Management's Discussion and Analysis

Second Quarter and First Six Months of 2018 versus
Second Quarter and First Six Months of 2017

August 1, 2018

All financial information in Canadian dollars, unless otherwise indicated

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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 second quarter of 2018 and accompanying notes, and should therefore be read in conjunction with that 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 15"), IFRS 9, *Financial Instruments,* ("IFRS 9"), and Amendments to IFRS 2, *Share-based Payment,* ("IFRS 2"), 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 $146.8 million and of $269.1 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the three-month and six-month periods ended June 30, 2017, respectively.

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 allocated 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 "Gain (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 gain of $4.5 million for the three-month period ended June 30, 2017 and of a loss of $1.6 million for the six-month period ended June 30, 2017 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 "Gain (loss) arising on financial assets at fair value through profit or loss".

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 August 1, 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 operations; (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 Company's 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 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; (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.

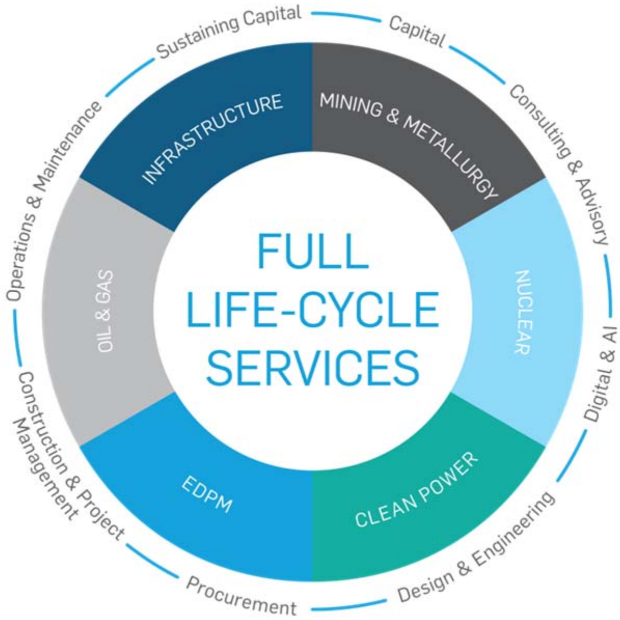
The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2017 MD&A, as updated in the Company's MD&A for first quarter of 2018 and 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 August 1, 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 management, sustaining capital and operations and maintenance – to clients across oil and gas, mining and metallurgy, infrastructure, clean power, nuclear and EDPM (engineering, design and project management).

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 above 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 Second Quarter and First Six Months of 2018 Executive Summary

3.1 Executive Summary – Key Financial Indicators

FINANCIAL HIGHLIGHTS

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	SECOND QUARTER 2018	SECOND QUARTER 2017	SIX MONTHS ENDED JUNE 30 2018	SIX MONTHS ENDED JUNE 30 2017
Income Statement				
Revenues	**$ 2,527.1**	$ 1,934.9	**$ 4,958.5**	$ 3,784.1
Net income attributable to SNC-Lavalin shareholders	**83.0**	136.4	**161.1**	226.1
Adjusted net income attributable to SNC-Lavalin shareholders from E&C(1)	**113.5**	64.2	**203.0**	124.9
Earnings per share - diluted ("Diluted EPS") (in $)	**0.47**	0.91	**0.92**	1.50
Adjusted diluted EPS from E&C (in $)(1)	**0.65**	0.43	**1.16**	0.83
EBIT(1)	**109.1**	145.3	**238.9**	262.3
EBITDA(1)	**187.8**	174.0	**401.7**	319.5
Adjusted E&C EBITDA (% of revenues)(1)	**7.7%**	4.6%	**7.6%**	5.1%
Financial Position & Cash Flows				
Cash and cash equivalents (at June 30)			**$ 721.4**	$ 737.4
Cash net of recourse debt (Net recourse debt) (at June 30)(1)			**(1,459.7)**	385.8
Net cash used for operating activities			**(207.1)**	(269.3)
Additional Indicator				
Revenue backlog (at June 30)			**$ 15,174.8**	$ 9,576.6

(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 and six-month periods ended June 30, 2018 includes the financial results of Atkins, which was acquired in the third quarter of 2017; this affect year-over-year comparisons.

- **Revenues increased by $592.2 million in the second quarter of 2018,** compared with the corresponding quarter of 2017. **For the first six months of 2018, revenues increased by $1,174.4 million** compared with the same period last year 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 Mining & Metallurgy and from Infrastructure, partially offset by a decrease in revenues from Oil & Gas, Thermal Power and Clean Power, mainly due to near completion or completion of major projects.

- **Net income attributable to SNC-Lavalin shareholders totalled $83.0 million in the second quarter of 2018,** compared with $136.4 million in the corresponding period of 2017. **For the first six months of 2018, net income attributable to SNC-Lavalin shareholders was $161.1 million ($0.92 per share on a diluted basis),** compared with $226.1 million ($1.50 per share on a diluted basis) for the same period of 2017, as the higher level of Segment EBIT, the lower acquisition-related costs and integration costs and the gain on disposal of a Capital investment were more than offset mainly by the gain on disposal of the head office building in 2017, the increase in amortization of intangible assets related to business combinations, the net class action lawsuits settlement expense and a higher level of net financial expenses.

- **Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased to $113.5 million ($0.65 per share on a diluted basis) for the second quarter of 2018,** compared with $64.2 million ($0.43 per share on a diluted basis) for the second quarter of 2017. **For the first six months of 2018, adjusted net income attributable to SNC-Lavalin shareholders from E&C increased to $203.0 million ($1.16 per diluted share),** compared with $124.9 million ($0.83 per diluted share) in the corresponding period 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, and a higher income tax expense.

- **EBIT decreased in the second quarter of 2018 and in the first six months of 2018,** compared with the same periods in 2017, as the higher level of Segment EBIT and the gain on disposal of a Capital investment were more than offset mainly by the gain on the disposal of the head office building in 2017, the increase in amortization of intangible assets related to business combinations and the net class action lawsuits settlement expense in 2018.

- **EBITDA increased in the second quarter of 2018, and in the first six months of 2018,** compared with the same periods in 2017, as the higher level of Segment EBIT and the gain on disposal of a Capital investment were partially offset mainly by the gain on the disposal of the head office building in 2017 and the net class action lawsuits settlement expense in 2018.

- **Adjusted E&C EBITDA (as a % of revenues) increased in the second quarter of 2018, and in the first six months of 2018,** compared with the same periods in 2017, mainly due to higher Segment EBIT and the exclusion of the net class action lawsuits settlement expense of $88.0 million in 2018, the gain on the disposal of the head office building in 2017 and acquisition and integration costs related to the acquisition of Atkins.

- **Net recourse debt as at June 30, 2018 was $1.5 billion,** compared with cash net of recourse debt of $0.4 billion as at June 30, 2017, mainly reflecting an increase in recourse debt principally to finance the acquisition of Atkins in the third quarter of 2017.

- **Net cash used for operating activities improved by $62.1 million in the first six 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.

- **Backlog totalled $15.2 billion as at June 30, 2018**, compared with $13.5 billion as at March 31, 2018 and to a revenue backlog of $10.4 billion as at December 31, 2017. It should be noted that in 2018, the Company modified its indicator for future revenues as explained in section 5. **The Company's contract bookings amounted to $6.2 billion in the first six months 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 EDPM activities are 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, EPCM 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.

CLASS ACTION LAWSUITS SETTLEMENT

On May 22, 2018, the Company announced it had reached a settlement agreement in relation to class actions in Quebec and Ontario filed in 2012 on behalf of security holders (collectively the "Actions"), with the Company agreeing to pay $88.0 million to the plaintiffs. The settlement is subject to the approvals of the Ontario and Quebec courts, the outcome of which application for approval should be known later in 2018.

In 2012, the Company initiated a series of significant changes and enhancements to reinforce its ethics and compliance procedures company-wide. Its program is now considered by external third-parties to be proactive, robust and a benchmark in the engineering services and construction industry. The Class action lawsuits settlement is another step in resolving our legacy issues and de-risking the future of SNC-Lavalin.

CAPITAL INVESTMENTS PORTFOLIO

On June 28, 2018, SNC-Lavalin announced that it has finalized the transfer of its investment in McGill Healthcare Infrastructure Group ("MHIG") and its holding company to the SNC-Lavalin Infrastructure Partners LP (the "SNCL IP Partnership"). This transaction completes the transfer of SNC-Lavalin's interest in five mature Canadian P3 assets into the SNCL IP Partnership. This transaction resulted in a gain on disposal of $62.7 million ($58.4 million after taxes) in the second quarter of 2018.

The SNCL IP Partnership is SNC-Lavalin's infrastructure investment vehicle, which was established to efficiently redeploy capital back into new development opportunities. The launch of the SNCL IP Partnership was previously announced by SNC-Lavalin on June 30, 2017.

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 six-month periods ended June 30, 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 and six-month periods ended June 30, 2018, presented in the table below, includes the financial results of Atkins, which was acquired in the third quarter of 2017.

