A discussion on the Company's **financial position** at the end of the first quarter of 2018, compared with its financial position as at December 31, 2017.

7.1 Cash Flows Analysis

THREE MONTHS ENDED MARCH 31 (IN MILLIONS OF CA$)	2018	2017
Net cash flows generated from (used for):		
Operating activities	**$ (146.7)**	$ (186.8)
Investing activities	**(57.0)**	(21.8)
Financing activities	**132.9**	(41.7)
Increase from exchange differences on translating cash and cash equivalents	**11.1**	5.3
Net decrease in cash and cash equivalents	**(59.7)**	(245.0)
Cash and cash equivalents at beginning of period	**706.6**	1,055.5
Cash and cash equivalents at end of period	**$ 646.8**	$ 810.5

Cash and cash equivalents decreased by $59.7 million in the first three months of 2018, compared with a decrease of $245.0 million in the first three months of 2017, as discussed further below.

CASH FLOWS RELATED TO OPERATING ACTIVITIES

Net cash used for operating activities was $146.7 million for the first three months of 2018, compared with $186.8 million for the corresponding period of 2017, a variance reconciled as follows:

(IN MILLIONS OF CA$)		THREE-MONTH PERIOD
Net cash used for operating activities for the first three months of 2017	$	(186.8)
<u>Changes between the first three months of 2017 and the first three months of 2018:</u>		
Decrease in net income for the period		(16.8)
Decrease in income taxes paid		34.4
Increase in interest paid (from E&C and from Capital investments)		(36.2)
Increase in depreciation of property and equipment and amortization of other non-current assets		55.7
Increase in income taxes recognized in net income		0.7
Higher net financial expenses recognized in net income		28.8
Increase in net change in provisions related to forecasted losses on certain contracts		(15.9)
Decrease in restructuring costs recognized in net income		(1.3)
Decrease in restructuring costs paid		21.4
Gain from disposals of E&C businesses in 2017		0.7
Other items		(5.7)
Changes in the net cash used for operating activities before net change in non-cash working capital items	**$**	**66.0**
Increase in cash used by the changes in non-cash working capital items	$	(25.9)
Net cash used for operating activities for the first three months of 2018	**$**	**(146.7)**

- **Net cash generated from operating activities before net change in non-cash working capital items totalled $138.3 million for the first three months of 2018,** compared with $72.4 million for the first three months of 2017, a variance mainly explained by the elements in the table above; and

- As detailed in Note 9B to the unaudited interim condensed consolidated financial statements for the first quarter of 2018, **changes in non-cash working capital items used cash of $285.1 million in the first three months of 2018,** compared with $259.1 million in the corresponding period of 2017, mainly reflecting working capital requirements on certain major projects.

CASH FLOWS RELATED TO INVESTING ACTIVITIES

Net cash used for investing activities was $57.0 million for the first three months of 2018, compared with $21.8 million for the corresponding period of 2017, a variance reconciled as follows:

(IN MILLIONS OF CA$)		THREE-MONTH PERIOD
Net cash used for investing activities for the first three months of 2017	$	(21.8)
Changes between the first three months of 2017 and the first three months of 2018:		
Decrease in acquisitions of property and equipment		0.4
Higher increase in receivables under service concession arrangements, net of recovery		(3.0)
Lower decrease in short-term and long-term investments		(20.0)
Other items		(12.6)
Net cash used for investing activities for the first three months of 2018	**$**	**(57.0)**

- The changes in cash flows related to investing activities between the first three months of 2018 and the same period of 2017 were primarily explained by a lower decrease in short-term and long term investments.

CASH FLOWS RELATED TO FINANCING ACTIVITIES

Net cash generated from financing activities was $132.9 million in the first three months of 2018, compared with net cash used for financing activities of $41.7 million for the corresponding period of 2017, a variance of $174.6 million reconciled as follows:

(IN MILLIONS OF CA$)		THREE-MONTH PERIOD
Net cash used for financing activities for the first three months of 2017	$	(41.7)
Changes between the first three months of 2017 and the first three months of 2018:		
Higher increase in recourse debt		898.4
Repayment of recourse debt		(737.2)
Higher increase in non-recourse debt from Capital investments		20.3
Increase in dividends paid to SNC-Lavalin shareholders		(9.3)
Other items		2.4
Net cash generated from financing activities for the first three months of 2018	**$**	**132.9**

- The changes in cash flows related to financing activities between the first three months of 2018 and the corresponding period of 2017 were primarily explained by the elements in the table above, most notably by the issuance of new unsecured debentures mainly used to repay the Term Facility in full and certain indebtedness outstanding under the Revolving Facility.

7.2 Capital Resources

(IN MILLIONS OF CA$)		MARCH 31 2018		DECEMBER 31 2017
Cash and cash equivalents	$	**646.8**	$	706.5
Unused portion of committed revolving credit facility(1)(2)		**2,146.3**		2,349.2
Available short-term capital resources	**$**	**2,793.1**	$	3,055.8

(1) Including cash draws and letters of credit issued on a committed basis, but excluding bilateral letters of credit which can be issued on a non-committed basis.
(2) Before considering potential limitations resulting from contractual covenants.

The decrease in cash and cash equivalents as at March 31, 2018 compared with December 31, 2017 is explained in Section 7.1. The Company has a committed revolving facility of $2,600 million (December 31, 2017: $2,750 million) of which $2,146.3 million as at March 31, 2018 and $2,349.2 million as at December 31, 2017 was unused, and uncommitted credit facilities by way of bilateral letters of credit.

Management continues to believe, subject to the risks and limitations described herein, that its current liquidity position, including its cash position and unused capacity under its credit facility should be sufficient to fund its operations over the foreseeable future.

7.3 Capital Management Indicators

The Company periodically monitors capital using certain ratios which are described further below. The Company endeavours to keep these ratios at levels which are in line with its objective of maintaining an investment grade credit rating.

Net Recourse Debt

Net recourse debt (or Cash net of recourse debt) is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10.

(IN MILLIONS OF CA$)		MARCH 31 2018		DECEMBER 31 2017
Cash and cash equivalents	$	**646.8**	$	706.5
Less:				
Cash and cash equivalents of capital investments accounted for by the consolidation method		**1.7**		1.8
Recourse debt:				
Short-term debt and current portion of long-term debt		**521.0**		318.8
Long term debt		**1,021.6**		1,026.8
Net recourse debt	**$**	**(897.5)**	$	(640.8)

› **Net recourse debt as at March 31, 2018 was $0.9 billion,** compared with $0.6 billion as at December 31, 2017, mainly reflecting the issuance of new unsecured debentures mainly used to repay the Term Facility in full and certain indebtedness outstanding under the Revolving Facility.

Net Recourse Debt to Adjusted EBITDA Ratio

The net recourse debt to adjusted EBITDA ratio, a non-IFRS financial measure, compares the net recourse debt, as calculated above, to the adjusted EBITDA less the interest on the limited recourse debt. Refer to Section 10 for further information on non-IFRS financial measures. Net recourse debt to adjusted EBITDA ratio is a measure of the Company's leverage and of its financial capabilities.

