SNC-Lavalin Group Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		**$ 706,531**	$ 1,055,484
Restricted cash		**20,932**	55,577
Trade receivables		**1,445,859**	935,983
Contracts in progress		**1,329,861**	1,188,912
Inventories		**110,237**	138,795
Other current financial assets		**442,500**	492,725
Other current non-financial assets		**450,877**	315,847
Assets of disposal group classified as held for sale and assets held for sale	16	**107,994**	6,706
Total current assets		**4,614,791**	4,190,029
Property and equipment		**414,138**	298,333
Capital investments accounted for by the equity method	4	**296,664**	399,425
Capital investments accounted for by the cost method	4	**55,614**	48,325
Goodwill	21	**6,323,440**	3,268,214
Intangible assets related to business combinations	22	**1,089,837**	194,164
Deferred income tax asset		**545,551**	421,461
Non-current portion of receivables under service concession arrangements		**273,340**	356,847
Other non-current financial assets		**44,321**	58,523
Other non-current non-financial assets		**104,810**	62,998
Total assets		**$ 13,762,506**	$ 9,298,319
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,176,947**	$ 1,888,242
Downpayments on contracts		**149,388**	263,382
Deferred revenues		**758,392**	851,158
Other current financial liabilities		**264,724**	303,975
Other current non-financial liabilities		**584,102**	397,790
Current portion of provisions		**174,534**	236,594
Short-term debt and current portion of long-term debt:			
Recourse		**318,757**	–
Non-recourse from Capital investments		**15,566**	21,011
Liabilities of disposal group classified as held for sale	16	**60,440**	–
Total current liabilities		**4,502,850**	3,962,152
Long-term debt:			
Recourse		**1,026,782**	349,369
Limited recourse		**1,475,177**	–
Non-recourse from Capital investments		**297,398**	472,571
Other non-current financial liabilities		**15,425**	5,928
Non-current portion of provisions		**791,060**	326,401
Other non-current non-financial liabilities		**53,367**	15,846
Deferred income tax liability		**377,225**	269,718
Total liabilities		**8,539,284**	5,401,985
Equity			
Share capital	9	**1,801,733**	554,839
Retained earnings		**3,145,424**	2,959,366
Other components of equity	10	**277,974**	360,845
Other components of equity of asset held for sale	10	**–**	(1,828)
Equity attributable to SNC-Lavalin shareholders		**5,225,131**	3,873,222
Non-controlling interests		**(1,909)**	23,112
Total equity		**5,223,222**	3,896,334
Total liabilities and equity		**$ 13,762,506**	$ 9,298,319

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2017

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 10)	Total	Non-controlling interests	Total equity
Balance at beginning of the year	**150,357**	**$ 554,839**	**$ 2,959,366**	**$ 359,017**	**$ 3,873,222**	**$ 23,112**	**$ 3,896,334**
Net income	**–**	**–**	**382,035**	**–**	**382,035**	**1,116**	**383,151**
Other comprehensive income (loss)	**–**	**–**	**20,026**	**(81,043)**	**(61,017)**	**55**	**(60,962)**
Total comprehensive income (loss)	**–**	**–**	**402,061**	**(81,043)**	**321,018**	**1,171**	**322,189**
Dividends declared (Note 8)	**–**	**–**	**(177,948)**	**–**	**(177,948)**	**–**	**(177,948)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(854)**	**(854)**
Stock option compensation	**–**	**–**	**139**	**–**	**139**	**–**	**139**
Shares issued under stock option plans	**251**	**12,162**	**(2,435)**	**–**	**9,727**	**–**	**9,727**
Acquisition of non-controlling interest (Note 19)	**–**	**–**	**(35,759)**	**–**	**(35,759)**	**(23,740)**	**(59,499)**
Shares issued in exchange of subscription receipts (Note 20)	**24,880**	**1,234,732**	**–**	**–**	**1,234,732**	**–**	**1,234,732**
Additional non-controlling interests arising on acquisition of Atkins (Note 20)	**–**	**–**	**–**	**–**	**–**	**(1,623)**	**(1,623)**
Capital contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Balance at end of the year	**175,488**	**$ 1,801,733**	**$ 3,145,424**	**$ 277,974**	**$ 5,225,131**	**$ (1,909)**	**$ 5,223,222**

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2016

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)	Note	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
		2017	2016	**2017**	2016
Revenues from:					
E&C		**$ 2,867,747**	$ 2,146,484	**$ 9,096,715**	$ 8,223,085
Capital investments accounted for by the consolidation or cost methods		**10,599**	19,168	**53,184**	64,904
Capital investments accounted for by the equity method		**39,490**	45,485	**184,819**	182,844
		2,917,836	2,211,137	**9,334,718**	8,470,833
Direct cost of activities		**2,241,935**	1,850,476	**7,441,286**	7,264,735
Gross margin		**675,901**	360,661	**1,893,432**	1,206,098
Selling, general and administrative expenses		**417,323**	213,864	**1,158,678**	724,115
Restructuring costs	5	**(429)**	87,832	**26,363**	115,405
Acquisition-related costs and integration costs	20	**25,381**	299	**124,300**	4,409
Amortization of intangible assets related to business combinations	22	**73,825**	16,538	**138,892**	68,810
(Gain) loss on disposals of Capital investments	4A	**–**	2,664	**(42,078)**	(55,875)
(Gain) loss from disposals of E&C businesses	17	**7**	37,133	**(999)**	37,133
Gain on disposal of the head office building	18	**–**	–	**(115,101)**	–
EBIT [(1)]		**159,794**	2,331	**603,377**	312,101
Financial expenses	6	**46,989**	15,907	**123,094**	60,810
Financial income and net foreign exchange losses (gains)	6	**3,396**	(5,442)	**(5,250)**	(18,693)
Earnings (loss) before income taxes		**109,409**	(8,134)	**485,533**	269,984
Income taxes		**56,941**	(9,769)	**102,382**	13,419
Net income for the period		**$ 52,468**	$ 1,635	**$ 383,151**	$ 256,565
Net income (loss) attributable to:					
SNC-Lavalin shareholders		**$ 52,356**	$ 1,576	**$ 382,035**	$ 255,533
Non-controlling interests		**112**	59	**1,116**	1,032
Net income for the period		**$ 52,468**	$ 1,635	**$ 383,151**	$ 256,565
Earnings per share (in $)					
Basic		**$ 0.30**	$ 0.01	**$ 2.35**	$ 1.70
Diluted		**$ 0.30**	$ 0.01	**$ 2.34**	$ 1.70
Weighted average number of outstanding shares (in thousands)	7				
Basic		**175,476**	150,313	**162,910**	150,077
Diluted		**175,571**	150,497	**163,029**	150,279