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)		**2018**		2017 (1)		**2018**		2017 (1)
Revenues	**$**	**2,527.1**	$	1,934.9	**$**	**4,958.5**	$	3,784.1
Total Segment EBIT	**$**	**221.4**	$	154.9	**$**	**455.5**	$	325.6
Corporate selling, general and administrative expenses	**$**	**24.5**	$	43.1	**$**	**55.2**	$	71.7
Impairment loss arising from expected credit losses		**0.1**		–		**0.7**		–
Loss (gain) arising on financial assets at fair value through profit or loss		**(4.6)**		(4.5)		**(0.4)**		1.6
Net class action lawsuits settlement expense		**88.0**		–		**88.0**		–
Restructuring costs		**1.1**		22.3		**2.6**		25.1
Acquisition-related costs and integration costs		**12.8**		55.3		**23.5**		56.6
Amortization of intangible assets related to business combinations		**52.8**		14.3		**109.5**		29.7
Gain on disposal/partial disposal of a Capital investment		**(62.7)**		(5.4)		**(62.7)**		(5.4)
Loss (gain) from disposals of E&C businesses		**0.3**		(0.3)		**0.3**		(1.0)
Gain on disposal of the head office building		**–**		(115.1)		**–**		(115.1)
Earnings before interest and income taxes	**$**	**109.1**	$	145.3	**$**	**238.9**	$	262.3
Net financial expenses	**$**	**37.1**	$	13.4	**$**	**79.1**	$	26.6
Earnings before income taxes	**$**	**72.0**	$	131.9	**$**	**159.8**	$	235.7
Income taxes	**$**	**(11.2)**	$	(2.5)	**$**	**(1.7)**	$	6.3
Net income for the period	**$**	**83.2**	$	134.4	**$**	**161.5**	$	229.5
Net income (loss) attributable to:								
SNC-Lavalin shareholders	**$**	**83.0**	$	136.4	**$**	**161.1**	$	226.1
Non-controlling interests		**0.2**		(2.0)		**0.4**		3.4
Net income for the period	**$**	**83.2**	$	134.4	**$**	**161.5**	$	229.5
Supplementary information:								
Earnings per share (in $):								
Basic	**$**	**0.47**	$	0.91	**$**	**0.92**	$	1.50
Diluted	**$**	**0.47**	$	0.91	**$**	**0.92**	$	1.50
Additional financial indicators:								
Diluted EPS from E&C (in $)(2)	**$**	**(0.10)**	$	0.58	**$**	**0.08**	$	0.88
Adjusted diluted EPS from E&C (in $)(2)		**0.65**		0.43		**1.16**		0.83
Adjusted EBITDA from E&C(2)		**189.7**		86.8		**367.0**		186.8

(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 these financial measures to the most directly comparable measure specified under IFRS, when applicable.

4.1 Revenues and Total Segment EBIT

(IN MILLIONS OF CA$)	SECOND QUARTER 2018	SECOND QUARTER 2017	SIX MONTHS ENDED JUNE 30 2018	SIX MONTHS ENDED JUNE 30 2017
Revenues:				
From E&C	**$ 2,469.9**	$ 1,868.2	**$ 4,837.1**	$ 3,656.5
From Capital	**57.2**	66.7	**121.4**	127.7
	$ 2,527.1	$ 1,934.9	**$ 4,958.5**	$ 3,784.1
Total Segment EBIT: (1)				
From E&C	**$ 170.6**	$ 100.0	**$ 348.2**	$ 215.4
From Capital	**50.8**	54.9	**107.3**	110.3
	$ 221.4	$ 154.9	**$ 455.5**	$ 325.6
Total Segment EBIT-to-revenue ratio (%):(1)				
From E&C	**6.9%**	5.4%	**7.2%**	5.9%
From Capital	**88.9%**	82.4%	**88.4%**	86.4%
	8.8%	8.0%	**9.2%**	8.6%

(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.

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 second quarter of 2018 increased to $2.5 billion, compared with $1.9 billion for the same quarter of 2017. **Revenues from E&C for the first six months of 2018 increased to $4.8 billion,** compared with $3.7 billion for the corresponding period 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 Mining & Metallurgy and from Infrastructure, partially offset by a decrease in revenues from Oil & Gas, Thermal Power and Clean Power, mainly due to near completion or completion of certain major projects.

Total Segment EBIT from E&C for the second quarter of 2018 increased to $170.6 million, compared with $100.0 million for the corresponding quarter of 2017. **Total Segment EBIT from E&C for the first six months of 2018 increased to $348.2 million,** compared with $215.4 million for the corresponding period of 2017, principally reflecting higher contributions from EDPM and Nuclear, partially offset by a decrease in the segment EBIT mainly from Clean Power, Oil and Gas, Infrastructure and Mining and Metallurgy.

REVENUES AND TOTAL SEGMENT EBIT FROM CAPITAL

Revenues from Capital for the second quarter of 2018 were $57.2 million, compared with $66.7 million for the same quarter of 2017. **Revenues from Capital for the first six months of 2018 were $121.4 million,** compared with $127.7 million for the corresponding period of 2017, due to the lower profitability on certain investments and lower contribution from investments transferred to the SNCL IP Partnership in the third quarter of 2017, partially offset by higher dividends received from 407 International Inc. ("Highway 407 ETR").

Total Segment EBIT from Capital was $50.8 million for the second quarter of 2018, compared with $54.9 million for the corresponding period of 2017. **Total Segment EBIT from Capital for the first six months of 2018 was $107.3 million,** in line with the corresponding period of 2017.

4.2 Net Income Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER 2018	SECOND QUARTER 2017	SIX MONTHS ENDED JUNE 30 2018	SIX MONTHS ENDED JUNE 30 2017
Net income (loss) attributable to SNC-Lavalin shareholders:				
From E&C	**$ (16.8)**	$ 87.4	**$ 14.7**	$ 132.7
From Capital	**99.8**	49.0	**146.4**	93.4
Net income attributable to SNC-Lavalin shareholders	**$ 83.0**	$ 136.4	**$ 161.1**	$ 226.1
Non-controlling interests	**$ 0.2**	$ (2.0)	**$ 0.4**	$ 3.4
Net income	**$ 83.2**	$ 134.4	**$ 161.5**	$ 229.5

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

Second Quarter of 2018

For the second quarter of 2018, there was a net loss attributable to SNC-Lavalin shareholders from E&C of $16.8 million, compared with a net income of $87.4 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, the net class action lawsuits settlement expense and a higher level of net financial expenses.

For the second quarter of 2018, net income attributable to SNC-Lavalin shareholders from Capital increased to $99.8 million, compared with $49.0 million for the same period last year, primarily due to the net gain on disposal of a Capital investment of $58.4 million after income taxes.

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

- **Amortization of intangible assets related to business combinations** amounted to $52.8 million ($43.7 million after taxes) in the second quarter of 2018, compared with $14.3 million ($11.5 million after taxes) for the corresponding period of 2017, an increase that was mainly attributable to the incremental amortization expense of the intangible assets related to the acquisition of Atkins;
- **Acquisition-related costs and integration costs** amounted to $12.8 million ($10.3 million after taxes) in the second quarter of 2018, compared with $55.3 million ($44.5 million after taxes) in the same quarter of last year, mainly due to costs incurred in connection with the acquisition and integration of Atkins, acquired in the third quarter of 2017;
- **Restructuring costs** amounted to $1.1 million ($1.1 million after taxes) in the second quarter of 2018, compared with $22.3 million ($17.6 million after taxes) in the corresponding quarter of 2017; these costs were mainly for severances;
- **Net financial expense** before income taxes amounted to $37.1 million in the second quarter of 2018, compared with $13.4 million in the same quarter of last year; mainly due to financing costs related to the acquisition of Atkins;
- **Net class action lawsuits settlement expense** of $88.0 million ($64.5 million after taxes) related to the class actions in Quebec and Ontario filed in 2012, further explained in section 3.2; and

- **Gain on disposal of a Capital investment** of $62.7 million ($58.4 million after taxes) related to transfer of MHIG to the SNCL IP Partnership in the second quarter of 2018.

First Six Months of 2018

For the first six months of 2018, net income attributable to SNC-Lavalin shareholders from E&C was $14.7 million, compared with $132.7 million for the corresponding period of 2017, as the higher level of Segment EBIT and lower acquisition-related costs and integration costs were more than offset mainly by the gain on disposal of the head office building in 2017 and the increase in amortization of intangible assets related to business combinations, the net class action lawsuits settlement expense, and a higher level of net financial expenses in 2018.

For the first six months of 2018, net income attributable to SNC-Lavalin shareholders from Capital increased to $146.4 million, compared with $93.4 million for the same period in 2017, primarily due to the net gain on disposal of a Capital investment of $58.4 million.

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

- **Amortization of intangible assets related to business combinations** amounted to $109.5 million ($90.6 million after taxes) in the first six months of 2018, compared with $29.7 million ($23.8 million after taxes) for the corresponding period of 2017, an increase that was mainly attributable to the incremental amortization expense of the intangible assets related to the acquisition of Atkins;

- **Acquisition-related costs and integration costs** amounted to $23.5 million ($18.7 million after taxes) in the first six months of 2018, compared with $56.6 million ($45.6 million after taxes) in the same period of 2017, mainly due to costs incurred in connection with the acquisition and integration of Atkins, acquired in the third quarter of 2017;

- **Restructuring costs** amounted to $2.6 million first six months of 2018 ($2.4 million after taxes), compared with $25.1 million ($20.2 million after taxes) in the corresponding quarter of 2017; these costs were mainly for severances;

- **Net financial expenses** before income taxes amounted to $79.1 million in first six months of 2018, compared with $26.6 million in the corresponding period of 2017; mainly due to financing costs related to the acquisition of Atkins;

- **Net class action lawsuits settlement expense** of $88.0 million ($64.5 million after taxes) related to the class actions in Quebec and Ontario filed in 2012, further explained in section 3.2; and

- **Gain on disposal of a Capital investment** of $62.7 million ($58.4 million after taxes) related to transfer of MHIG to the SNCL IP Partnership in the second quarter of 2018.