(IN MILLIONS OF CA$, EXCEPT NET RECOURSE DEBT TO ADJUSTED ABITDA RATIO)		**MARCH 31 2018**
Net recourse debt[(1)]	**$**	**897.5**
Trailing 12-month ("TTM") adjusted EBITDA[(1)]	$	893.7
Less: Interest on limited recourse debt (TTM)		(75.0)
Adjusted EBITDA, less interest on limited recourse debt (TTM)[(2)]	**$**	**818.7**
Net recourse debt to adjusted EBITDA ratio		**1.1**

(1) Net recourse debt and Adjusted EBITDA are non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS.

(2) TTM adjusted EBITDA includes the dividends received from Highway 407 ETR which are used to service the limited recourse debt; therefore, the interest on limited recourse debt has been deducted from the TTM adjusted EBITDA.

As at March 31, 2018, the Company's net recourse debt was $897.5 million and its net recourse debt to adjusted EBITDA ratio was 1.1x.

Recourse Debt to Capital Ratio

The recourse debt to capital ratio, an additional IFRS measure, compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. Refer to Section 10 for further information on non-IFRS financial measures or additional IFRS measures. Recourse debt to capital ratio is calculated as follows:

(IN MILLIONS OF CA$)		**MARCH 31 2018**		DECEMBER 31 2017
Recourse debt	**$**	**1,542.6**	$	1,345.5
Equity attributable to SNC-Lavalin shareholders	$	5,061.6	$	5,225.1
Less: Other components of equity		(391.2)		(278.0)
Plus: Recourse debt		1,542.6		1,345.5
Total amount of capital	**$**	**6,213.0**	$	6,292.7
Recourse debt to capital ratio		**25:75**		21:79

Recourse debt has increased by $197.1 million while the total amount of capital has decreased by $79.7 million, mainly due to the transition adjustment on adoption of new accounting standards (Refer to Section 9) as at March 31, 2018, compared with December 31, 2017. As at March 31, 2018, the Company maintained an adequate mix of debt and equity with a recourse debt to capital ratio of 25:75, below its objective, which is not to surpass a ratio of 30:70.

Return on Average Shareholders' Equity ("ROASE")

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10. **ROASE was 8.6% for the 12-month period ended March 31, 2018**, compared with 6.2% for the 12-month period ended March 31, 2017.

7.4 Recourse Debentures – Credit Rating

On April 21, 2017, Standard & Poor's ("S&P") affirmed its BBB long-term corporate credit rating on SNC-Lavalin with a stable outlook, after the Company announced its plan to acquire Atkins. On April 21, 2017 and November 21, 2017, S&P affirmed its BBB issue-level rating on the Company's $350 million senior unsecured notes due in 2019. On November 21, 2017, S&P affirmed its BBB issue-level rating on the Company's $300 million senior unsecured notes due in 2020. On March 1, 2018, S&P affirmed its BBB issue-level rating on the Company's $150 million senior unsecured notes due in 2019, on the Company's $175 million senior unsecured notes due in 2021 and on the Company's $200 million senior unsecured notes due in 2023.

On April 21, 2017, DBRS Limited ("DBRS") placed the BBB Issuer Rating and BBB Senior Debentures rating of SNC-Lavalin Under Review with Developing Implications following the announcement that SNC-Lavalin plans to acquire Atkins. On July 7, 2017, on September 29, 2017, on November 21, 2017, and on March 1, 2018 DBRS confirmed the Issuer Rating and Senior Debentures rating of SNC-Lavalin at BBB with a Stable trend. The confirmation was primarily supported by the Company's stronger business risk profile after the acquisition of Atkins, according to DBRS.

SNC-Lavalin retains its investment grade status from both S&P and DBRS.

7.5 Dividends

A quarterly cash dividend of $0.287 per share was declared on February 23, 2018 and was paid on March 22, 2018, representing an increase of 5.1% compared with the corresponding quarterly cash dividends of $0.273 per share paid in 2017.

7.6 Normal Course Issuer Bid

On June 2, 2017, SNC-Lavalin announced that its Board of Directors has filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2017. In the notice, the Company stated that a maximum of 1,500,000 Common Shares, representing less than 1% of the issued and outstanding Common Shares as of May 23, 2017, may be purchased for cancellation, on the open market.

7.7 Financial Instruments

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 31 to the Company's 2017 annual audited consolidated financial statements and updated as needed in Note 11 to its unaudited interim condensed consolidated financial statements for the first quarter of 2018. In the first three months of 2018, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated <statement of financial position.

7.8 Financial Position

The following is an analysis of the changes to the Company's financial position between December 31, 2017 and March 31, 2018:

(IN MILLIONS OF CA$)	MARCH 31 2018	DECEMBER 31 2017	CHANGE ($)	EXPLANATIONS
Current assets	**$ 4,349.6**	$ 4,614.8	$ (265.2)	The decrease in current assets was mainly due to a decrease in contract assets compared with amounts of contracts in progress and retentions on client contracts included in other current financial assets prior to January 1, 2018 partly due to the transition impact from the adoption of IFRS 15 without restatement of comparative figures. Also contributing to the decrease in current assets was the low level of cash and cash equivalents (refer to Section 7.1 for details).
Non-current assets	**9,448.2**	9,147.7	300.5	The increase in non-current assets was principally due an increase of goodwill, due to the foreign currency translation, and deferred income tax asset.
Total assets	**$ 13,797.8**	$ 13,762.5	$ 35.3	
Current liabilities	**$ 4,650.2**	$ 4,502.9	$ 147.3	The increase in current liabilities was mainly related to the increase in recourse debt presented in current liabilities.
Non-current liabilities	**4,087.3**	4,036.4	50.8	The increase in non-current liabilities was mainly due to the increase in non-recourse long-term debt from Capital investments and deferred income tax liability.
Total liabilities	**$ 8,737.4**	$ 8,539.3	$ 198.2	
Equity attributable to SNC-Lavalin shareholders	**$ 5,061.6**	$ 5,225.1	$ (163.5)	The decrease in equity attributable to SNC-Lavalin shareholders was primarily due to the transitional adjustments on adoption of new accounting standards and dividends declared, partly offset by the total comprehensive income for the first quarter of 2018.
Non-controlling interests	**(1.2)**	(1.9)	0.7	-
Total equity	**$ 5,060.4**	$ 5,223.2	$ (162.8)	
Total liabilities and equity	**$ 13,797.8**	$ 13,762.5	$ 35.3	

8 Related Party Transactions

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

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

The accounting treatment of intragroup profits is summarized below:

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

For the first quarter of 2018, SNC-Lavalin recognized E&C revenues of $250.4 million (2017: $209.6 million) from contracts with investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from Capital investments accounted for by the equity method of $51.3 million for the first quarter of 2018 (2017: $48.5 million).