(1) Earnings before interest and income taxes (“EBIT”)

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2017			2016		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 52,356**	**$ 112**	**$ 52,468**	$ 1,576	$ 59	$ 1,635
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**155,824**	**(74)**	**155,750**	142,808	(176)	142,632
Available-for-sale financial assets (Note 10)	**8,631**	**–**	**8,631**	1,053	–	1,053
Cash flow hedges (Note 10)	**7,835**	**–**	**7,835**	20,023	–	20,023
Share of other comprehensive income of investments accounted for by the equity method (Note 10)	**2,797**	**–**	**2,797**	11,693	–	11,693
Income taxes (Note 10)	**(6,210)**	**–**	**(6,210)**	(5,553)	–	(5,553)
Total of items that will be reclassified subsequently to net income	**168,877**	**(74)**	**168,803**	170,024	(176)	169,848
Remeasurement on defined benefit plans (Note 10)	**(63,691)**	**–**	**(63,691)**	3,652	–	3,652
Income taxes (Note 10)	**11,705**	**–**	**11,705**	(2,650)	–	(2,650)
Total of items that will not be reclassified subsequently to net income	**(51,986)**	**–**	**(51,986)**	1,002	–	1,002
Total other comprehensive income (loss) for the period	**116,891**	**(74)**	**116,817**	171,026	(176)	170,850
Total comprehensive income (loss) for the period	**$ 169,247**	**$ 38**	**$ 169,285**	$ 172,602	$ (117)	$ 172,485

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2017			2016		
	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the year	**$ 382,035**	**$ 1,116**	**$ 383,151**	$ 255,533	$ 1,032	$ 256,565
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(123,229)**	**55**	**(123,174)**	(79,718)	(3,336)	(83,054)
Available-for-sale financial assets (Note 10)	**12,234**	**–**	**12,234**	1,252	–	1,252
Cash flow hedges (Note 10)	**(8,553)**	**–**	**(8,553)**	(12,159)	–	(12,159)
Share of other comprehensive income of investments accounted for by the equity method (Note 10)	**57,678**	**–**	**57,678**	6,066	–	6,066
Income taxes (Note 10)	**(19,173)**	**–**	**(19,173)**	3,563	–	3,563
Total of items that will be reclassified subsequently to net income	**(81,043)**	**55**	**(80,988)**	(80,996)	(3,336)	(84,332)
Remeasurement on defined benefit plans (Note 10)	**21,844**	**–**	**21,844**	(40,501)	–	(40,501)
Income taxes (Note 10)	**(1,818)**	**–**	**(1,818)**	3,855	–	3,855
Total of items that will not be reclassified subsequently to net income	**20,026**	**–**	**20,026**	(36,646)	–	(36,646)
Total other comprehensive income (loss) for the year	**(61,017)**	**55**	**(60,962)**	(117,642)	(3,336)	(120,978)
Total comprehensive income (loss) for the year	**$ 321,018**	**$ 1,171**	**$ 322,189**	$ 137,891	$ (2,304)	$ 135,587