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.

Second Quarter of 2018

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))		2018				2017		
				PER DILUTED SHARE				PER DILUTED SHARE
Net income	$	83.2		N/A	$	134.4		N/A
Less:								
Non-controlling interests		0.2		N/A		(2.0)		N/A
Net income attributable to SNC-Lavalin shareholders from Capital		99.8	$	0.56		49.0	$	0.33
Net income (loss) attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$	(16.8)	$	(0.10)	$	87.4	$	0.58
Adjustments (net of income taxes):								
Restructuring, right-sizing costs and other	$	6.7	$	0.04	$	22.6	$	0.15
Acquisition-related costs and integration costs		10.3		0.06		44.5		0.30
Amortization of intangible assets related to business combinations		43.7		0.25		11.5		0.08
Impact of U.S. Corporate tax reform		4.8		0.03		–		–
Net class action lawsuits settlement expense		64.5		0.37		–		–
Gain on disposal of head office building		–		–		(101.5)		(0.67)
Loss (gain) from disposals of E&C businesses		0.2		0.00		(0.3)		(0.01)
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$	113.5	$	0.65	$	64.2	$	0.43

Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased to $113.5 million ($0.65 per share on a diluted basis) for the second quarter of 2018, compared with $64.2 million ($0.43 per share on a diluted basis) for the second quarter of 2017, due to an increase in Total Segment EBIT from E&C, partially offset by an increase in net financial expenses, largely attributable to the financing of the Atkins acquisition and a higher income tax expense.

For the second 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 $43.7 million ($0.25 per diluted share)**, compared with $11.5 million ($0.08 per diluted share) for the second 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 $10.3 million ($0.06 per diluted share)**, compared with $44.5 million ($0.30 per diluted share), mainly attributable to the acquisition and integration costs of Atkins.

› **Restructuring costs, right-sizing costs and other of $6.7 million ($0.04 per diluted share)**, compared with $22.6 million ($0.15 per diluted share) in the corresponding quarter of 2017. These costs were mainly for severances in 2017; and

› **Net class action lawsuits settlement expense of $64.5 million ($0.37 per diluted share)** related to the class actions in Quebec and Ontario filed in 2012, further explained in section 3.2.

First Six Months of 2018

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2018				2017			
				PER DILUTED SHARE				PER DILUTED SHARE
Net income	$	161.5		N/A	$	229.5		N/A
Less:								
Non-controlling interests		0.4		N/A		3.4		N/A
Net income attributable to SNC-Lavalin shareholders from Capital		146.4	$	0.83		93.4	$	0.62
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$	14.7	$	0.08	$	132.7	$	0.88
Adjustments (net of income taxes):								
Restructuring, right-sizing costs and other	$	8.0	$	0.05	$	25.2	$	0.17
Acquisition-related costs and integration costs		18.7		0.11		45.6		0.31
Amortization of intangible assets related to business combinations		90.6		0.52		23.8		0.16
Impact of U.S. Corporate tax reform		6.2		0.04		–		–
Net class action lawsuits settlement expense		64.5		0.37		–		–
Gain on disposal of head office building		–		–		(101.5)		(0.67)
Loss (gain) from disposals of E&C businesses		0.3		0.00		(0.9)		(0.01)
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$	203.0	$	1.16	$	124.9	$	0.83

Adjusted net income attributable to SNC-Lavalin shareholders from E&C increased to $203.0 million ($1.16 per share on a diluted basis) for the first six months of 2018, compared with $124.9 million ($0.83 per share on a diluted basis) for the same period of 2017 due to an increase in Total Segment EBIT from E&C, mainly due to the higher contribution from EDPM and Nuclear, mainly attributable to the incremental contribution from Atkins, which was acquired in the third quarter of 2017.

For the first six months 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 $90.6 million ($0.52 per diluted share)**, compared with $23.8 million ($0.16 per diluted share) for the first six months 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 $18.7 million ($0.11 per diluted share),** compared with $45.6 million ($0.31 per diluted share) for the first six months of 2017, largely due to the acquisition and integration of Atkins.
- **Restructuring costs, right-sizing costs and other of $8.0 million ($0.05 per diluted share)**, compared with $25.2 million ($0.17 per diluted share) in the corresponding period of 2017 which were mainly for severances in 2017; and
- **Net class action lawsuits settlement expense of $64.5 million ($0.37 per diluted share)** related to the class actions in Quebec and Ontario filed in 2012, further explained in section 3.2.

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.

Second Quarter of 2018

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income (loss)	**$ (16.6)**	**$ 99.8**	**$ 83.2**	$ 85.4	$ 49.0	$ 134.4
Net financial expenses	**35.4**	**1.7**	**37.1**	10.5	2.9	13.4
Income taxes	**(16.9)**	**5.7**	**(11.2)**	(3.9)	1.3	(2.5)
EBIT	**$ 1.9**	**$ 107.2**	**$ 109.1**	$ 92.0	$ 53.3	$ 145.3
Depreciation and amortization	**$ 25.9**	**$ –**	**$ 25.9**	$ 14.4	$ –	$ 14.4
Amortization of intangible assets related to business combinations	**52.8**	**–**	**52.8**	14.3	–	14.3
EBITDA	**$ 80.6**	**$ 107.2**	**$ 187.8**	$ 120.7	$ 53.3	$ 174.0
(as % of Revenues)	**3.3%**	**N/A**	**7.4%**	6.5%	N/A	9.0%
Restructuring, right-sizing costs and other	**$ 8.0**	**$ –**	**$ 8.0**	$ 26.2	$ –	$ 26.2
Net class action lawsuits settlement expense	**88.0**	**–**	**88.0**	–	–	–
Acquisition-related costs and integration costs	**12.8**	**–**	**12.8**	55.3	–	55.3
Gain on disposal of the head office building	**–**	**–**	**–**	(115.1)	–	(115.1)
Loss (gain) from disposals of E&C businesses	**0.3**	**–**	**0.3**	(0.3)	–	(0.3)
Gain on disposal/partial disposal of a Capital investment	**–**	**(62.7)**	**(62.7)**	–	(5.4)	(5.4)
Adjusted EBITDA	**$ 189.7**	**$ 44.4**	**$ 234.2**	$ 86.8	$ 47.9	$ 134.7
(as % of Revenues)	**7.7%**	**N/A**	**9.3%**	4.6%	N/A	7.0%

For the second quarter of 2018, EBIT from E&C amounted to $1.9 million compared with $92.0 million for the corresponding period of 2017, mainly reflecting the gain on disposal of the head office in 2017 and a decrease in Segment EBIT in Clean Power, Oil and Gas, Thermal Power and Mining and Metallurgy, partially offset by a higher contribution from EDPM and Nuclear. EBIT from E&C included $78.7 million of amortization of intangible assets related to business combinations and depreciation and amortization expenses in the second quarter of 2018, compared with $28.7 million in the second quarter of 2017, as well as an $88.0 million net expense related to the settlement of class action lawsuits, further discussed in section 3.2. As a result, **EBITDA from E&C was $80.6 million for the second quarter of 2018,** compared with $120.7 million for the corresponding period of 2017. Also, in the second quarter of 2018, the Company incurred $12.8 million in acquisition-related costs and integration costs, compared with $55.3 million in the second quarter of 2017, both mainly related to the acquisition of Atkins in the third quarter of 2017. As such, the **Adjusted EBITDA from E&C amounted to $189.7 million for the second quarter of 2018,** compared with $86.8 million for the second quarter of 2017.

For the second quarter of 2018, EBIT from Capital amounted to $107.2 million compared with $53.3 million for the corresponding period of 2017. EBIT and EBITDA were favorably impacted by the gain of $62.7 million from the disposal of a Capital investment.

First Six Months of 2018

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income	**$ 15.1**	**$ 146.4**	**$ 161.5**	$ 136.1	$ 93.4	$ 229.5
Net financial expenses	**76.2**	**2.9**	**79.1**	20.5	6.1	26.6
Income taxes	**(8.5)**	**6.7**	**(1.7)**	3.5	2.7	6.3
EBIT	**$ 82.9**	**$ 156.0**	**$ 238.9**	$ 160.1	$ 102.2	$ 262.3
Depreciation and amortization	**$ 53.3**	**$ –**	**$ 53.3**	$ 27.5	$ –	$ 27.5
Amortization of intangible assets related to business combinations	**109.5**	**–**	**109.5**	29.7	–	29.7
EBITDA	**$ 245.7**	**$ 156.0**	**$ 401.7**	$ 217.2	$ 102.2	$ 319.5
(as % of Revenues)	**5.1%**	**N/A**	**8.1%**	5.9%	N/A	8.4%
Restructuring, right-sizing costs and other	**$ 9.5**	**$ –**	**$ 9.5**	$ 29.1	$ –	$ 29.1
Net class action lawsuits settlement expense	**88.0**	**–**	**88.0**	–	–	–
Acquisition-related costs and integration costs	**23.5**	**–**	**23.5**	56.6	–	56.6
Gain on disposal of the head office building	**–**	**–**	**–**	(115.1)	–	(115.1)
Loss (gain) from disposals of E&C businesses	**0.3**	**–**	**0.3**	(1.0)	–	(1.0)
Gain on disposal/partial disposal of a Capital investment	**–**	**(62.7)**	**(62.7)**	–	(5.4)	(5.4)
Adjusted EBITDA	**$ 367.0**	**$ 93.3**	**$ 460.3**	$ 186.8	$ 96.8	$ 283.7
(as % of Revenues)	**7.6%**	**N/A**	**9.3%**	5.1%	N/A	7.5%

For the first six months of 2018, EBIT from E&C amounted to $82.9 million compared with $160.1 million for the corresponding period of 2017. EBIT from E&C included $162.8 million of amortization of intangible assets related to business combinations and depreciation and amortization expenses in the first six months of 2018, compared with $57.1 million in the corresponding period of 2017 as well as an $88.0 million net expense related to the settlement of class action lawsuits, further discussed in section 3.2. As a result, **for the first six months of 2018, EBITDA from E&C amounted to $245.7 million** compared with $217.2 million for the corresponding period of 2017. EBITDA from E&C included $9.5 million in restructuring, right-sizing costs and other in the first six months of 2018, compared with $29.1 million in the corresponding period of 2017. **Adjusted EBITDA from E&C amounted to $367.0 million for the first six months of 2018,** compared with $186.8 million for the first six months of 2017.