SNC-Lavalin's trade receivables from investments accounted for by the equity method amounted to $157.6 million as at March 31, 2018 (December 31, 2017: $77.6 million). SNC-Lavalin's other current financial assets receivable from these investments accounted for by the equity method amounted to $108.4 million as at March 31, 2018 (December 31, 2017: $103.6 million). SNC-Lavalin's remaining commitment to invest in its Capital investments accounted for by the equity method was $98.0 million at March 31, 2018 (December 31, 2017: $98.0 million).

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

9 Accounting Policies and Changes

The Company established its accounting policies used in the preparation of its unaudited interim condensed consolidated financial statements for the first quarter of 2018 in accordance with IAS 34, *Interim Financial Reporting*. See Note 2 to the Company's 2017 annual audited consolidated financial statements for more information about the significant accounting policies used to prepare the financial statements, as they remain unchanged for the three-month period ended March 31, 2018, except for the changes explained in Sections 9.1 and 9.2.

The key judgments, assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements were disclosed in the Company's 2017 annual audited consolidated financial statements and updated in Section 9.3 below.

9.1 New Standards, Amendments and an Interpretation Adopted in the Three-Month Period Ended March 31, 2018

The following standards, amendments to existing standards and interpretation have been adopted by the Company on January 1, 2018:

- 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 supersedes previous revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, ("IFRS 2") 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 receipts 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 in 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.

Except for IFRS 9, IFRS 15, amendments to IFRS 15 and IFRS 2, the amendments and interpretation listed above did not have a significant impact on the Company's financial statements.

ADOPTION OF IFRS 9

Transition

IFRS 9, *Financial Instruments*, replaced IAS 39, *Financial Instruments: Recognition and Measurement*, ("IAS 39") and was applied in accordance with transitional provisions of IFRS 9, which require an entity to apply IFRS 9 in accordance with IAS 8, *Accounting Policies, Change in Accounting Estimates and Errors*. The transitional provisions of IFRS 9 for classification and measurement of financial assets and financial liabilities oblige an entity to apply IFRS 9 requirements retrospectively.

As per the optional exemption in IFRS 9, the Company elected not to restate comparative figures.

IFRS 9 is not applied to financial assets and financial liabilities that have been derecognized at the date of initial application (i.e., the date when an entity first applies the requirements in IFRS 9), which is January 1, 2018 for SNC-Lavalin.

Main changes

In general, the main changes introduced by IFRS 9 relate to the classification and measurement of financial assets, the introduction of a new impairment model based on expected credit losses (rather than incurred losses as per IAS 39) and hedge accounting.

Classification and measurement of financial assets and financial liabilities

The following table presents the carrying amount of financial assets held by SNC-Lavalin at December 31, 2017 by measurement category under IAS 39 and under IFRS 9:

		IAS 39		IFRS 9	
(IN THOUSANDS OF CA$)	NOTE	MEASUREMENT CATEGORY (1)	CARRYING AMOUNT	MEASUREMENT CATEGORY (1)	CARRYING AMOUNT
Cash and cash equivalents		FVTPL	$ 706,531	FVTPL	$ 706,531
Restricted cash		FVTPL	20,932	FVTPL	20,932
Trade receivables	A	Amortized cost	1,445,859	Amortized cost	1,442,815
Other current financial assets:					
Derivative financial instruments used for hedges		FVTPL	37,967	FVTPL	37,967
Financial assets at FVTPL		FVTPL	5,271	FVTPL	5,271
Other current financial assets		Amortized cost	399,262	Amortized cost	399,262
Capital investments accounted for by the cost method:					
At fair value	B	FVTOCI	52,708	FVTPL	52,708
At cost		Cost	2,350	FVTOCI	1,377
At amortized cost		Amortized cost	556	Amortized cost	556
Non-current portion of receivables under service concession arrangements		Amortized cost	273,340	Amortized cost	273,340
Other non-current financial assets:					
Derivative financial instruments		FVTPL	7,602	FVPTL	7,602
Derivative financial instruments used for hedges		FVTPL	14,552	FVTPL	14,552
At cost		Cost	1,783	FVTOCI	1,346
At amortized cost		Amortized cost	20,384	Amortized cost	20,384
Total			$ 2,989,097		$ 2,984,643

(1) FVTPL: Fair value through profit or loss
FVTOCI: Fair value through other comprehensive income

A. See section "*New impairment model*" below.

B. Relates to Astoria Project Partners II LLC, a Capital investment accounted for by the cost method. Under IFRS 9, since the contractual terms of this investment do not give rise, on specified dates, to cash flows that are solely payments of principal and interest and the Company did not make an irrevocable election to measure this investment at FVTOCI, the Company classified this investment in the FVTPL measurement category. As at January 1, 2018, the cumulative gain of $8.9 million net of taxes related to this available-for-sale financial asset included in the "Other components of equity" was reclassified to the Company's opening retained earnings (see Note 8 to the unaudited interim condensed consolidated financial statements for the first quarter of 2018).

The following table presents the carrying amount of financial liabilities held by SNC-Lavalin at December 31, 2017 by measurement category under IAS 39 and under IFRS 9:

	IAS 39		IFRS 9	
(IN THOUSANDS OF CA$)	MEASUREMENT CATEGORY [1]	CARRYING AMOUNT	MEASUREMENT CATEGORY [1]	CARRYING AMOUNT
Trade payables	Amortized cost	$ 2,176,947	Amortized cost	$ 2,176,947
Downpayments on contracts	Amortized cost	149,388	See [2]	See [2]
Other current financial liabilities:				
Derivative financial instruments used for hedges	FVTPL	20,775	FVTPL	20,775
Other current financial liabilities	Amortized cost	243,949	Amortized cost	243,949
Provisions	Amortized cost	52,519	Amortized cost	52,519
Short-term debt and long-term debt	Amortized cost	3,133,680	Amortized cost	3,133,680
Other non-current financial liabilities:				
Derivative financial instruments used for hedges	FVTPL	1,303	FVTPL	1,303
Other non-current finanical liabilities	Amortized cost	14,122	Amortized cost	14,122
Total		$ 5,792,683		$ 5,643,295

(1) FVTPL: Fair value through profit or loss

(2) Presented as part of “Contract assets/Contract liabilities” in 2018

New impairment model

The IAS 39 incurred credit loss model was replaced by the IFRS 9 expected credit loss model. Expected credit losses are the present value of all cash shortfalls over the expected life of the financial instrument.

The new impairment model generally requires entities to recognize expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Although IFRS 9 does not require the loss allowance to be recognized at initial recognition of the new financial asset but rather at the next reporting date, the effect is the same as to recognizing a day one loss. This is different from IAS 39, under which no impairment was recognized unless and until a loss event occurs after the initial recognition of a financial asset.

Under IFRS 9, impairment is measured as either: i) 12-month expected credit losses; or ii) lifetime expected credit losses.