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	**2017**	2016	**2017**	2016
Operating activities					
Net income for the period		**$ 52,468**	$ 1,635	**$ 383,151**	$ 256,565
Income taxes paid		**(10,637)**	(2,624)	**(23,874)**	(53,224)
Interest paid from E&C		**(38,019)**	(2,294)	**(115,364)**	(35,694)
Interest paid from Capital investments		**(4)**	(1,733)	**(21,626)**	(24,752)
Other reconciling items	11A	**154,592**	90,511	**182,950**	23,454
		158,400	85,495	**405,237**	166,349
Net change in non-cash working capital items	11B	**217,795**	154,372	**(641,093)**	(60,725)
Net cash generated from (used for) operating activities		**376,195**	239,867	**(235,856)**	105,624
Investing activities					
Acquisition of property and equipment		**(35,625)**	(37,117)	**(124,816)**	(151,339)
Proceeds from disposal of the head office building	18	**–**	–	**173,288**	–
Payments for Capital investments		**–**	–	**–**	(11,687)
Costs associated to a foreign exchange option	20	**–**	–	**(54,134)**	–
Recovery associated to a foreign exchange option	20	**–**	–	**5,407**	–
Acquisition of businesses	20	**(57,308)**	–	**(3,176,722)**	–
Change in restricted cash position		**336**	(7,568)	**31,385**	(16,666)
Increase in receivables under service concession arrangements		**(57,630)**	(61,313)	**(214,380)**	(195,361)
Recovery of receivables under service concession arrangements		**22,081**	45,362	**109,852**	119,483
Decrease in short-term and long-term investments		**41,484**	16,459	**79,294**	81,456
Net cash inflow on disposals of Capital investments accounted for by the equity method	4A	**–**	–	**23,270**	101,851
Net cash inflow (outflow) on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method	4A, 17	**(21,944)**	(23,900)	**67,948**	(23,900)
Other		**5,435**	14,556	**15,857**	9,086
Net cash used for investing activities		**(103,171)**	(53,521)	**(3,063,751)**	(87,077)
Financing activities					
Increase in recourse debt	11D	**1,022,762**	–	**2,681,931**	4,876
Payment for recourse debt issue costs	11D	**(504)**	–	**(8,671)**	–
Repayment of recourse debt	11D	**(1,219,040)**	–	**(2,190,174)**	(4,876)
Increase in limited recourse debt	11E	**–**	–	**1,500,000**	–
Payment for limited recourse debt issue costs	11E	**–**	–	**(26,648)**	–
Increase in non-recourse debt from Capital investments	11E	**5,971**	473	**5,971**	940
Repayment of non-recourse debt from Capital investments	11E	**–**	(2,633)	**(5,969)**	(8,990)
Increase in advances under contract financing arrangements	11C	**–**	–	**–**	52,426
Repayment of advances under contract financing arrangements	11C	**–**	(68,027)	**–**	(448,125)
Proceeds from exercise of stock options		**1,085**	2,938	**9,727**	22,599
Dividends paid to SNC-Lavalin shareholders	8	**(47,905)**	(39,081)	**(177,948)**	(156,104)
Dividends paid by subsidiaries to non-controlling interests		**(854)**	(1,020)	**(854)**	(10,002)
Proceeds from shares issued in exchange of subscription receipts	20	**–**	–	**1,220,790**	–
Amount paid for acquisition of non-controlling interest	19	**–**	–	**(59,499)**	–
Other	11E	**(7,244)**	10,497	**4,757**	9,027
Net cash generated from (used for) financing activities		**(245,729)**	(96,853)	**2,953,413**	(538,229)
Increase (decrease) from exchange differences on translating cash and cash equivalents		**557**	767	**(2,720)**	(6,668)
Net increase (decrease) in cash and cash equivalents		**27,852**	90,260	**(348,914)**	(526,350)
Cash and cash equivalents at beginning of period		**678,718**	965,224	**1,055,484**	1,581,834
Cash and cash equivalents at end of period		**$ 706,570**	$ 1,055,484	**$ 706,570**	$ 1,055,484
Presented on the statement of financial position as follows:					
Cash and cash equivalents		**$ 706,531**	$ 1,055,484	**$ 706,531**	$ 1,055,484
Assets of disposal group classified as held for sale and assets held for sale	16	**39**	–	**39**	–
		$ 706,570	$ 1,055,484	**$ 706,570**	$ 1,055,484

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

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

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2017 were consistently applied to all periods presented.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company's annual audited consolidated financial statements for the year ended December 31, 2017 and remained unchanged for all periods presented.

The Company's financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for share unit plans, which are measured at fair value; ii) the defined benefit liabilities, which are measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets; and iii) investments measured at fair value, which are held by SNC-Lavalin Infrastructure Partners LP, an investment entity accounted for by the equity method and for which SNC-Lavalin elected to retain the fair value measurement applied by that investment entity (see Note 4A). Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

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

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2017 annual audited consolidated financial statements.

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on February 21, 2018.

B) CHANGE IN AN ACCOUNTING POLICIES

In the second quarter of 2017, the Company updated its definition of the segment EBIT, which now excludes the gain on disposal of the head office building (see Note 18). This change in the definition was made to take into consideration a transaction that took place in the second quarter of 2017. This change in the definition did not have any impact on the Company's financial statements, other than on its segment disclosures, and was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2. BASIS OF PREPARATION (CONTINUED)

C) CHANGE IN PRESENTATION

In the first quarter of 2017, the Company combined the financial results of its Infrastructure & Construction and Operations & Maintenance sub-segments, which were previously presented separately as additional information of the Infrastructure segment. The combination mainly comes from the disposal of a significant portion of the Operations & Maintenance sub-segment in the fourth quarter of 2016, which decreased the level of activities of the Operations & Maintenance sub-segment. As a result of the combination, comparative figures have been adjusted, with no impact on the Infrastructure segmented results.

D) NEW ACCOUNTING POLICY ADOPTED IN THE YEAR ENDED DECEMBER 31, 2017

As a result of the disposal of the Company's head office building in the second quarter of 2017, as detailed in Note 18, the Company adopted a new accounting policy applicable to sale and leaseback transactions, which is as follows:

A sale and leaseback transaction involves the sale of an asset by the Company and the leasing back of the same asset from the buyer.

Where a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognized as income by a seller-lessee. Instead, it is deferred and amortized over the lease term.

Where a leaseback transaction results in an operating lease:

- if the sale price of the asset is at fair value, the gain or loss from the sale is recognized immediately in the Company's income statement;
- if the sale price of the asset is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used; and
- if the sale price of the asset is below fair value, any gain or loss is recognized immediately in the Company's income statement except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used.

E) AMENDMENTS ADOPTED IN THE YEAR ENDED DECEMBER 31, 2017

The following amendments to existing standards have been adopted by the Company on January 1, 2017:

- *Disclosure Initiative* (Amendments to IAS 7, *Statement of Cash Flows*) require disclosures of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IFRS 12, *Disclosure of Interests in Other Entities*, clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The adoption of the amendments listed above did not have any impact on the Company's financial statements, other than on its disclosures of the financial information related to the statement of cash flows (see Note 11E).

F) STANDARDS, AMENDMENTS AND INTERPRETATION ISSUED TO BE ADOPTED AT A LATER DATE

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

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

2. BASIS OF PREPARATION (CONTINUED)

- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or 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.

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

Considerations for the implementation of IFRS 9 and IFRS 15

IFRS 9 and IFRS 15 are applicable for annual reporting periods beginning on or after January 1, 2018.