For the first six months of 2018, EBIT from Capital amounted to $156.0 million compared with $102.2 million for the corresponding period of 2017. EBIT and EBITDA were favorably impacted by the gain of $62.7 million from the disposal of a Capital investment.

4.5 Corporate Selling, General and Administrative Expenses Analysis

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2018			2017(1)		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	**$ 18.1**	**$ 6.4**	**$ 24.5**	$ 36.0	$ 7.1	$ 43.1

(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.

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2018			2017(1)		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	**$ 41.7**	**$ 13.5**	**$ 55.2**	$ 58.2	$ 13.5	$ 71.7

(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 $146.8 million and $269.1 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the three-month and six-month period ended June 30, 2017 respectively.

For the second quarter of 2018, corporate selling, general and administrative expenses amounted to $24.5 million, compared with $43.1 million in the second quarter of 2017. **For the first six months of 2018, selling, general and administrative expenses decreased to $55.2 million**, compared with $71.7 million for the corresponding period of 2017, a decrease explained in part by the efficiencies obtained from the operational excellence program and the synergies obtained with Atkins.

4.6 Restructuring Costs

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2018**	2017	**2018**	2017
Restructuring costs	**$ 1.1**	$ 22.3	**$ 2.6**	$ 25.1

The Company incurred restructuring costs totalling $1.1 million in the second quarter of 2018 (2017: $22.3 million) and **$2.6 million in the first six-months of 2018** (2017: $25.1 million). The restructuring costs recognized in the second quarter and first six months of 2017 were mainly for severances.

4.7 Acquisition-Related Costs and Integration Costs

(IN MILLIONS OF CA$)	SECOND QUARTER 2018		SECOND QUARTER 2017		SIX MONTHS ENDED JUNE 30 2018		SIX MONTHS ENDED JUNE 30 2017	
Professional fees and other related costs	**$**	**12.8**	$	6.5	**$**	**23.5**	$	7.9
Remeasurement of a foreign exchange option		**–**		48.7				48.7
Acquisition-related costs and integration costs	**$**	**12.8**	**$**	**55.3**	**$**	**23.5**	**$**	**56.6**

In the first six months of 2018, the Company incurred $23.5 million of acquisition-related costs and integration costs, compared with $56.6 million in the corresponding period of 2017, a variance that was largely attributable to the remeasurement of a foreign exchange option that was entered into by the Company to hedge foreign currency exposure associated with the acquisition of Atkins in 2017, partially offset by higher fees incurred in connection with the integration of Atkins.

4.8 Gain (loss) 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 June 30, 2018, certain assumptions used to estimate such adjustments have been revised, resulting in a loss of $0.3 million ($0.2 million net of taxes) in the second quarter and first six months of 2018 and in a gain of $0.3 million ($0.3 net of taxes) for the second quarter of 2017 and of $1.0 million ($0.9 million net of taxes) in the six-month period ended June 30, 2017.

4.9 Net Financial Expenses Analysis

Second Quarter of 2018

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2018 FROM E&C		2018 FROM CAPITAL		2018 TOTAL		2017 FROM E&C		2017 FROM CAPITAL		2017 TOTAL	
Interest revenues	**$**	**(2.4)**	**$**	**(2.2)**	**$**	**(4.6)**	$	(0.2)	$	(2.7)	$	(2.9)
Net foreign exchange losses (gains)		**(5.1)**		**(0.4)**		**(5.5)**		0.1		(0.1)		(0.0)
Interest on debt:												
Recourse		**19.5**		**–**		**19.5**		5.5		–		5.5
Limited recourse		**22.1**		**–**		**22.1**		–		–		–
Non-recourse		**–**		**4.2**		**4.2**		–		5.9		5.9
Other		**1.3**		–		**1.3**		5.1		(0.1)		5.1
Net financial expenses	**$**	**35.4**	**$**	**1.7**	**$**	**37.1**	$	10.5	$	2.9	$	13.4

For the second quarter of 2018, net financial expenses from E&C were $35.4 million, compared with $10.5 million for the second quarter of 2017, mainly due an increase in recourse debt and limited recourse debt mainly related to the financing of the acquisition of Atkins in the third quarter of 2017.

For the second quarter of 2018, net financial expenses from Capital decreased to $1.7 million, compared with $2.9 million for the second quarter of 2017, mainly due to the decrease in non-recourse debt following the transfer of investments to the SNCL IP Partnership and its subsequent partial disposal in the third quarter of 2017.

First six months of 2018

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	**$ (4.2)**	**$ (4.4)**	**$ (8.6)**	$ (2.9)	$ (5.7)	$ (8.7)
Net foreign exchange losses (gains)	**0.8**	**(0.4)**	**0.4**	3.8	(0.1)	3.6
Interest on debt:						
Recourse	**34.4**	**–**	**34.4**	10.9	–	10.9
Limited recourse	**48.1**	**–**	**48.1**	–	–	–
Non-recourse	**–**	**7.7**	**7.7**	–	11.9	11.9
Other	**(2.9)**	**–**	**(2.9)**	8.8	–	8.8
Net financial expenses	**$ 76.2**	**$ 2.9**	**$ 79.1**	$ 20.5	$ 6.1	$ 26.6

For the first six months of 2018, net financial expenses from E&C were $76.2 million, compared with $20.5 million for the first six months of 2017, mainly due an increase in recourse debt and limited recourse debt mainly related to the financing of the acquisition of Atkins in the third quarter of 2017.

For the first six months of 2018, net financial expenses from Capital decreased to $2.9 million, compared with $6.1 million for the first six months of 2017, mainly due to the decrease in non-recourse debt following the transfer of investments to the SNCL IP Partnership and its subsequent partial disposal in the third quarter of 2017.

4.10 Income Taxes Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2018	2017	**2018**	2017
Earnings (loss) before income taxes from E&C	**$ (33.5)**	$ 81.5	**$ 6.7**	$ 139.6
Earnings before income taxes from Capital	**105.5**	50.4	**153.1**	96.2
Earnings before income taxes	**$ 72.0**	$ 131.9	**$ 159.8**	$ 235.7
Income taxes from E&C	**$ (16.9)**	$ (3.9)	**$ (8.5)**	$ 3.5
Income taxes from Capital	**5.7**	1.3	**6.7**	2.7
Income taxes	**$ (11.2)**	$ (2.5)	**$ (1.7)**	$ 6.3
Effective income tax rate from E&C (%)	**50.4 %**	(4.7)%	**(126.2)%**	2.5 %
Effective income tax rate from Capital (%)	**5.4 %**	2.6 %	**4.4 %**	2.9 %
Effective income tax rate (%)	**(15.6)%**	(1.9)%	**(1.1)%**	2.7 %

For the second quarter of 2018, there was an income tax benefit from E&C of $16.9 million, compared with $3.9 million for the corresponding period of 2017. The effective income tax rate from E&C was higher than the Canadian statutory income tax rate of 26.7% for the second quarter of 2018, principally due to the impact of the geographic mix of earnings before income taxes, earnings not affected by tax and other permanent items, partially offset with adjustments to deferred income taxes due to the US tax reform and net losses that did not generate an income tax benefit. In the second quarter of 2017, the effective income tax rate from E&C was lower than the Canadian statutory income tax rate of 26.6%, principally due to the non-taxable portion of the gain on the disposal of the head office building, other non-taxable items and tax recoveries, partially offset by the impact of geographic mix of earnings before income taxes.

For the first six months of 2018, there was an income tax benefit from E&C of $8.5 million, compared with an income tax expense of $3.5 million for the first six months of 2017. The effective income tax rate was lower than the Canadian statutory income tax rate of 26.7% for the first six months of 2018, principally due to the impact of the geographic mix of earnings before income taxes as well as earnings not affected by tax and other permanent items, partially offset with adjustments to deferred income taxes due to the US tax reform and net losses that did not generate an income tax benefit. For the first six months of 2017, the effective income tax rate from E&C was lower than the Canadian statutory income tax rate of 26.6%, principally due to the non-taxable portion of the gain on disposal of the head office building, other non-taxable items and the geographic mix of earnings before income taxes.

For the second quarter of 2018, the income tax expense from Capital was $5.7 million, compared with $1.3 million for the second quarter of 2017. The effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.7% for the second quarter of 2018, principally due to the non-taxable portion of the gain on disposal of MHIG to the SNCL IP Partnership and non-taxable dividends received mainly from Highway 407 ETR.