The Company applies the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are in scope of IFRS 15 and that do not have a significant financing component. The Company applies the 12-month expected credit losses to its receivables under service concession arrangements that have a significant financing component.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

(IN THOUSANDS OF CA$)	TRADE RECEIVABLES	CONTRACT ASSETS	RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS
Model	Life-time expected credit losses	Life-time expected credit losses	12-month expected credit losses
Allowances as at December 31, 2017	$ 163,985	$ 154,794	$ –
Additional loss allowance recognized on January 1, 2018	3,044	2,471	–
Impairment allowance under IFRS 9 as at January 1, 2018	**$ 167,029**	**$ 157,265**	**$ –**

As at January 1, 2018, the current portion of receivable under service concession arrangements amounted to $nil, which resulted in a $nil impairment allowance based on a 12-month expected credit loss model.

Hedge accounting

As permitted by IFRS 9, the Company continues to apply the requirements contained in IAS 39 for hedge accounting.

ADOPTION OF IFRS 15 AND AMENDMENTS TO IFRS 15

IFRS 15 introduces a 5-step model to revenue recognition for contracts with customers. Such model requires an entity to: 1) identify the contract with the customer; 2) identify the performance obligations related to that contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also provides new requirements on presentation and disclosures.

Transition

The Company elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients upon adoption of IFRS 15 on January 1, 2018:

PRACTICAL EXPEDIENT	DESCRIPTION
Completed contract	The Company applied IFRS 15 retrospectively only to contracts that are not completed contracts as at January 1, 2018.
Contract modifications	The Company did not separately evaluate the effects of each contract modification prior to January 1, 2018. Instead, it reflected the aggregate effect of all modifications that occurred prior to January 1, 2018 when: i) identifying the satisfied and unsatisfied performance obligations; ii) determining the transaction price; and iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

Change orders and claims

Change orders and claims, referred to as contract modifications, were previously recognized as per guidance provided in IAS 11, *Construction Contracts,* ("IAS 11"). Under such guidance, revenue could be recognized on contract modifications only when certain conditions were met, including the fact that it was **probable** the customer will approve the modification and the amount of revenue arising from such contract modifications. IFRS 15 also provides guidance on the recognition of revenue from contract modifications, but such guidance is based, among other factors, on the fact that the contract modification is approved and it is **highly probable** that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, some revenue recognized under IAS 11 was reversed as at January 1, 2018, resulting in an approximate $210 million adjustment to equity on that date. Revenue from these contract modifications will be recognized when, and if, IFRS 15 guidance is met.

Measure of anticipated revenues and determination of progress

Under IFRS 15, the amount of anticipated revenue used when determining the amount of revenue to be recognized must be based on contracts with legally enforceable rights and obligations. As a result, certain contracts under which the Company anticipates some volume of work based on discussions with the customer or other indicators, but for which formal purchase orders or work orders need to be issued by the customer in order to formalize the exact scope of work, were assessed to determine when the anticipated revenue should be included in the transaction price, resulting in a decrease in the Company's cumulative revenues recognized on these contracts as at January 1, 2018 (approximately $105 million adjustment to equity on that date).

Furthermore, for projects having revenue recognized based on the stage of completion method using a cost input method, the Company was accounting for its assurance-type warranty costs the same way as other project costs. As a result, the Company did not carry a provision for such expected warranty costs. Rather, it recognized such costs as they were incurred, which in turn was included in the measure of progress of the project based on the stage of completion method and, as such, generated revenue.

Under IFRS 15, these assurance-type warranty costs are to be excluded from the measure of progress of projects for which revenue is recognized over time using a cost input method. Such costs will rather be recognized as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* based on the advancement of the projects, and the provision recognized will then either be used when costs are incurred or reversed if it is no longer needed.

In addition to these warranty-related costs, the Company reviewed its other project costs on contracts for which revenue is recognized over time to determine if each of these costs is contributing to the transfer of control of the goods or services to the customer. Such review resulted in non-significant impact on the Company's equity as at January 1, 2018.

Presentation

In accordance with IFRS 15, the Company changed its presentation of contract-related assets and liabilities. As such, the Company now presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its accounts receivable. Contract assets and accounts receivable are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (accounts receivable) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the amount received by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

The Company's contract assets and contract liabilities include mainly the balances that were presented as "Contracts in progress", "Retentions on client contracts" included in "Other current financial assets", "Deferred revenues" and "Downpayments on contracts" in the Company's consolidated statement of financial position until December 31, 2017.

Procedures and controls

The Company has updated and implemented revised procedures and controls in order to meet the requirements of IFRS 15, notably the recording of the transition adjustment and the change in presentation to be reported in the Company's unaudited consolidated financial statements for the three-month period ended March 31, 2018, as well as additional disclosures to be provided in the Company's 2018 audited annual consolidated financial statements.

ADOPTION OF AMENDMENTS TO IFRS 2

The impact from the adoption of amendments to IFRS 2 relate to share-based payment transactions that are unvested at the date that an entity first applies the amendments, i.e., January 1, 2018 for SNC-Lavalin, and to share-based payment transactions with a grant date on or after that date. As per the amendments to IFRS 2, vesting conditions, other than market conditions, are to be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amount of the liability has to be based on the best available estimate of the number of awards that are expected to vest.

As at January 1, 2018, the Company estimated the number of its unvested share units that will eventually vest and recognized the effect of the remeasurement in the opening retained earnings of $4.2 million ($3.0 million net of taxes), with a corresponding decrease to the share unit plans' liabilities.

The Company adopted the amendments to IFRS 2 in accordance with its transitional provisions and did not restate comparative figures.

IMPACT FROM THE ADOPTION OF IFRS 9, IFRS 15 AND AMENDMENTS TO IFRS 2

The following table presents the impact of adopting IFRS 9, IFRS 15 and amendments to IFRS 2 on the Company's equity as at January 1, 2018:

(IN THOUSANDS OF CA$)	SHARE CAPITAL	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance as at December 31, 2017	$ 1,801,733	$ 3,145,424	$ 277,974	$ (1,909)	$ 5,223,222
Transitional adjustments on adoption of new accounting standards:					
Adoption of IFRS 9	–	3,396	(8,874)	–	(5,478)
Adoption of IFRS 15	–	(333,826)	14,322	369	(319,135)
Adoption of amendments to IFRS 2	–	3,043	–	–	3,043
	–	(327,387)	5,448	369	(321,570)
Balance as at January 1, 2018	**$ 1,801,733**	**$ 2,818,037**	**$ 283,422**	**$ (1,540)**	**$ 4,901,652**

9.2 Changes in Accounting Policies and in Presentation

Financial instruments

Financial assets and liabilities

Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

CATEGORY – SUBSEQUENTLY MEASURED AT	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Fair value through profit or loss ("FVTPL")	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Fair value through other comprehensive income ("FVTOCI")	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.	Investment income, which includes interest, dividends and distributions, is recognized in net income. For equity instruments, gains (losses) from revaluation are recognized in other comprehensive income with no reclassification to net income on disposal of such assets.
Amortized cost	Financial assets and financial liabilities	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income

Impairment of assets subsequently measured at amortized cost

For “Trade receivables” and “Contract assets”, the amount of the loss allowance recognized is the amount equal to lifetime expected credit losses that result from all possible default events over the expected life of a financial instrument.