IFRS 9

IFRS 9 is applicable retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to certain exemptions and exceptions. In general, the main changes introduced by IFRS 9 are related 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, *Financial Instruments: Recognition and Measurement*) and hedge accounting. Although the methodology related to the classification of financial assets will change, the Company expects that most of its financial assets currently classified as "loans and receivables" and measured at amortized cost (approximately $2.1 billion as at December 31, 2017) will be classified as "financial assets subsequently measured at amortized cost". Excluding the potential impact from the change in the impairment model applicable to these financial assets, which is currently being analyzed (see below), the Company does not expect any significant impact on their measurement. Furthermore, the Company had $55.1 million of investments in equity instruments classified as "available-for-sale" as at December 31, 2017 which will be classified as financial assets subsequently measured at fair value through profit or loss or designated at fair value through other comprehensive income upon transition to IFRS 9. The Company does not expect any significant impact from the classification of its financial liabilities.

The Company is currently evaluating the impact of determining the amount of impairment of certain financial assets based on the expected credit loss model. While the Company had approximately $164 million of allowance for doubtful accounts on its trade receivables as at December 31, 2017, most of this allowance was related to commercial reasons, such as balances being disputed or subject to negotiation, rather than credit risk. The Company also has reserves on its contract in progress amounts, but most of these reserves are also due to commercial reasons rather than credit risk.

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

Upon adoption of IFRS 9, the Company expects to apply the exemption from the requirement to restate comparative information. Therefore, differences between the previous carrying amounts and the carrying amounts at the date of initial application, if any, will be recognized in the opening balance of retained earnings or other components of equity, as appropriate, as at January 1, 2018.

The Company is currently assessing the impact of the change on its financial systems, internal controls and policies and procedures related to the adoption of IFRS 9.

IFRS 15

IFRS 15 introduces a 5-step model to revenue recognition on contracts with customers. Such model requires 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 obligation is satisfied. In addition to recognition and measurement, IFRS 15 also provides new requirements on presentation and disclosures.

Transition considerations

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospectively with the cumulative effect of initially applying IFRS 15 recognized in opening retained earnings at the date of initial application (the "modified retrospective method"). The Company decided to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in 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 upon the initial adoption of the standard. The Company intends to apply the following practical expedients upon adoption of IFRS 15 on January 1, 2018:

PRACTICAL EXPEDIENT	DESCRIPTION
Completed contract	The Company will apply IFRS 15 retrospectively only to contracts that are not completed contracts as at January 1, 2018.
Contract modifications	The Company will not apply IFRS 15 retrospectively to contract modifications that occurred before January 1, 2018.

2. BASIS OF PREPARATION (CONTINUED)

Quantification of impact

The Company is currently finalizing the quantification of the impact of IFRS 15 on its consolidated financial statements. Although the Company has made progress in the implementation of IFRS 15 on its consolidated financial statements, the amounts disclosed below represent estimated impacts and actual results may differ from these estimates. As such, the following items represent the significant impact areas for the Company on transition to IFRS 15:

Change orders and claims

Change orders and claims, referred to as contract modifications, are currently recognized as per guidance provided in IAS 11, *Construction Contracts* ("IAS 11"). Under such guidance, revenue can be recognized on contract modifications only when certain conditions are met, including the fact that it is **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 is expected to be reversed as at January 1, 2018 (reversal of approximately $200 million after taxes to be reflected in the Company's opening retained earnings). 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, are being assessed to determine when the anticipated revenue should be included in the transaction price.

The Company estimates that the adoption of IFRS 15 for such contracts will result in a decrease of approximately $100 million after taxes in the Company's 2018 opening retained earnings.

Furthermore, for projects having revenue recognized based on the stage of completion method using a cost input method, the Company currently accounts for its assurance-type warranty costs the same way as other project costs. As a result, the Company does not carry a provision for such expected warranty costs. Rather, it recognizes such costs as they are incurred, which in turn contribute to the progress of the project based on the stage of completion method and, as such, generates 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. The exclusion of certain project costs from the determination of progress will either increase or decrease revenue being recognized on a project, without any impact on the total revenue and costs to be recognized over the life of the project. While the Company expects to increase its warranty provision as at January 1, 2018, no significant impact on its 2018 opening retained earnings is expected from the revised determination of progress.

Presentation and disclosures

In accordance with IFRS 15, the Company will change its presentation of contract-related assets and liabilities. As such, the Company will present 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 performance under a given contract.

2. BASIS OF PREPARATION (CONTINUED)

As previously mentioned, the Company will adopt IFRS 15 using the modified retrospective method, without restatement of the comparative figures. In addition to the new disclosure requirements under IFRS 15, the Company will also disclose the amount by which each financial statement line item is affected in the reporting period by the application of IFRS 15 as compared with the previous standards, as well as an explanation of the reasons for significant changes identified in IFRS 15.

Procedures and controls

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

3. SEGMENT DISCLOSURES

The following table presents revenues and EBIT according to the Company's segments for the three-month periods ended December 31, 2017 and 2016:

THREE MONTHS ENDED DECEMBER 31	2017				2016 [(1)]			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 129,609**	**$ 5,020**	**$ –**	**$ 5,020**	$ 71,409	$ 2,847	$ –	$ 2,847
Oil & Gas	**884,625**	**99,013**	**–**	**99,013**	1,013,994	100,809	–	100,809
Power	**281,486**	**(17,659)**	**–**	**(17,659)**	413,317	32,057	–	32,057
Infrastructure	**578,749**	**43,298**	**–**	**43,298**	647,764	24,106	–	24,106
Atkins	**993,278**	**131,540**	**–**	**131,540**	–	–	–	–
Total E&C segments	**2,867,747**	**261,212**	**–**	**261,212**	2,146,484	159,819	–	159,819
Capital	**50,089**	**–**	**42,258**	**42,258**	64,653	–	52,193	52,193
	$ 2,917,836			**303,470**	$ 2,211,137			212,012
Reversal of non-controlling interests before income taxes included above		**112**	**–**	**112**		79	–	79
Corporate selling, general and administrative expenses and others not allocated to the segments		**(39,685)**	**(5,319)**	**(45,004)**		(59,643)	(5,651)	(65,294)
Restructuring costs (Note 5)		**429**	**–**	**429**		(87,832)	–	(87,832)
Acquisition-related costs and integration costs (Note 20)		**(25,381)**	**–**	**(25,381)**		(299)	–	(299)
Amortization of intangible assets related to business combinations		**(73,825)**	**–**	**(73,825)**		(16,538)	–	(16,538)
Loss on disposals of Capital investments (Note 4A)		**–**	**–**	**–**		–	(2,664)	(2,664)
Loss from disposals of E&C businesses (Note 17)		**(7)**	**–**	**(7)**		(37,133)	–	(37,133)
EBIT		**122,855**	**36,939**	**159,794**		(41,547)	43,878	2,331
Net financial expenses (Note 6)		**49,035**	**1,350**	**50,385**		6,850	3,615	10,465
Earnings (loss) before income taxes		**73,820**	**35,589**	**109,409**		(48,397)	40,263	(8,134)
Income taxes		**59,430**	**(2,489)**	**56,941**		(10,020)	251	(9,769)
Net income (loss) for the period		**$ 14,390**	**$ 38,078**	**$ 52,468**		$ (38,377)	$ 40,012	$ 1,635
Net income attributable to:								
SNC-Lavalin shareholders				**$ 52,356**				$ 1,576
Non-controlling interests				**112**				59
Net income for the period				**$ 52,468**				$ 1,635