For the first six months of 2018, the income tax expense from Capital was $6.7 million, compared with $2.7 million for the corresponding period of 2017. The effective income tax rate was lower than the Canadian statutory income tax rate of 26.7% for the first six months of 2018, principally due to the non-taxable dividends received mainly from Highway 407 ETR and the non-taxable portion of the gain on disposal of MHIG to the SNCL IP Partnership. For the first six months of 2017, the effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.6%, principally due to non-taxable dividends received mainly from Highway 407 ETR.

5 Backlog (Remaining Performance Obligations)

Effective January 1, 2018, the Company's definition of revenue backlog ("backlog") has been changed and now corresponds to "Remaining Performance Obligations" ("RPO"), which is based on IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), without restatement of the prior periods. The backlog 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 backlog or RPO created a positive adjustment of $3.4 billion as at January 1, 2018, compared with 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 backlog corresponding to 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 backlog by segment:

(IN MILLIONS OF CA$)

BY SEGMENT		JUNE 30 2018		MARCH 31 2018		DECEMBER 31 2017
Mining & Metallurgy	**$**	**483.3**	$	570.7	$	618.5
Oil & Gas		**1,368.0**		1,593.6		2,226.1
Nuclear		**1,314.8**		1,290.1		1,398.5
Clean Power		**423.8**		361.5		258.7
Thermal Power		**6.9**		12.2		56.0
Infrastructure		**9,003.5**		7,277.5		3,907.0
EDPM		**2,408.5**		2,235.8		1,941.6
Total E&C	**$**	**15,008.7**	$	13,341.5	$	10,406.4
Capital (1)		**166.1**		170.3		-
Total	**$**	**15,174.8**	$	13,511.8	$	10,406.4

(1) Backlog 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 June 30, 2018, the Company reported backlog of $15.2 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, and the new contracts related to the Réseau express métropolitain ("REM") awarded in 2018. 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 amounted to $4.1 billion for the second quarter of 2018, with $2.3 billion in Infrastructure and $1.0 billion in EDPM. For the first six months of 2018, new additions to remaining performance obligations, excluding the IFRS 15 adjustment, totalled $6.2 billion, with $2.6 billion in Infrastructure, $2.0 billion in EDPM and $0.9 billion in Oil & Gas.

In 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 backlog, as at June 30, 2018:

BY SEGMENT	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	EPC FIXED-PRICE CONTRACTS
Mining & Metallurgy	**15%**	**85%**
Oil & Gas	**61%**	**39%**
Nuclear	**96%**	**4%**
Clean Power	**87%**	**13%**
Thermal Power	**21%**	**79%**
Infrastructure	**68%**	**32%**
EDPM	**100 %**	**- %**
Capital [(1)]	**100 %**	**- %**
Total	**72%**	**28%**

(1) Backlog 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 allocated 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 six months of 2018: 75%, 2017: 68%) and EPC fixed-price contracts (first six months of 2018: 25%, 2017: 32%).

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 tables summarize the Company's **revenues and Segment EBIT and reconcile the Segment EBIT to the Company's EBIT** for the **second quarters and six-month periods** ended June 30, 2018 and 2017:

SECOND QUARTER

(IN MILLIONS OF CA$)	2018				2017(1)			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	**$ 137.5**	**$ 0.6**	**$ –**	**$ 0.6**	$ 94.8	$ 6.6	$ –	$ 6.6
Oil & Gas	**657.1**	**17.3**	**–**	**17.3**	807.2	26.8	–	26.8
Nuclear	**233.4**	**39.7**	**–**	**39.7**	127.6	18.0	–	18.0
Clean Power	**76.3**	**3.2**	**–**	**3.2**	127.5	20.9	–	20.9
Thermal Power	**7.5**	**(11.1)**	**–**	**(11.1)**	111.6	2.6	–	2.6
Infrastructure	**551.4**	**26.2**	**–**	**26.2**	556.3	24.1	–	24.1
EDPM	**806.8**	**94.4**	**–**	**94.4**	43.2	3.0	–	3.0
Total E&C segments	**$ 2,469.9**	**$ 170.3**	**$ –**	**$ 170.3**	$ 1,868.2	$ 101.9	$ –	$ 101.9
Capital	**57.2**	**–**	**50.8**	**50.8**	66.7	–	54.9	54.9
Reversal of non-controlling interests before income taxes included above		**0.3**	**–**	**0.3**		(2.0)	–	(2.0)
Total revenues and segment EBIT	**$ 2,527.1**	**$ 170.6**	**$ 50.8**	**$ 221.4**	$ 1,934.9	$ 100.0	$ 54.9	$ 154.9
Less:								
Corporate selling, general and administrative expenses		**(18.1)**	**(6.4)**	**(24.5)**		(36.0)	(7.1)	(43.1)
Impairment loss arising from expected credit losses		**(0.1)**	**–**	**(0.1)**		–	–	
Gain arising on financial assets at fair value through profit or loss		**4.6**	**–**	**4.6**		4.5	–	4.5
Net class action lawsuits settlement expense		**(88.0)**	**–**	**(88.0)**		–	–	$
Restructuring costs		**(1.1)**	**–**	**(1.1)**		(22.3)	–	(22.3)
Acquisition-related costs and integration costs		**(12.8)**	**–**	**(12.8)**		(55.3)	–	(55.3)
Amortization of intangible assets related to business combinations		**(52.8)**	**–**	**(52.8)**		(14.3)	–	(14.3)
Gain on disposal/partial disposal of a Capital investment		**–**	**62.7**	**62.7**		–	5.4	5.4
Gain (loss) from disposals of E&C businesses		**(0.3)**	**–**	**(0.3)**		0.3	–	0.3
Gain on disposal of the head office building		**–**	**–**			115.1	–	115.1
EBIT		**$ 1.9**	**$ 107.2**	**$ 109.1**		$ 92.1	$ 53.2	$ 145.3

(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.

SIX MONTHS ENDED JUNE 30

(IN MILLIONS OF CA$)	2018				2017(1)			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	**$ 251.6**	**$ 7.0**	**$ –**	**$ 7.0**	$ 196.2	$ 11.6	$ –	$ 11.6
Oil & Gas	**1,300.1**	**65.0**	**–**	**65.0**	1,663.8	80.4	–	80.4
Nuclear	**463.4**	**70.9**	**–**	**70.9**	294.1	63.1	–	63.1
Clean Power	**156.3**	**13.5**	**–**	**13.5**	249.0	31.3	–	31.3
Thermal Power	**54.2**	**(22.2)**	**–**	**(22.2)**	196.9	(23.9)	–	(23.9)
Infrastructure	**1,017.3**	**38.3**	**–**	**38.3**	973.6	44.0	–	44.0
EDPM	**1,594.2**	**175.2**	**–**	**175.2**	82.8	5.5	–	5.5
Total E&C segments	**$ 4,837.1**	**$ 347.7**	**$ –**	**$ 347.7**	$ 3,656.5	$ 211.9	$ –	$ 211.9
Capital	**121.4**	**–**	**107.3**	**107.3**	127.7	–	110.3	110.3
Reversal of non-controlling interests before income taxes included above		**0.5**	**–**	**0.5**		3.3	–	3.3
Total revenues and segment EBIT	**$ 4,958.5**	**$ 348.2**	**$ 107.3**	**$ 455.5**	$ 3,784.1	$ 215.2	$ 110.3	$ 325.5
Less:								
Corporate selling, general and administrative expenses		**(41.7)**	**(13.5)**	**(55.2)**		(58.2)	(13.5)	(71.7)
Impairment loss arising from expected credit losses		**(0.7)**	**–**	**(0.7)**		–	–	
Gain (loss) arising on financial assets at fair value through profit or loss		**0.9**	**(0.5)**	**0.4**		(1.6)	–	(1.6)
Net class action lawsuits settlement expense		**(88.0)**	**–**	**(88.0)**		–	–	
Restructuring costs		**(2.6)**	**–**	**(2.6)**		(25.1)	–	(25.1)
Acquisition-related costs and integration costs		**(23.5)**	**–**	**(23.5)**		(56.6)	–	(56.6)
Amortization of intangible assets related to business combinations		**(109.5)**	**–**	**(109.5)**		(29.7)	–	(29.7)
Gain on disposal/partial disposal of a Capital investment		**–**	**62.7**	**62.7**		–	5.4	5.4
Gain (loss) from disposals of E&C businesses		**(0.3)**	**–**	**(0.3)**		1.0	–	1.0
Gain on disposal of the head office building		**–**	**–**			115.1	–	115.1
EBIT		**$ 82.9**	**$ 156.0**	**$ 238.9**		$ 160.1	$ 102.2	$ 262.3

(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.

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, 29% for the first six months of 2018 (2017: 62%), and EPC fixed-price contracts, 71% for the first six months of 2018 (2017: 38%).

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2018**		2017 (1)		**2018**		2017 (1)
Revenues from Mining & Metallurgy	**$**	**137.5**	$	94.8	**$**	**251.6**	$	196.2
Segment EBIT from Mining & Metallurgy	**$**	**0.6**	$	6.6	**$**	**7.0**	$	11.6
Segment EBIT over revenues from Mining & Metallurgy (%)		**0.4%**		6.9%		**2.8%**		5.9%

(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 $137.5 million for the second quarter of 2018, compared with $94.8 million for the corresponding period of 2017. **For the first six months of 2018, revenues increased to $251.6 million,** compared with $196.2 million for the first six months of 2017, mainly attributable to revenues generated by recent contracts awards, namely the engineering and 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 second quarter of 2018, Mining & Metallurgy Segment EBIT was $0.6 million, compared with $6.6 million for the corresponding period of 2017. **For the first six months of 2018, Mining & Metallurgy Segment EBIT was $7.0 million,** compared with $11.6 million for the first six months of 2017, mainly attributable to a decrease in the profitability ratio, partially offset by an increased volume of activity.