For “Non-current portion of receivables under service concession arrangements”, if the credit risk has not increased significantly since initial recognition, the amount of the loss allowance recognized is the amount equal to 12-month expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Write-off

The gross carrying amount of a financial asset is reduced when there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Revenue recognition

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a point in time, depending on which method better reflects the transfer of control of the goods or services underlying the particular performance obligation to the customer.

In most cases, for performance obligations satisfied over time, the Company recognizes revenue over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying such performance obligations. Under certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Company recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Company might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Company is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses, and penalties, and could include claims and unpriced change orders.

SNC-Lavalin may enter into contractual arrangements with a client to deliver services on one project which span more than one performance obligation, such as Engineering, Procurement and Construction (“EPC”) or Engineering, Procurement, and Construction and Management (“EPCM”), Operations and Maintenance (“O&M”) and/or Capital investments. When entering into such arrangements, the Company allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Company usually accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as part of an existing contract, in which case the Company recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification. Under certain circumstances, the Company might account for a contract modification as a separate contract, in which case revenue is recognized separately on the contract modification.

The Company recognizes assurance-type warranty costs as a provision in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, based on the advancement of the projects, and the provision recognized is then either used when costs are incurred or reversed if it is no longer needed.

In all cases, the value of construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

The Company may apply its revenue recognition policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio.

The Company presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its trade receivables. Contract assets and trade receivables are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (trade receivables) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the amount received by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

REVENUES FROM CAPITAL INVESTMENTS

Revenues from **Capital investments** include the following:

ACCOUNTING METHODS FOR THE COMPANY'S CAPITAL INVESTMENTS	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Consolidation	**Revenues** that are recognized and reported by the Capital investments
Equity method	SNC-Lavalin's **share of net results** of the Capital investments or **dividends** from its Capital investments for which the carrying amount is $nil but would otherwise be negative based on historical financial results and dividends if SNC-Lavalin had an obligation to fund the investment. Dividends are recognized when the Company's right to receive payment has been established.
Cost method	**Dividends and distributions** from the Capital investments

Share-based payments

Share units

The 2017 Performance Share Unit plan ("2017 PSU plan"), 2014 Performance Share Unit plan ("2014 PSU plan"), Restricted Share Unit plan ("RSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share units". For share units granted to employees under the share unit plans, a liability is recognized and measured at the fair value of the liability, which is based on the Company's share price. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period. The fair value of the grants of share units is expensed in the income statement on a straight-line basis over the vesting period, based on the Company's estimate of share units that will eventually vest.

Segment disclosures and income statement

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs.

As such, this change resulted in a reclassification of $122.3 million from “Selling, general and administrative expenses” to “Direct cost of activities” in the three-month period ended March 31, 2017.

At the same time, the Company changed the definition of segment EBIT, its measure of profit or loss for its reportable segments, to reflect a change made to its internal reporting. As such, segment EBIT now includes an additional allocation of certain corporate selling, general and administrative expenses, whereas in the past it only included corporate selling, general and administrative expenses that were directly related to projects or segments. The additional costs that are being allocated to the segment EBIT are mainly related to information technology and to employee benefits and incentives. These are based on a per employee basis for the information technology costs and on an employee compensation basis for the benefits and incentives. The Company believes that such allocation improves the measure of profitability of its reportable segments by better reflecting the overall costs incurred to support its operations. In addition, the Company introduced the measure of Total segment EBIT, which represents the sum of all segment EBIT and non-controlling interests before income taxes. Such measure of Total segment EBIT is now aligned with the presentation adopted in the Company’s statement of income and corresponds to the Company’s revenues less direct costs of activities.

Furthermore, the Company initiated a strategic realignment of its organizational structure aimed at integrating the Atkins business, more effectively serving its clients worldwide and strengthening its position for longer-term growth. This realignment, which became effective January 1, 2018, resulted in a change to the Company’s reportable segments, which are now: i) Mining & Metallurgy; ii) Oil & Gas; iii) Nuclear; iv) Clean Power; v) Thermal Power; vi) Infrastructure; vii) Engineering, Design and Project Management (“EDPM”); and viii) Capital.

In addition, concurrent to the adoption of IFRS 9, Financial Instruments, on January 1, 2018, the Company presents “Loss arising on financial assets at fair value through profit or loss” separately in its income statement. This change resulted in a reclassification of a loss of $6.2 million related to derivative financial instruments used by the Company to limit its exposure to the variability of its share unit plans’ liabilities from “Corporate selling, general and administrative expense” to “Loss arising on financial assets at fair value through profit or loss” for the three-month period ended March 31, 2017.

These changes were made in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the restatement of 2017 figures.

9.3 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Revenue recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations and the use of the appropriate revenue recognition method for each performance obligation are the main steps involved in the revenue recognition process, all of which require the exercise of judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Company to estimate an amount of variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. As such, the Company needs to estimate the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Such estimated amount then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. In particular, while consulting, design, engineering and construction activities usually do not exceed 4 years, operations and maintenance activities include contracts for which the duration might exceed 20 years, notably on certain public-private partnership arrangements. The long-term nature of certain arrangements usually results in significant estimates related to scheduling and costs. The determination of estimates is based on SNC-Lavalin's business practices as well as its historical experience. Furthermore, management regularly reviews underlying estimates of project profitability.

9.4 Standards and Amendments Issued to be Adopted at a Later Date

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

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

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

- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.

- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.
- Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

10 Non-IFRS Financial Measures and Additional IFRS Measures

The following section provides information regarding non-IFRS financial measures and additional IFRS measures used by the Company to analyze and evaluate its results. Non-IFRS financial measures do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS measures provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Performance

Adjusted diluted earnings per share from E&C ("Adjusted diluted EPS from E&C") is defined as adjusted net income from E&C, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to Section 4.3 for the reconciliation of adjusted diluted EPS from E&C to diluted EPS as determined under IFRS.

Adjusted EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes charges related to restructuring, right-sizing and other, the acquisition-related costs and integration costs, as well as the gains (losses) on disposals of E&C businesses, Capital investments and the head office building. Refer to Section 4.4 for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

Adjusted net income from E&C is defined as net income attributable to SNC-Lavalin shareholders from E&C, excluding charges related to restructuring, right-sizing and other, acquisition-related costs and integration costs, as well as amortization of intangible assets related to business combinations, the gains (losses) on disposals of E&C businesses and the head office building, and also the impact of U.S corporate tax reform. Adjusted net income from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to Section 4.3 for the reconciliation of adjusted net income from E&C to net income as determined under IFRS.

Diluted earnings per share from E&C and Diluted earnings per share from Capital correspond to diluted earnings per share as determined under IFRS, reported separately for E&C and for Capital.

EBIT is an indicator of the entity's capacity to generate earnings from operations before taking into account management's financing decisions. Accordingly, EBIT is defined as earnings before net financial expenses (income) and income taxes. Refer to Section 4.4 a reconciliation of EBIT to net income as determined under IFRS.

EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization. Refer to Section 4.4 for a reconciliation of EBITDA to net income as determined under IFRS.

Profitability ratio is defined as revenues less direct cost of activities (excluding overhead costs) divided by revenues.