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B) and a change made to the Company's reporting of its financial results related to the Infrastructure segment (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the years ended December 31, 2017 and 2016:

YEAR ENDED DECEMBER 31	2017				2016 [1]			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	**$ 432,804**	**$ 20,477**	**$ –**	**$ 20,477**	$ 355,944	$ 35,302	$ –	$ 35,302
Oil & Gas	**3,392,952**	**245,597**	**–**	**245,597**	3,735,456	186,273	–	186,273
Power	**1,334,554**	**66,418**	**–**	**66,418**	1,624,034	113,009	–	113,009
Infrastructure	**2,137,805**	**158,354**	**–**	**158,354**	2,507,651	131,008	–	131,008
Atkins	**1,798,600**	**204,995**	**–**	**204,995**	–	–	–	–
Total E&C segments	**9,096,715**	**695,841**	**–**	**695,841**	8,223,085	465,592	–	465,592
Capital	**238,003**	**–**	**213,990**	**213,990**	247,748	–	201,942	201,942
	$ 9,334,718			**909,831**	$ 8,470,833			667,534
Reversal of non-controlling interests before income taxes included above		**1,116**	**–**	**1,116**		1,050	–	1,050
Corporate selling, general and administrative expenses and others not allocated to the segments		**(149,675)**	**(26,518)**	**(176,193)**		(162,317)	(24,284)	(186,601)
Restructuring costs (Note 5)		**(26,363)**	**–**	**(26,363)**		(115,405)	–	(115,405)
Acquisition-related costs and integration costs (Note 20)		**(124,300)**	**–**	**(124,300)**		(4,409)	–	(4,409)
Amortization of intangible assets related to business combinations (Note 22)		**(138,892)**	**–**	**(138,892)**		(68,810)	–	(68,810)
Gain on disposals of Capital investments (Note 4A)		**–**	**42,078**	**42,078**		–	55,875	55,875
Gain (loss) from disposals of E&C businesses (Note 17)		**999**	**–**	**999**		(37,133)	–	(37,133)
Gain on disposal of the head office building (Note 18)		**115,101**	**–**	**115,101**		–	–	–
EBIT		**373,827**	**229,550**	**603,377**		78,568	233,533	312,101
Net financial expenses (Note 6)		**107,830**	**10,014**	**117,844**		27,926	14,191	42,117
Earnings before income taxes		**265,997**	**219,536**	**485,533**		50,642	219,342	269,984
Income taxes		**88,886**	**13,496**	**102,382**		3,265	10,154	13,419
Net income		**177,111**	**206,040**	**$ 383,151**		$ 47,377	$ 209,188	$ 256,565
Net income attributable to:								
SNC-Lavalin shareholders				**$ 382,035**				$ 255,533
Non-controlling interests				**1,116**				1,032
Net income				**$ 383,151**				$ 256,565

[1] Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments (see Note 2B) and a change made to the Company's reporting of its financial results related to the Infrastructure segment (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

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

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

	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	2017	2016	**2017**	2016
Supplementary information:				
Net gain (loss) from disposals of E&C businesses (Note 17)	**$ (7)**	$ (44,582)	**$ 850**	$ (44,582)
Net gain on disposal of the head office building (Note 18)	**–**	–	**101,531**	–
Excluding the items listed above	**14,284**	6,146	**73,614**	90,927
Net income attributable to SNC-Lavalin shareholders from E&C	**14,277**	(38,436)	**175,995**	46,345
Net gain (loss) on disposals of Capital investments (Note 4A)	**3,135**	(2,664)	**35,007**	48,381
Highway 407 ETR dividends	**36,047**	34,806	**141,718**	132,516
Excluding the items listed above	**(1,103)**	7,870	**29,315**	28,291
Net income attributable to SNC-Lavalin shareholders from Capital	**38,079**	40,012	**206,040**	209,188
Net income attributable to SNC-Lavalin shareholders for the period	**$ 52,356**	$ 1,576	**$ 382,035**	$ 255,533

4. CAPITAL INVESTMENTS

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

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

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN THE YEAR ENDED DECEMBER 31, 2017

SNC-LAVALIN INFRASTRUCTURE PARTNERS LP

On June 30, 2017, SNC-Lavalin announced the launch of SNC-Lavalin Infrastructure Partners LP (the "Partnership"), established to efficiently redeploy capital back into development opportunities, and entered into a strategic agreement with a Canadian subsidiary of BBGI SICAV S.A. ("BBGI"). This Partnership holds 100% of SNC-Lavalin's interests in a selection of its mature Canadian infrastructure assets and their holding companies.