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, 72% for the first six months of 2018 (2017: 79%), and EPC fixed-price contracts, 28% for the first six months of 2018 (2017: 21%).

(IN MILLIONS OF CA$)	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
		2018		2017 (1)		**2018**		2017 (1)
Revenues from Oil & Gas	**$**	**657.1**	$	807.2	**$**	**1,300.1**	$	1,663.8
Segment EBIT from Oil & Gas	**$**	**17.3**	$	26.8	**$**	**65.0**	$	80.4
Segment EBIT over revenues from Oil & Gas (%)		**2.6%**		3.3%		**5.0%**		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.

Oil & Gas revenues were $657.1 million for the second quarter of 2018, compared with $807.2 million for the second quarter of 2017. For the first six months of 2018, revenues were $1,300.1 million, compared with $1,663.8 million for the first six months of 2017, mainly attributable to lower levels of activity from certain major projects completed or nearing completion.

For the second quarter of 2018, Oil & Gas Segment EBIT was $17.3 million, compared with $26.8 million for the second quarter of 2017. For the first six months of 2018, Oil & Gas Segment EBIT was $65.0 million, compared with $80.4 million for the corresponding period of 2017, primarily due to a lower level of volume as explained above.

6.3 Nuclear

Nuclear supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM 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 six months of 2018 (2017: 91%), and EPC fixed-price contracts, 1% for the first six months of 2018 (2017: 9%).

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2018**		2017 [(1)]		**2018**		2017 [(1)]
Revenues from Nuclear	**$**	**233.4**	$	127.6	**$**	**463.4**	$	294.1
Segment EBIT from Nuclear	**$**	**39.7**	$	18.0	**$**	**70.9**	$	63.1
Segment EBIT over revenues from Nuclear (%)		**17.0%**		14.1%		**15.3%**		21.4%

(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.

Nuclear revenues were $233.4 million for the second quarter of 2018, compared with $127.6 million for the second quarter of 2017. **For the first six months of 2018, revenues increased to $463.4 million,** compared with $294.1 million for the corresponding period 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 second quarter of 2018, Nuclear Segment EBIT increased to $39.7 million, compared with $18.0 million for the corresponding quarter of 2017. **For the first six months of 2018, Nuclear Segment EBIT increased to $70.9 million,** compared with $63.1 million for the corresponding period of 2017, as the increased contribution from the Atkins incremental activities was partially offset by a lower profitability ratio in 2018, mainly due to a favorable 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 six months of 2018 (2017: 49%), and EPC fixed-price contracts, 60% for the first six months of 2018 (2017: 51%).

(IN MILLIONS OF CA$)	SECOND QUARTER 2018	SECOND QUARTER 2017 [1]	SIX MONTHS ENDED JUNE 30 2018	SIX MONTHS ENDED JUNE 30 2017 [1]
Revenues from Clean Power	**$ 76.3**	$ 127.5	**$ 156.3**	$ 249.0
Segment EBIT from Clean Power	**$ 3.2**	$ 20.9	**$ 13.5**	$ 31.3
Segment EBIT over revenues from Clean Power (%)	**4.3%**	16.4%	**8.6%**	12.6%

(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 $76.3 million for the second quarter of 2018, compared with $127.5 million for the second quarter of 2017. **For the first six months of 2018, revenues were $156.3 million,** compared with $249.0 million for the corresponding period of 2017, due to the completion and near completion of certain projects.

For the second quarter of 2018, Clean Power Segment EBIT was $3.2 million, compared with $20.9 million for the corresponding quarter of 2017. **For the first six months of 2018, Clean Power Segment EBIT was $13.5 million,** compared with $31.3 million for the corresponding period of 2017, mainly attributable to a lower level of activity due to the reason stated above, while the favorable outcome from a major project in the second quarter of 2017 was higher than the favorable outcome on certain major projects in the first quarter of 2018.

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, 24% for the first months of 2018 (2017: 6%), and EPC fixed-price contracts, 76% for the first six months of 2018 (2017: 94%).

(IN MILLIONS OF CA$)	SECOND QUARTER 2018	SECOND QUARTER 2017 (1)	SIX MONTHS ENDED JUNE 30 2018	SIX MONTHS ENDED JUNE 30 2017 (1)
Revenues from Thermal Power	**$ 7.5**	$ 111.6	**$ 54.2**	$ 196.9
Segment EBIT from Thermal Power	**$ (11.1)**	$ 2.6	**$ (22.2)**	$ (23.9)
Segment EBIT over revenues from Thermal Power (%)	**(148.8%)**	2.3%	**(40.9%)**	(12.2%)

(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 $7.5 million for the second quarter of 2018, compared with $111.6 million for the second quarter of 2017. **For the first six months of 2018, revenues were $54.2 million,** compared with $196.9 million for the corresponding period of 2017, largely attributable to near completion or completion of gas-fired combined-cycle power plant projects in the United States.

For the second quarter of 2018, Thermal Power Segment EBIT was negative $11.1 million, compared with a Segment EBIT of $2.6 million for the corresponding quarter of 2017, mainly due to an unfavorable reforecast on the Company's last EPC fixed-price contract. The power plant is in commercial operation and the Company is working on finalizing the remaining work.

For the first six months of 2018, Thermal Power Segment EBIT was negative $22.2 million, compared with a negative Segment EBIT of $23.9 million for the corresponding period of 2017, mainly due to unfavorable reforecasts in both periods.

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, 49% for the first six months of 2018 (2017: 58%), and EPC fixed-price contracts, 51% for the first six months of 2018 (2017: 42%).

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		2018		2017 (1)		2018		2017 (1)
Revenues from Infrastructure	$	551.4	$	556.3	$	1,017.3	$	973.6
Segment EBIT from Infrastructure	$	26.2	$	24.1	$	38.3	$	44.0
Segment EBIT over revenues from Infrastructure (%)		4.7%		4.3%		3.8%		4.5%

(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.

Infrastructure revenues totalled $551.4 million for the second quarter of 2018, in line with the corresponding period of 2017. **For the first six months of 2018, revenues increased to $1,017.3 million,** compared with $973.6 million for the first six months of 2017, mainly due to an increase in revenues from certain major projects, most notably mass transit systems in Central and Eastern Canada and a concrete gravity structure for a fixed drilling platform in Eastern Canada, offset by a lower level of activity due to the completion or near completion of certain major projects.

For the second quarter of 2018, Infrastructure Segment EBIT increased to $26.2 million, compared with $24.1 million for the corresponding quarter of 2017. **For the first six months of 2018, Infrastructure Segment EBIT was $38.3 million,** compared with $44.0 million for the first six months 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 six months of 2018 and 2017.

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2018**	2017 (1)	**2018**	2017 (1)
Revenues from EDPM	**$ 806.8**	$ 43.2	**$ 1,594.2**	$ 82.8
Segment EBIT from EDPM	**$ 94.4**	$ 3.0	**$ 175.2**	$ 5.5
Segment EBIT over revenues from EDPM (%)	**11.7%**	6.9%	**11.0%**	6.7%

(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 $806.8 million for the second quarter of 2018, compared with $43.2 million for the corresponding period of 2017. **For the first six months of 2018, EDPM revenues increased to $1,594.2 million,** compared with $82.8 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 second quarter of 2018, EDPM Segment EBIT increased to $94.4 million, compared with $3.0 million for the corresponding quarter of 2017. **For the first six months of 2018, EDPM Segment EBIT increased to $175.2 million,** compared with $5.5 million for the corresponding period 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 with the intention 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 six-month period ended June 30, 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$)		**JUNE 30 2018**		DECEMBER 31 2017
Capital investments accounted for by the consolidation method	**$**	**(22.5)**	$	(36.1)
Capital investments accounted for by the equity method		**340.9**		296.7
Capital investments accounted for by the cost method		**56.1**		55.6
Total net book value of Capital investments	**$**	**374.5**	$	316.2

As at June 30, 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 June 30, 2018 and as at December 31, 2017.

SEGMENT EBIT - CAPITAL

(IN MILLIONS OF CA$)	SECOND QUARTER 2018	SECOND QUARTER 2017 [1]	SIX MONTHS ENDED JUNE 30 2018	SIX MONTHS ENDED JUNE 30 2017 [1]
Revenues from Capital	**$ 57.2**	$ 66.7	**$ 121.4**	$ 127.7
Segment EBIT:				
From Highway 407 ETR	**$ 38.0**	$ 34.8	**$ 75.9**	$ 69.6
From other Capital investments [2]	**12.8**	20.1	**31.4**	40.7
Segment EBIT from Capital	**$ 50.8**	$ 54.9	**$ 107.3**	$ 110.3

(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 $50.8 million for the second quarter of 2018, compared with $54.9 million for the same period last year. **Capital Segment EBIT was $107.3 million for the first six months of 2018,** compared with $110.3 million for the corresponding period of 2017, as the lower profitability on certain investments and lower contribution from investments transferred to the SNCL IP Partnership in the third quarter of 2017 were partially offset by an increased contribution from Highway 407 ETR.

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 second quarter of 2018, compared with its financial position as at December 31, 2017.