Return on Average Shareholders' Equity ("ROASE") corresponds to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-months average equity attributable to SNC-Lavalin shareholders, excluding “other components of equity”. The Company excludes “other components of equity” because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the “other components of equity” are not representative of the Company’s financial position.

Revenue Backlog is a forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that are considered firm. Management could be required to make estimates regarding the revenue to be generated for long-term firm reimbursable contracts. In order to provide information that is comparable to the revenue backlog of other categories of activity, the company limits the O&M activities revenue backlog, which can cover a period of up to 40 years, to the earlier of: i) the contract term awarded; and ii) the next five years. This non-IFRS measure has been replaced in 2018, with the measure of remaining performance obligations, an IFRS measure.

Segment EBIT consists of revenues less i) direct costs of activities, ii) directly related selling, general administrative expenses, iii) corporate selling, general and administrative expenses that are allocated to segments; and iv) non-controlling interests before taxes. Expenses that are not allocated to the Company’s segments include: certain Corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, loss arising on financial assets at fair value through profit or loss, restructuring costs, goodwill impairment, acquisition-related costs and integration costs, and amortization of intangible assets related to business combinations, as well as gains (losses) on disposals of E&C businesses, Capital investments and the head office building. See reconciliation of Segment EBIT to the most directly comparable IFRS measure in Sections 6.

Liquidity

Net recourse debt (or Cash net of recourse debt) corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company’s recourse debt. Refer to Section 7.3 for a reconciliation of net recourse debt (or cash net of recourse debt) to cash and cash equivalents as determined under IFRS.

Net recourse debt to adjusted EBITDA ratio is defined as net recourse debt, as defined above, divided by the trailing 12-months adjusted EBITDA less interest on limited recourse debt. The net debt to adjusted EBITDA ratio is a measure of the Company’s leverage and financial capabilities. Refer to Section 7.3 for a reconciliation of net recourse debt to recourse debt as determined under IFRS and to Section 4.4 for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

Recourse debt to capital ratio compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company’s financial capabilities. Refer to Section 7.3 for the detailed calculation of this ratio.

11 Risks and Uncertainties

11.1 Principal Risks and Uncertainties

The Company is subject to a number of risks and uncertainties in carrying out its activities. SNC-Lavalin has measures in place to identify, monitor and, to a certain extent, mitigate such risks and uncertainties. Such measures include, among others, the maintenance of an enterprise risk register, the work performed by various committees at the Board and management levels, as well as the enforcement of numerous policies and procedures. You should carefully consider the risks and uncertainties below before investing in the Company's securities. Additional risks not currently known or that the Company currently believes are immaterial may also impair its business, results of operations, financial condition and liquidity.

RISKS RELATED TO LITIGATION, REGULATORY MATTERS AND INVESTIGATIONS

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

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

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

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

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

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. The appeal hearing started in October 2017 and is to be completed in the week of April 30th, 2018.

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.

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.

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

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

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

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

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

Charges and RCMP investigations

On February 19, 2015, the Royal Canadian Mounted Police (the "RCMP") and the Public Prosecution Service of Canada laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under Section 380 of the Criminal Code (Canada) (the "Criminal Code") and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA"), (the "Charges"). These Charges follow the RCMP's formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation, 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 October 2018. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company's customers or other third parties as a result of the Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

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

The Company understands that a RCMP investigation, relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier bridge by SNC-Lavalin and which led to a guilty plea by the former head of the Canada Federal Bridges Corporation in 2017, continues and its scope may include the Company.

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

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

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

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 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 "African Development Bank Settlement"). The African Development Bank Settlement 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 CFPOA, among others. Some of the offences qualifying for ineligibility include bribery, fraud, money laundering, falsification of books and documents, extortion, and offences related to drug trafficking. A determination of ineligibility to participate in federal government procurement projects may apply for 10 years for listed offences. However, the Integrity Regime permits the ineligibility period to be reduced by up to five years if a supplier can establish that it has cooperated with law enforcement authorities or addressed the causes of misconduct.

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

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

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

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

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 was awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA$17.2 million translated using the exchange rates as at October 1, 2014 (representing the equivalent of 12.9 million CHF and US$2.0 million) plus interest. As at December 31, 2017, the Company has received all amounts due under this award.

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

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

A significant portion of the Company's business and revenues is dependent on fixed-price contracts. The Company bears the risk for cost overruns from fixed-price contracts. Contract revenues and costs are established, in part, based on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, productivity, performance of the Company's employees and of subcontractors or equipment suppliers, price, availability of labour, equipment and materials and other requirements that may affect project costs or schedule, such as obtaining the required environmental permits and approvals on a timely basis. Cost overruns may also occur when unforeseen circumstances arise. In addition, reimbursable contracts such as unit-rate contracts for which a fixed amount per quantity is charged to the customer and reimbursable contracts with a cap bear some risks that are similar to those related to fixed-price contracts, as the estimates used to establish the contract unit-rate and/or the contractual cap are also subject to the assumptions listed above.

Furthermore, should the Company experience difficulties in the execution of projects due to various factors, such as a lack of efficiency in the implementation of its processes, failure to estimate accurately project costs and/or conclude strategic transactions pertaining to project resources, such difficulties could have an adverse impact on the Company's financial results from these projects.

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

In addition, in certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs should the project or facility subsequently fail to meet the scheduled completion date or performance standards. A project's revenues could also be reduced in the event the Company is required to pay liquidated damages or in connection with contractual penalty provisions, which can be substantial and can accrue on a daily basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's non-recourse debt from Capital investments can be affected by fluctuations in interest rates. A hedging strategy is in place when the Capital investment's management deems it appropriate. However, the assumptions and estimates inherent to the hedging strategy could be erroneous, thus rendering the hedging strategy ineffective or partially ineffective. Furthermore, the financial instruments associated with the hedging strategy contain an inherent credit risk related to defaults on obligations by the counterparties to such instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The integrity, reliability and security of information in all forms are critical to the Company's daily and strategic operations. If the Company is unable to protect its information systems, they could be interrupted or delayed. The Company's information systems and operations could also be interrupted or damaged by natural disasters, failures, acts of war, terrorism or cyber-attacks, among others.

Cyber-attacks have become more frequent and sophisticated and the Company's information technology and other defences must be adequate to repel them. Cyber-attacks include insertion of malware, hacking, industrial espionage, unauthorized access to confidential or proprietary information, phishing or other security breaches and system disruptions.

A successful cyber-attack could harm the Company's reputation and adversely affect its business, financial condition and results of operations as it may lead to network failures; unauthorized access to confidential or proprietary information about its business, customers or employees; theft, loss, leakage, destruction or corruption of data, including information about its customers or employees; physical damage to network assets; litigation, fines and liability for failure to comply with privacy and information security laws; increased fraud; lost revenues; the potential for loss of customers or impairment of the Company ability to attract new ones; and higher insurance premiums.

In addition, cyber-attacks affecting the Company's suppliers or other business partners could also adversely affect the Company's business, financial condition and results of operations.