On September 28, 2017, BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of the following four assets: Okanagan Lake Concession Limited Partnership ("Okanagan"), InTransit BC Limited Partnership ("InTransit"), Chinook Roads Partnership ("Chinook") and Rainbow Hospital Partnership ("Rainbow") and contemporaneously SNC-Lavalin transferred to the Partnership all of its ownership in the four assets. A fifth asset, McGill Healthcare Infrastructure Group, G.P. ("MHIG"), is currently expected to be transferred to the Partnership in 2018 (see Note 16).

Net gain on partial disposal of the Partnership

YEAR ENDED DECEMBER 31		2017
Consideration received	$	98,774
Net assets disposed of		(48,682)
Cumulative share of other comprehensive loss of investments accounted for by the equity method reclassified from equity		(30,977)
Carrying amount of the investment retained in the Partnership		9,736
Gain attributable to measuring the investment retained in the Partnership at its fair value		14,957
Disposition-related costs		(7,133)
Gain on partial disposal of the Partnership		**36,675**
Income taxes		(10,206)
Net gain on partial disposal of the Partnership	**$**	**26,469**

On September 28, 2017, excluding the BBGI's subscription, major classes of assets and liabilities of the Partnership were as follows:

		SEPTEMBER 28 2017
Cash and cash equivalents	$	8,882
Restricted cash		3,347
Other current assets		11,104
Capital investments accounted for by the equity method		27,812
Other non-current assets		215,417
Assets disposed of		266,562
Current liabilities		44,622
Non-current liabilities		173,258
Liabilities disposed of		217,880
Net assets disposed of	**$**	**48,682**

4. CAPITAL INVESTMENTS (CONTINUED)

Net cash inflow on partial disposal of the Partnership

YEAR ENDED DECEMBER 31		2017
Consideration received in cash	$	98,774
Less: cash and cash equivalents balances disposed of		(8,882)
Net cash inflow on partial disposal of the Partnership	**$**	**89,892**

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

On June 30, 2017, the joint venture McGill Healthcare Infrastructure Group, in which SNC-Lavalin previously held a 60% ownership interest, issued equity instruments to the other investor in MHIG, which resulted in a dilution of SNC-Lavalin's ownership interest to 50%. In addition, the Company's subordinated loan receivable from MHIG of $109.3 million (the "Subordinated Loan") was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for a total cash consideration of $23.3 million.

Gain on equity transaction of MHIG

YEAR ENDED DECEMBER 31		2017
SNC-Lavalin's share of the contribution by the other investor in MHIG	$	5,052
Cost of deemed disposal of 10% of ownership interest in MHIG		(2,480)
Gain before income taxes		**2,572**
Income taxes		–
Net gain on equity transaction of MHIG	**$**	**2,572**

Gain on Subordinated Loan transaction

YEAR ENDED DECEMBER 31		2017
Consideration received	$	23,270
Carrying amount of the Subordinated Loan sold to the other investor		(18,218)
Carrying amount of the reimbursed Subordinated Loan		(2,221)
Gain before income taxes		**2,831**
Income taxes		–
Net gain on Subordinated Loan transaction	**$**	**2,831**

For the year ended December 31, 2017, the gain on disposals of Capital investments is presented in the Company's consolidated income statement as follows:

YEAR ENDED DECEMBER 31		2017				
		BEFORE TAXES		INCOME TAXES		NET OF TAXES
Gain on equity transaction of MHIG	$	2,572	$	–	$	2,572
Gain on Subordinated Loan transaction		2,831		–		2,831
Gain on partial disposal of MHIG		5,403		–		5,403
Gain on partial disposal of the Partnership		36,675		(10,206)		26,469
Income tax recovery, net, related to disposals of certain Capital investments		–		3,135		3,135
Gain on disposals of Capital investments	**$**	**42,078**	**$**	**(7,071)**	**$**	**35,007**

II) IN THE YEAR ENDED DECEMBER 31, 2016

MALTA INTERNATIONAL AIRPORT

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

4. CAPITAL INVESTMENTS (CONTINUED)

Net gain on disposal of SNCL Malta

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

Net cash inflow on disposal of SNCL Malta

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

RAYALSEEMA

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

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

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

Gain on disposals of Capital investments

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

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

Net cash inflow on disposals of Capital investments

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

YEAR ENDED DECEMBER 31		2016
Net cash inflow on disposal of SNCL Malta	$	93,810
Proceeds from disposal of Rayalseema		8,041
Net cash inflow on disposals of Capital investments accounted for by the equity method	**$**	**101,851**

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

4. CAPITAL INVESTMENTS (CONTINUED)

B) NET BOOK VALUE OF CAPITAL INVESTMENTS

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

		DECEMBER 31 2017		DECEMBER 31 2016
Net liabilities from Capital investments accounted for by the consolidation method	**$**	**(36,099)**	$	(31,231)
Net book value of Capital investments accounted for by the equity method (1), (2), (3)		**296,664**		399,425
Net book value of Capital investments accounted for by the cost method		**55,614**		48,325
Total net book value of Capital investments	**$**	**316,179**	$	416,519

(1) Includes the Company's investment in Highway 407 ETR, for which the net book value was $nil as at December 31, 2017 and 2016.

(2) Included the Company's subordinated loan receivable from a Capital investment of $109.3 million as at December 31, 2016 (see Note 4A), such loan being presented in the "Assets of disposal group classified as held for sale and assets held for sale" as at December 31, 2017.

(3) Excludes the Company's investment in MHIG as at December 31, 2017, which is included in the "Assets of disposal group classified as held for sale and assets held for sale" (2016: TC Dôme S.A.S.).

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects related to energy, power and other natural resources that include a significant amount of greenfield development, construction or other capital expenditures programs. As at December 31, 2017 and 2016, no liability was recorded in relation to this agreement as the conditions have not been met yet.

5. RESTRUCTURING COSTS

The Company recognized a reversal of the restructuring costs totalling $0.4 million in the fourth quarter of 2017 (2016: restructuring costs of $87.8 million) and restructuring costs totalling $26.4 million in the year ended December 31, 2017 (2016: $115.4 million).