7.1 Cash Flows Analysis

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)		2018		2017
Net cash flows generated from (used for):				
Operating activities	**$**	**(207.1)**	$	(269.3)
Investing activities		**(4.5)**		99.9
Financing activities		**216.1**		(109.6)
Increase from exchange differences on translating cash and cash equivalents		**10.3**		6.1
Net increase (decrease) in cash and cash equivalents		**14.8**		(273.0)
Cash and cash equivalents at beginning of period		**706.6**		1,055.5
Cash and cash equivalents at end of period	**$**	**721.4**	$	782.5
Less: Cash and cash equivalents included in the disposal groups classified as held for sale		**–**		45.2
Cash and cash equivalents at end of period, as presented on the consolidated statement of financial position	**$**	**721.4**	$	737.4

Cash and cash equivalents increased by $14.8 million in the first six months of 2018, compared with a decrease of $273.0 million in the first six months of 2017, as discussed further below.

CASH FLOWS RELATED TO OPERATING ACTIVITIES

Net cash used for operating activities was $207.1 million for the first six months of 2018, compared with $269.3 million for the corresponding period of 2017, a variance reconciled as follows:

(IN MILLIONS OF CA$)	SIX-MONTH PERIOD	
Net cash used for operating activities for the first six months of 2017	$	(269.3)
Changes between the first six months of 2017 and the first six months of 2018:		
Decrease in net income for the period		(68.0)
Increase in income taxes paid		(9.4)
Increase in interest paid (from E&C and from Capital investments)		(55.4)
Increase in depreciation of property and equipment and amortization of other non-current assets		105.7
Decrease in income taxes recognized in net income		(8.0)
Higher net financial expenses recognized in net income		52.5
Increase in net change in provisions related to forecasted losses on certain contracts		(21.0)
Increase in the gain on disposal/partial disposal of a Capital investment		(57.3)
Decrease in restructuring costs recognized in net income		(22.6)
Decrease in restructuring costs paid		33.4
Decrease in gain from disposals of E&C businesses in 2017		1.3
Gain on disposal of the head office building in 2017		115.1
Net class actions lawsuits settlement expense in 2018		88.0
Other items		39.0
Changes in the net cash used for operating activities before net change in non-cash working capital items	**$**	**193.3**
Increase in cash used by the net change in non-cash working capital items	$	(16.0)
Net cash used for operating activities for the first six months of 2018	**$**	**(207.1)**

- **Net cash generated from operating activities before net change in non-cash working capital items totalled $232.4 million for the first six months of 2018,** compared with $154.3 million for the first six months of 2017, a variance mainly explained by the elements in the table above. It should be noted that the decrease in net income between the two periods included certain major items that did not have an impact on the Company's operating cash flows, such as the gain on disposal of the head office building in 2017, the net class action lawsuits settlement expense in 2018 and the increased gain on disposal/partial disposal of a Capital investment.
- As detailed in Note 10B to the unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2018, **net change in non-cash working capital items used cash of $439.6 million in the first six months of 2018,** compared with $423.6 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 $4.5 million for the first six months of 2018, compared with net cash generated from investing activities of $99.9 million for the corresponding period of 2017, a variance reconciled as follows:

(IN MILLIONS OF CA$)	SIX-MONTH PERIOD
Net cash generated from investing activities for the first six months of 2017	$ 99.9
Changes between the first six months of 2017 and the first six months of 2018:	
Increase in acquisitions of property and equipment	(15.6)
Proceeds from disposal of the head office building in 2017	(173.3)
Decrease in costs associated to a foreign exchange option, net of recovery	48.7
Lower increase in receivables under service concession arrangements, net of recovery	2.8
Lower decrease in short-term and long-term investments	(31.4)
Higher net cash inflow on disposal of a Capital investment accounted for by the equity method	68.9
Other items	(4.5)
Net cash used for investing activities for the first six months of 2018	**$ (4.5)**

- The changes in cash flows related to investing activities between the first six months of 2018 and the same period of 2017 were primarily explained by the elements in the table above, most notably by the proceeds of $173.3 million received from the sale of the Company's head office building in the second quarter of 2017.
- In the second quarter of 2018, there was a net cash inflow of $92.2 million on a disposal of a Capital investment, reflecting the transfer of the investment in MHIG and its holding company to SNCL IP Partnership. In the second quarter of 2017, the Company received a $23.3 million cash consideration in reduction of the subordinated loan receivable from MHIG. This variance of $68.9 million is included in the table above. Both transactions are described in Note 4A to the interim consolidated financial statements for the six-month period ended June 30, 2018.

CASH FLOWS RELATED TO FINANCING ACTIVITIES

Net cash generated from financing activities was $216.1 million in the first six months of 2018, compared with net cash used for financing activities of $109.6 million for the corresponding period of 2017, a variance of $325.7 million reconciled as follows:

(IN MILLIONS OF CA$)	SIX-MONTH PERIOD	
Net cash used for financing activities for the first six months of 2017	$	(109.6)
Changes between the first six months of 2017 and the first six months of 2018:		
Higher increase in recourse debt		1,684.6
Decrease in limited recourse debt		(500.0)
Higher repayment of recourse debt		(900.7)
Higher increase in non-recourse debt from Capital investments		29.8
Increase in dividends paid to SNC-Lavalin shareholders		(18.6)
Amount advanced for contingent acquisition of non-controlling interest in 2017		31.2
Other items		(0.6)
Net cash generated from financing activities for the first six months of 2018	**$**	**216.1**

- The changes in cash flows related to financing activities between the first six months of 2018 and the corresponding period of 2017 were primarily explained by the elements in the table above. Notably, the following transactions on recourse debt and limited recourse debt took place in the first six months of 2018:
  - the Company issued new unsecured debentures of $525 million aggregate principal amount, and used the proceeds to repay tranches 2 and 3 of its Term Facility in full, for approximately $397 million, and to repay certain indebtedness outstanding under its Revolving Facility;
  - the Company amended and restated in its entirety its Credit Agreement and borrowed $500 million on a new 5-year non-revolving term loan (the "Term Loan") made available under such 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, a limited recourse debt; and
  - the Company issued new unsecured debentures of $150 million aggregate principal amount and used the net proceeds to repay certain outstanding indebtedness under its Revolving Facility and for general corporate purposes.
- In addition, in the six-month periods ended June 30, 2018 and 2017, the Company borrowed and repaid certain amounts under its Revolving Facility as part of its financing of net cash used for operating activities.
- The Company also provides a reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the six-month periods ended June 30, 2018 and 2017 at Note 10D in its interim condensed consolidated financial statements for the six-month period ended June 30, 2018.

7.2 Capital Resources

(IN MILLIONS OF CA$)		JUNE 30 2018		DECEMBER 31 2017
Cash and cash equivalents	**$**	**721.4**	$	706.5
Unused portion of committed revolving credit facility(1) (2)		**2,140.4**		2,349.2
Available short-term capital resources	**$**	**2,861.8**	$	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 increase in cash and cash equivalents as at June 30, 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 $2,140.4 million as at June 30, 2018 (December 31, 2017: $2,349.2 million) 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$)		JUNE 30 2018		DECEMBER 31 2017
Cash and cash equivalents	**$**	**721.4**	$	706.5
Less:				
Cash and cash equivalents of Capital investments accounted for by the consolidation method		**3.2**		1.8
Recourse debt:				
Short-term debt and current portion of long-term debt		**657.4**		318.8
Long term debt		**1,520.5**		1,026.8
Net recourse debt	**$**	**(1,459.7)**	**$**	**(640.8)**

› **Net recourse debt as at June 30, 2018 was $1.5 billion, compared** with $0.6 billion as at December 31, 2017, mainly reflecting $500 million borrowings under the Term Loan used to repay $500 million of limited recourse debt, as well as additional recourse debt raised to finance cash used by operating activities.

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$, EXCEPT NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO)		**JUNE 30 2018**
Net recourse debt[1]	**$**	**1,459.7**
Trailing 12-month ("TTM") adjusted EBITDA[1]		993.1
Less: Interest on limited recourse debt (TTM)		97.1
Adjusted EBITDA, less interest on limited recourse debt (TTM)[2]	**$**	**896.0**
Net recourse debt to adjusted EBITDA ratio		**1.6**

(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 June 30, 2018, the Company's net recourse debt was $1,459.7 million and its net recourse debt to adjusted EBITDA ratio was 1.6.

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$)		**JUNE 30 2018**		DECEMBER 31 2017
Recourse debt	**$**	**2,177.9**	$	1,345.5
Equity attributable to SNC-Lavalin shareholders	$	5,023.0	$	5,225.1
Less: Other components of equity		286.2		278.0
Plus: Recourse debt		2,177.9		1,345.5
Total amount of capital	**$**	**6,914.7**	$	6,292.7
Recourse debt to capital ratio		**31:69**		21:79

Recourse debt has increased by $832.4 million as at June 30, 2018, compared with December 31, 2017 as explained in Section 7.3 and the amount of equity attributable to SNC-Lavalin shareholders has decreased by $202.1 million over the same period, mainly due to the transition adjustment on adoption of new accounting standards (Refer to Section 9). As at June 30, 2018, the Company maintained an adequate mix of debt and equity with a recourse debt to capital ratio of 31:69, compared with its objective of not surpassing 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 6.9% for the 12-month period ended June 30, 2018**, compared with 7.6% for the 12-month period ended June 30, 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 June 5, 2018, S&P assigned an issue credit rating of BBB on the Company's $150 million senior unsecured notes due in 2019.

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 planned to acquire Atkins. On July 7, 2017, on September 29, 2017, on November 21, 2017, on March 1, 2018, and on May 1, 2018 DBRS confirmed the Issuer Rating and Senior Debentures rating of SNC-Lavalin at BBB with a Stable trend.