The Company relies on industry-accepted security measures and technology to protect the confidential and proprietary information on its computer systems. The Company also seeks to adapt its security policies, procedures and controls to protect its assets. There is no assurance that these measures will prevent the occurrence of cyber-attacks, or that any insurance the Company may have will cover the costs, damages, liabilities or losses that could result therefrom.

Any acquisition or other investment may present risks or uncertainties.

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

Divestitures and the sale of significant assets may present risks or uncertainties

The sale of a business unit and/or significant assets is a complex process that involves certain risks, such as failure to properly plan, prepare and execute the transaction and to prepare a contract that protects the Company from post-closing adjustments and additional costs. In addition, the Company is exposed to the risk of the deal falling through, selling at a lower price than the asking price and/or extended deal close times.

RISKS RELATED TO THE ACQUISITION OF ATKINS (THE "ACQUISITION")

Increased Indebtedness as a result of the Atkins Acquisition

On April 20, 2017, SNC-Lavalin Highway Holdings Inc. (the "Borrower"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with CDPQ Revenu Fixe Inc. (the "Lender"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (the "Caisse"), establishing a limited recourse loan in the original principal amount of $1.5 billion (the "CDPQ Loan" and such agreement being the "SNC-Lavalin Highway Holdings Loan Agreement").

In addition to the SNC-Lavalin Highway Holdings Loan, the Company drew in July 2017 the following additional amounts under its existing syndicated credit agreement: (a) an amount of £300 million (approximately CA$498 million) under its term facility; and (b) an amount of £56 million (approximately CA$93 million) and an amount of US$185 million (approximately CA$238 million) in both cases under its revolving facility. Such borrowings represent a material increase in the Company's consolidated indebtedness. The Company had approximately $3.4 billion of consolidated indebtedness as at March 31, 2018, including recourse, limited recourse and non-recourse debt. That heighted level of indebtedness will increase the Company's consolidated interest expense and debt service obligations, which will have a negative effect on its results of operations, and may in the future have a negative effect on its credit ratings.

The Company will need to refinance or reimburse amounts outstanding under the Company's consolidated indebtedness. There can be no assurance that any indebtedness of the Company will be refinanced or that additional financing on commercially reasonable terms will be obtained, if at all.

The Company's degree of leverage could have other important consequences, including the following:

- it may have a negative effect on the current credit ratings of the Company's rated long-term debt;
- it may limit the Company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes on commercially reasonable terms, if at all;
- most of the Company's borrowings are at variable rates of interest and expose the Company to the risk of increased interest rates;

- it may limit the Company's ability to adjust to changing market conditions and place the Company at a competitive disadvantage (including if the Company's investment grade credit rating is negatively affected) compared to its competitors that have less debt or greater financial resources;
- it may limit the Company's ability to declare and pay dividends on its Common Shares;
- the Company may be vulnerable in a downturn in general economic conditions; and
- the Company may be unable to make capital expenditures that are important to its growth and strategies.

The credit facilities and instruments governing the Company's consolidated debt contain certain financial covenants requiring the Company, on a consolidated basis, to satisfy net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratios. Such credit facilities and instruments also contain covenants restricting the Company's ability to incur liens on its assets, incur additional debt or effect dispositions of assets or fundamental changes in its business, pay dividends and make certain other disbursements, or use the proceeds from the sale of assets and capital stock of subsidiaries. These covenants limit the Company's discretion and financial flexibility in the operation of its business. Under the terms of these credit facilities and instruments, the Company and its subsidiaries are permitted to incur additional debt in certain circumstances. However, doing so could increase the risks described above. In addition, if the Company or its subsidiaries incur additional debt in the future, the Company may be subject to additional covenants, which may be more restrictive than those that it is subject to now.

A breach of any of these agreements or the Borrower's or the Company's, as the case may be, inability to comply with these covenants could, if not cured or waived, result in an acceleration of the Company's consolidated debt or a cross-default under certain of its debt. If the Company's indebtedness is accelerated, the Company may not be able to service its indebtedness, or borrow sufficient funds to refinance its indebtedness. Additionally, if the Borrower is unable to service its indebtedness and/or if any other condition for re-payment is triggered under the terms of its indebtedness, the Borrower may, in order to make payments owed thereon, be required to sell part or all of its shares in 407 International Inc. in compliance with that company's shareholders' agreement at a time, price and in circumstances outside of its control and/or that may not allow for an optimal sale price of such 407 International Inc. shares.

The Company's ability to service its increased consolidated debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions, interest rate fluctuations and financial, business, legal, regulatory and other factors, some of which are beyond the Company's control. If the Company's operating results or liquidity are not sufficient to service its current or future consolidated indebtedness, the Company may be forced to take actions such as reducing dividends, reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt, or seeking additional equity capital.

Dependence on Subsidiaries to help repay indebtedness as a result of the Atkins Acquisition

A significant portion of the Company's assets are the capital stock of its subsidiaries and the Company conducts an important portion of its business through its subsidiaries. Consequently, the Company's cash flow and ability to service its debt obligations are dependent to a great extent upon the earnings of its subsidiaries and the distribution of those earnings to the Company, or upon loans, advances or other payments made by these entities to the Company.

The Company's subsidiaries are separate and distinct legal entities and have significant liabilities. The ability of these entities to pay dividends or make other loans, advances or payments to the Company will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing debt including, for example, the financial covenants applicable to the Borrower under the SNC-Lavalin Highway

Holdings Loan Agreement that the Company's consolidated net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio not exceed a certain limit. In addition, certain other deeds and agreements governing certain subsidiaries of the Company contain restrictions on the payment of dividends and distributions, as well as specified liquidity covenants.

The ability of the Company's subsidiaries to generate sufficient cash flow from operations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, including those discussed above, many of which are outside of the control of the Company or its subsidiaries. The cash flow and earnings of the Company's operating subsidiaries and the amount that they are able to distribute to the Company as dividends or otherwise may not generate sufficient cash flow from operations to satisfy the Company's debt obligations. Accordingly, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any such alternatives would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of the Company's various debt instruments then in effect. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have an adverse effect on its business, financial condition and results of operations.

Security under the SNC-Lavalin Highway Holdings Loan being called at an inopportune time

The SNC-Lavalin Highway Holdings Loan is secured by all of the Borrower's assets, excluding the 407 International Inc. shares held by the Borrower (until such time as the Borrower may elect to grant a pledge thereon), as well as the rights and receivables of the Borrower under the Inter-Company Loan. In addition to this security, SNC-Lavalin Inc. has provided a guarantee (the "Guarantee") in favour of the Lender secured by a pledge given by SNC-Lavalin Inc. to the Lender over 20,900 common shares held by the former in the share capital of the Borrower (representing approximately 29.9% of the outstanding common shares of the Borrower). The Lender's sole recourse against SNC-Lavalin Inc. in connection with the Guarantee and any potential breach or default by the Borrower under the SNC-Lavalin Highway Holdings Loan is limited to enforcement on or against the shares of the capital of the Borrower held by SNC-Lavalin Inc. The Company has a 16.77% ownership interest in 407 International Inc. through its wholly-owned subsidiary, the Borrower. The terms of the SNC-Lavalin Highway Holdings Loan include various covenants that must be satisfied by the Borrower. There can be no assurance that such covenants will be satisfied. Any event of default under the SNC-Lavalin Highway Holdings Loan Agreement, including in respect of covenants thereunder, could result in the Lender demanding immediate payment of all amounts outstanding under the SNC-Lavalin Highway Holdings Loan, or forcing the sale of the 407 International Inc. shares in compliance with the 407 International Inc. shareholders' agreement at a time, price and in circumstances outside of the Company's control and/or that may not allow for an optimal sale price of such 407 International Inc. shares, which could have a material adverse effect on the Company's business and financial position.