The restructuring costs recognized in the years ended December 31, 2017 and 2016 were mainly for severances.

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED DECEMBER 31	**2017**			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	**$ 15,266**	**$ –**	**$ 15,266**	$ 5,465	$ –	$ 5,465
Limited recourse	**26,177**	**–**	**26,177**	–	–	–
Non-recourse	**–**	**3,473**	**3,473**	–	6,702	6,702
Other	**2,069**	**4**	**2,073**	3,687	53	3,740
Financial expenses	**43,512**	**3,477**	**46,989**	9,152	6,755	15,907
Financial income	**(1,735)**	**(2,232)**	**(3,967)**	(1,733)	(3,140)	(4,873)
Net foreign exchange losses (gains)	**7,258**	**105**	**7,363**	(569)	–	(569)
Financial income and net foreign exchange losses (gains)	**5,523**	**(2,127)**	**3,396**	(2,302)	(3,140)	(5,442)
Net financial expenses	**$ 49,035**	**$ 1,350**	**$ 50,385**	$ 6,850	$ 3,615	$ 10,465

6. NET FINANCIAL EXPENSES (CONTINUED)

YEAR ENDED DECEMBER 31	2017			2016		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest on debt:						
Recourse	$ **41,496**	$ **–**	$ **41,496**	$ 21,901	$ –	$ 21,901
Limited recourse	**48,993**	**–**	**48,993**	–	–	–
Non-recourse	**–**	**20,567**	**20,567**	–	27,123	27,123
Other	**12,022**	**16**	**12,038**	11,595	191	11,786
Financial expenses	**102,511**	**20,583**	**123,094**	33,496	27,314	60,810
Financial income	**(10,938)**	**(10,350)**	**(21,288)**	(9,363)	(13,123)	(22,486)
Net foreign exchange losses (gains)	**16,257**	**(219)**	**16,038**	3,793	–	3,793
Financial income and net foreign exchange losses (gains)	**5,319**	**(10,569)**	**(5,250)**	(5,570)	(13,123)	(18,693)
Net financial expenses	$ **107,830**	$ **10,014**	$ **117,844**	$ 27,926	$ 14,191	$ 42,117

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the fourth quarters and years ended December 31, 2017 and 2016 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2017	2016	**2017**	2016
Weighted average number of outstanding shares - basic	**175,476**	150,313	**162,910**	150,077
Dilutive effect of stock options	**95**	184	**119**	202
Weighted average number of outstanding shares - diluted	**175,571**	150,497	**163,029**	150,279

In the fourth quarters and years ended December 31, 2017 and 2016, all outstanding stock options have been included in the computation of diluted earnings per share.

8. DIVIDENDS

During the year ended December 31, 2017, the Company recognized as distributions to its equity shareholders dividends of $177.9 million or $1.092 per share (2016: $156.1 million or $1.04 per share).

YEAR ENDED DECEMBER 31	**2017**	2016
Dividends payable at January 1	$ **–**	$ –
Dividends declared during the year	**177,948**	156,104
Dividends paid during the year	**(177,948)**	(156,104)
Dividends payable at December 31	$ **–**	$ –

9. REDEMPTION OF SHARES

In the second quarter of 2017, the Company announced that it had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2017. In the notice, SNC-Lavalin stated that a maximum of 1,500,000 common shares may be purchased for cancellation on the open market. Purchases may commence on June 6, 2017 and will terminate no later than June 5, 2018. For the period from June 6, 2016 to June 5, 2017, the number of common shares subject to the issuer bid was 3,000,000 common shares.

There was no redemption of shares in 2017 and 2016.

10. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2017 and 2016:

		DECEMBER 31 2017		DECEMBER 31 2016
Exchange differences on translating foreign operations	**$**	**266,497**	$	389,726
Available-for-sale financial assets		**8,874**		2,384
Cash flow hedges		**(566)**		6,695
Share of other comprehensive income (loss) of investments accounted for by the equity method		**3,169**		(39,788)
Other components of equity	**$**	**277,974**	$	359,017
Presented on the statement of financial position as follows:				
Other components of equity	**$**	**277,974**	$	360,845
Other components of equity of asset held for sale (Note 16)	**$**	**–**	$	(1,828)

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

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the fourth quarters and the years ended December 31, 2017 and 2016:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2017	2016	**2017**	2016
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ 110,673**	$ 246,918	**$ 389,726**	$ 472,355
Current period gains (losses)	**169,456**	137,096	**(112,979)**	(102,422)
Reclassification to net income	**(3,309)**	5,712	**(3,309)**	11,488
Net investment hedge - current period gains (losses)	**(10,323)**	–	**(6,941)**	11,216
Income taxes relating to current period gains	**–**	–	**–**	(2,911)
Balance at end of period	**266,497**	389,726	**266,497**	389,726
Available-for-sale financial assets:				
Balance at beginning of period	**4,176**	2,366	**2,384**	1,768
Current period gains (losses) [(1)]	**9,493**	1,989	**9,574**	(22)
Income taxes relating to current period gains (losses)	**(3,933)**	(1,035)	**(5,744)**	(636)
Reclassification to net income [(1)]	**(862)**	(936)	**2,660**	1,274
Balance at end of period	**8,874**	2,384	**8,874**	2,384
Cash flow hedges:				
Balance at beginning of period	**(6,874)**	(12,520)	**6,695**	10,036
Current period gains	**11,715**	12,194	**4,575**	21,874
Income tax relating to current period gains	**(1,224)**	(3,185)	**(429)**	(339)
Reclassification to net income	**(3,880)**	7,829	**(15,819)**	(34,033)
Income taxes relating to amounts reclassified to net income	**(303)**	2,377	**1,721**	9,157
Reclassification to goodwill (Note 20)	**–**	–	**2,691**	–
Balance at end of period	**(566)**	6,695	**(566)**	6,695
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**1,122**	(47,771)	**(39,788)**	(44,146)
Current period share	**2,697**	11,882	**4,214**	(2,464)
Income taxes relating to current period share	**(792)**	(3,155)	**(1,040)**	468
Reclassification to net income	**100**	(189)	**53,464**	8,530
Income taxes relating to amounts reclassified to net income	**42**	(555)	**(13,681)**	(2,176)
Balance at end of period	**3,169**	(39,788)	**3,169**	(39,788)
Other components of equity	**$ 277,974**	$ 359,017	**$ 277,974**	$ 359,017
Presented on the statement of financial position as follows:				
Other components of equity	**$ 277,974**	$ 360,845	**$ 277,974**	$ 360,845
Other components of equity of asset held for sale (Note 16)	**$ –**	$ (1,828)	**$ –**	$ (1,828)