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

7.5 Dividends

Quarterly cash dividends of $0.287 per share were declared on February 23, 2018 and May 3, 2018 and were paid on March 22, 2018 and May 31, 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 May 31, 2018, SNC-Lavalin announced that its Board of Directors had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2018. 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, 2018, may be purchased for cancellation. Purchases may commence on June 6, 2018 and will terminate no later than June 5, 2019, and are to be made through the facilities of the Toronto Stock Exchange and/or alternative trading systems, in accordance with the Toronto Stock Exchange's policy on normal course issuer bids, or otherwise as may be permitted by applicable securities laws and regulations. The price the Company will pay for any Common Shares will be the market price at the time of acquisition, plus brokerage fees, for purchases effected through the facilities of the Toronto Stock Exchange or alternative trading platforms.

During the period that the normal course issuer bid is outstanding, the Company does not intend to make purchases of its Common Shares other than by means of open market transactions or such other means as may be permitted by securities regulatory authorities from time to time and as applicable, including block purchases of Common Shares. The Company may also purchase shares privately from time to time after obtaining exemption orders from applicable securities regulatory authorities. Any such private purchase made under an exemption order issued by a securities regulatory authority will be at a discount from the prevailing market price, as provided in the exemption order.

Under its previous normal course issuer bid that commenced on June 6, 2017 and ended on June 5, 2018, the Company had received the approval of the Toronto Stock Exchange to purchase for cancellation a maximum of 1,500,000 Common Shares. During that period, the Company did not purchase any of its Common Shares.

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 12 to its unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2018. In the first six 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 June 30, 2018:

(IN MILLIONS OF CA$)	JUNE 30 2018	DECEMBER 31 2017	CHANGE ($)	EXPLANATIONS
Current assets	$ **4,472.5**	$ 4,614.8	$ (142.3)	The decrease in current assets was mainly due to a decrease in contract assets compared with the amount 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 transfer of the Company's investments in MHIG, which was presented as held for sale as at December 31, 2017, to the SNCL IP Partnership.
Non-current assets	**9,329.9**	9,147.7	182.2	The increase in non-current assets was principally due to higher Capital investments accounted for by the equity method, mainly related to the investment in the SNCL IP Partnership and deferred income tax asset.
Total assets	**$ 13,802.4**	$ 13,762.5	$ 39.9	
Current liabilities	$ **4,761.9**	$ 4,502.9	$ 259.0	The increase in current liabilities was mainly related to the increase in recourse debt presented in current liabilities.
Non-current liabilities	**4,018.5**	4,036.4	(17.9)	The decrease in non-current liabilities was mainly due to the decrease in limited recourse debt and the non-current portion of provisions, mostly offset by an increase in recourse debt.
Total liabilities	**$ 8,780.4**	$ 8,539.3	$ 241.1	
Equity attributable to SNC-Lavalin shareholders	$ **5,023.0**	$ 5,225.1	$ (202.1)	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 six months of 2018.
Non-controlling interests	**(1.0)**	(1.9)	0.9	-
Total equity	**$ 5,022.0**	$ 5,223.2	$ (201.2)	
Total liabilities and equity	**$ 13,802.4**	$ 13,762.5	$ 39.9	

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 second quarter and the first six months of 2018, SNC-Lavalin recognized E&C revenues of $301.2 million (2017: $214.2 million) and $551.6 million (2017: $423.8 million), respectively, 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 $46.5 million for the second quarter of 2018 (2017: $51.0 million) and $97.8 million for the six-month period ended June 30, 2018 (2017: $99.6 million), respectively.

SNC-Lavalin's trade receivables from investments accounted for by the equity method amounted to $103.9 million as at June 30, 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 $115.2 million as at June 30, 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 June 30, 2018 (December 31, 2017: $98.0 million).

In the second quarter of 2018, SNC-Lavalin transferred its investment in MHIG and its holding company to an investment accounted for by the equity method, namely SNCL IP Partnership, which resulted in a gain on disposal of $62.7 million before income taxes ($58.4 million after income taxes) (see Note 4A to the interim condensed consolidated financial statements for the six-month period ended June 30, 2018).

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 second 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 six-month period ended June 30, 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 Six-Month Period Ended June 30, 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:

(IN THOUSANDS OF CA$)	NOTE	IAS 39 MEASUREMENT CATEGORY [1]	IAS 39 CARRYING AMOUNT	IFRS 9 MEASUREMENT CATEGORY [1]	IFRS 9 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 9 to the unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 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	
	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 financial 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 an insignificant 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 six-month period ended June 30, 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 $146.8 million and of $269.1 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the three-month and six-month periods ended June 30, 2017, respectively.

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 allocated 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 "Gain (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 gain of $4.5 million for the three-month period ended June 30, 2017 and of a loss of $1.6 million for the six-month period ended June 30, 2017 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 "Gain (loss) arising on financial assets at fair value through profit or loss".

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,* ("IFRS 16") 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, ("IAS 17") 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.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 16

IFRS 16 is required to be applied for annual reporting periods beginning on or after January 1, 2019. SNC-Lavalin is not early adopting IFRS 16.

IFRS 16 introduces a single lease accounting model for lessees which will result in an on-balance sheet recognition of most of its leases with few potential exemptions. The Company expects that the adoption of IFRS 16 will result in a material increase to its assets and liabilities through the recognition of a right-of-use asset and of a lease liability reflecting the present value of future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expenses that were recognized under IAS 17.

During the six-month period ended June 30, 2018, the Company continued to assess the impact of the application of IFRS 16 on its financial statements. As such, the Company is currently reviewing its lease portfolio and is working on changing certain processes and internal controls, including the implementation of a new lease management and accounting system. The Company is also evaluating the transition options and practical expedients available under IFRS 16.

The Company's current implementation roadmap extends into the fourth quarter of 2018; therefore, it will report progress achieved over the course of 2018.

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, net class action lawsuits settlement charge 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, net class action lawsuits settlement, 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 for the 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 was a non-IFRS measure used until December 31, 2017. It was a forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that were 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 limited 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. Starting January 1, 2018, revenue backlog is an IFRS measure corresponding to remaining performance obligations, in accordance with IFRS 15.

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, gain (loss) arising on financial assets at fair value through profit or loss, restructuring costs, goodwill impairment, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, and the net class action lawsuits settlement expense, 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 Section 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

Principal Risks and Uncertainties

The risk and uncertainties and risk management practices of the Company described in Section 11 of the Company's 2018 first quarter Management's Discussion and Analysis have not materially changed in the second quarter of 2018, except for the risk identified below.

Settlement of Class Action Lawsuits

On May 22, 2018, the Company announced it had reached an agreement to settle class actions in Quebec and Ontario filed in 2012 on behalf of security holders (collectively, the "Actions"). As part of the settlement, the Company agreed to pay $88.0 million to the plaintiffs. The settlement is subject to the approvals of the Ontario and Quebec courts, the outcome of which application for approval should be known later in 2018.

12 Quarterly Information

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE AND DIVIDENDS PER SHARE)	2018 SECOND QUARTER	2018 FIRST QUARTER	2017 FOURTH QUARTER	2017 THIRD QUARTER	2017 SECOND QUARTER	2017 FIRST QUARTER	2016 FOURTH QUARTER	2016 THIRD QUARTER
Revenues	**$ 2,527.1**	$ 2,431.4	$ 2,917.8	$ 2,632.7	$ 1,934.9	$ 1,849.3	$ 2,211.1	$ 2,168.5
EBIT	**$ 109.1**	$ 129.8	$ 159.8	$ 181.3	$ 145.3	$ 117.1	$ 2.3	$ 42.5
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ (16.8)**	$ 31.5	$ 14.3	$ 29.0	$ 87.4	$ 45.3	$ (38.4)	$ 0.7
Net income attributable to SNC-Lavalin shareholders from Capital:								
From Highway 407 ETR	**38.0**	38.0	36.0	36.1	34.8	34.8	34.8	34.8
From other Capital investments	**61.9**	8.6	2.1	38.5	14.2	9.6	5.2	7.8
Net income attributable to SNC-Lavalin shareholders	**$ 83.0**	$ 78.1	$ 52.4	$ 103.6	$ 136.4	$ 89.7	$ 1.6	$ 43.3
Net income (loss) attributable to non-controlling interests	**0.2**	0.2	0.1	(2.4)	(2.0)	5.4	0.1	(8.1)
Net income	**$ 83.2**	$ 78.3	$ 52.5	$ 101.2	$ 134.4	$ 95.1	$ 1.6	$ 35.2
Basic earnings per share ($)	**$ 0.47**	$ 0.44	$ 0.30	$ 0.59	$ 0.91	$ 0.60	$ 0.01	$ 0.29
Diluted earnings per share ($)	**$ 0.47**	$ 0.44	$ 0.30	$ 0.59	$ 0.91	$ 0.60	$ 0.01	$ 0.29
Dividends declared per share ($)	**$ 0.287**	$ 0.287	$ 0.287	$ 0.273	$ 0.273	$ 0.273	$ 0.273	$ 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 April 1, 2018 and ended on June 30, 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 acquisitions of Atkins and DTS 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 represent 35.8% of revenues, 64.1% of net income attributable to SNC-Lavalin shareholders and 10.7% of total assets of the consolidated figures reported in the unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2018. Note 16 to the unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2018 presents information about the final purchase price allocation, assets acquired and liabilities assumed as well as other financial information about the acquisitions.