Ability to pay Dividends

The declaration and payment of dividends on Common Shares are at the discretion of the board of directors of the Company. The cash available for dividends is a function of numerous factors, including the Company's financial performance, the impact of interest rates, debt covenants and obligations, working capital requirements and future capital requirements. The Company's ability to pay dividends could be adversely affected if the free cash flow resulting from the Acquisition does not materialize as expected when coupled with the potentially dilutive effect of the additional common shares issued to fund the Acquisition. In addition, the Company's ability to pay dividends depends upon the payment of dividends by certain of the Company's subsidiaries or the repayment of funds to the Company by its subsidiaries. The Company's subsidiaries, including Atkins following the Acquisition, in turn, may be restricted from paying dividends, making repayments or making other distributions to the Company for financial, regulatory, legal or other reasons. To the extent the Company's subsidiaries are not able to pay dividends or repay funds to the Company, it may adversely affect the Company's ability to pay dividends on common shares.

Atkins' Pension-Related Obligations

Atkins operates two significant defined benefit plans, namely the Atkins Pension Plan and the Railways Pension Scheme, with combined net significant retirement benefit liabilities. The majority of Atkins' post-employment benefits obligations sits within its U.K. business and is comprised of defined benefit pension obligations. In the U.K., defined benefit pension schemes funding requirements are based on actuarial valuations of the assets and liabilities of each scheme. A scheme's assets are determined by the value of investments held by the scheme and the returns. The valuation of plan liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Changes in a number of key assumptions can have a material impact on the calculation of the liability. There is also some judgement in the measurement of the fair value of pension assets giving rise to a risk of material misstatement in their valuation.

The nature of the funding regime in the U.K. creates uncertainty around the size and timing of cash that Atkins will be required to pay to the pension schemes. The scheduled contribution to the Atkins Pension Plan and the Railways Pension Scheme from Atkins totals £44.3 million (or approximately CA$75.3 million) for the year ending December 31, 2018, with annual contributions escalating by 2.5% each year until March 31, 2025. If Atkins is required to increase cash funding contributions, this will reduce the availability of such funds for other corporate purposes and limit its ability to invest in growth. Deteriorating economic conditions may result in significant increases in Atkins' funding obligations, which could restrict available cash for Atkins' operations, capital expenditures and other requirements, and have a material adverse effect on Atkins' business, financial condition and results of operations.

Atkins' pension-related liabilities and its future payment obligations thereunder could restrict cash available for the Company's operations, capital expenditures and other requirements and may materially adversely affect its financial condition and liquidity.

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

A deterioration or weakening of the Company's financial position could have a material adverse effect on its business and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOBAL / MACROECONOMIC RISKS

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

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

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

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

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

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

SNC-Lavalin maintains accounting systems and internal controls over its financial reporting and disclosure controls and procedures. There are inherent limitations to any control framework, as controls can be circumvented by acts of individuals, intentional or not, by collusion of two or more individuals, by management override of controls, by lapses in judgment and breakdowns resulting from human error. There are no systems or controls that can provide absolute assurance that all fraud, errors, circumvention of controls or omission of disclosure can and will be prevented or detected. Such fraud, errors, circumvention of controls or omission of disclosure could result in a material misstatement of financial information. Also, projections of any evaluation of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

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

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

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

12 Quarterly Information

	2018	2017				2016		
(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE AND DIVIDENDS PER SHARE)	**FIRST QUARTER**	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER
Revenues	**$ 2,431.4**	$ 2,917.8	$ 2,632.7	$ 1,934.9	$ 1,849.3	$ 2,211.1	$ 2,168.5	$ 2,103.0
EBIT	**$ 129.8**	$ 159.8	$ 181.3	$ 145.3	$ 117.1	$ 2.3	$ 42.5	$ 119.5
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ 31.5**	$ 14.3	$ 29.0	$ 87.4	$ 45.3	$ (38.4)	$ 0.7	$ 52.9
Net income attributable to SNC-Lavalin shareholders from Capital:								
From Highway 407 ETR	**38.0**	36.0	36.1	34.8	34.8	34.8	34.8	31.5
From other Capital investments	**8.6**	2.1	38.5	14.2	9.6	5.2	7.8	4.2
Net income attributable to SNC-Lavalin shareholders	**$ 78.1**	$ 52.4	$ 103.6	$ 136.4	$ 89.7	$ 1.6	$ 43.3	$ 88.5
Net income (loss) attributable to non-controlling interests	**0.2**	0.1	(2.4)	(2.0)	5.4	0.1	(8.1)	3.8
Net income	**$ 78.3**	$ 52.5	$ 101.2	$ 134.4	$ 95.1	$ 1.6	$ 35.2	$ 92.3
Basic earnings per share ($)	**$ 0.44**	$ 0.30	$ 0.59	$ 0.91	$ 0.60	$ 0.01	$ 0.29	$ 0.59
Diluted earnings per share ($)	**$ 0.44**	$ 0.30	$ 0.59	$ 0.91	$ 0.60	$ 0.01	$ 0.29	$ 0.59
Dividends declared per share ($)	**$ 0.287**	$ 0.287	$ 0.273	$ 0.273	$ 0.273	$ 0.273	$ 0.26	$ 0.26

13 Controls and Procedures

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

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

› Material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and

› Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2018 and ended on March 31, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, other than changes resulting from the acquisition of Atkins described below.

The Company completed its acquisition of Atkins in July 2017 and DTS in October 2017. As a result, management's assessment and conclusion on the design of disclosure controls and procedures, and internal control over financial reporting, excludes the controls, policies and procedures of Atkins and DTS. Atkins and DTS represents 35% of revenues, 66% of net income attributable to SNC-Lavalin shareholders and 10% of total assets of the consolidated figures reported in the unaudited interim condensed consolidated financial statements for the first quarter of 2018. Note 15 to the unaudited interim condensed consolidated financial statements for the first quarter of 2018 presents information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about the acquisitions.

14 Events After the Reporting Period

On April 30, 2018, the Company amended and restated in its entirety the Credit Agreement for the purpose of, among other things: i) making available a new 5-year non-revolving term loan in the principal amount of $500 million (the "Term Loan"); and ii) making other amendments to the provisions of the Credit Agreement. The net proceeds from the issuance of the Term Loan were used by the Company to repay tranche B of its CDPQ Loan, which is a limited recourse debt, in full.