(1) For the fourth quarter and the year ended December 31, 2017, the loss arising on derivatives designated as hedging instruments in fair value hedges amounted to $0.8 million (2016: $0.9 million) and the gain amounted to $2.7 million (2016: $1.3 million), respectively, and the gain arising on adjustments for the hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to $0.8 million (2016: $0.9 million) and the loss amounted to $2.7 million (2016: $1.3 million), respectively.

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

REMEASUREMENT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the fourth quarters and the years ended December 31, 2017 and 2016:

THREE MONTHS ENDED DECEMBER 31		**2017**			2016	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ 11,515**	**$ (3,427)**	**$ 8,088**	$ (77,672)	$ 12,746	$ (64,926)
Gains (losses) recognized during the period	**(63,691)**	**11,705**	**(51,986)**	3,652	(2,650)	1,002
Cumulative amount at end of period	**$ (52,176)**	**$ 8,278**	**$ (43,898)**	$ (74,020)	$ 10,096	$ (63,924)

YEAR ENDED DECEMBER 31		**2017**			2016	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ (74,020)**	**$ 10,096**	**$ (63,924)**	$ (33,519)	$ 6,241	$ (27,278)
Gains (losses) recognized during the period	**21,844**	**(1,818)**	**20,026**	(40,501)	3,855	(36,646)
Cumulative amount at December 31	**$ (52,176)**	**$ 8,278**	**$ (43,898)**	$ (74,020)	$ 10,096	$ (63,924)

11. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2017	2016	**2017**	2016
Depreciation of property and equipment and amortization of other non-current assets:				
From E&C	**$ 99,123**	$ 32,788	**$ 215,557**	$ 140,566
From Capital	**–**	–	**–**	2,533
Income taxes recognized in net income	**56,941**	(9,769)	**102,382**	13,419
Net financial expenses recognized in net income (Note 6)	**50,385**	10,465	**117,844**	42,117
Share-based expense	**9,787**	10,340	**42,069**	30,541
Income from Capital investments accounted for by the equity method	**(39,490)**	(45,485)	**(184,819)**	(182,844)
Dividends and distributions received from Capital investments accounted for by the equity method	**44,787**	43,483	**156,876**	162,389
Net change in provisions related to forecasted losses on certain contracts	**(9,966)**	(24,616)	**(51,640)**	(125,043)
(Gain) loss on disposals of Capital investments (Note 4A)	**–**	2,664	**(42,078)**	(55,875)
Remeasurement of a foreign exchange option (Note 20)	**–**	–	**48,727**	–
Restructuring costs recognized in net income (Note 5)	**(429)**	87,832	**26,363**	115,405
Restructuring costs paid	**(11,222)**	(29,241)	**(85,893)**	(109,051)
(Gain) loss from disposals of E&C businesses (Note 17)	**7**	37,133	**(999)**	37,133
Gain on disposal of the head office building (Note 18)	**–**	–	**(115,101)**	–
Other	**(45,331)**	(25,083)	**(46,338)**	(47,836)
Other reconciling items	**$ 154,592**	$ 90,511	**$ 182,950**	$ 23,454

11. STATEMENTS OF CASH FLOWS (CONTINUED)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2017	2016	**2017**	2016
Decrease (increase) in trade receivables	**$ 34,726**	$ (90,024)	**$ (30,035)**	$ 178,219
Decrease (increase) in contracts in progress	**341,243**	21,583	**125,217**	(246,719)
Decrease (increase) in inventories	**11,248**	(14,941)	**11,571**	(1,298)
Decrease in other current financial assets	**3,367**	122,940	**110,408**	357,339
Increase in other current non-financial assets	**(24,403)**	(104,904)	**(121,563)**	(104,661)
Increase (decrease) in trade payables	**(52,623)**	34,041	**(248,364)**	(226,718)
Increase (decrease) in downpayments on contracts	**(72,964)**	43,751	**(109,719)**	89,403
Increase (decrease) in deferred revenues	**(59,219)**	45,325	**(334,319)**	(150,186)
Decrease in other current financial liabilities	**(2,450)**	(5,128)	**(20,591)**	(19,748)
Increase (decrease) in other current non-financial liabilities	**38,870**	101,729	**(23,698)**	63,644
Net change in non-cash working capital items	**$ 217,795**	$ 154,372	**$ (641,093)**	$ (60,725)

C) ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

In 2016, the Company had non-recourse advances under financing arrangements secured by the projects' specific assets. SNC-Lavalin entered into these credit facilities with financial institutions for the financing of the EPC contracts related to Sainte-Justine University Hospital Centre and Evergreen Line rapid transit projects.

In 2016, the Company repaid in full the balance outstanding under these non-recourse credit facilities and such facilities were terminated according to the terms of the credit agreements.

D) CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT

YEAR ENDED DECEMBER 31		**2017**	
RECOURSE DEBT	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Revolving Facility	$ 1,884,621	$ (1,691,843)	$ (5,552)
Term Facility	498,060	–	(2,615)
Credit facility and senior notes of Atkins	–	(498,331)	–
Debentures maturing in 2020	299,250	–	(504)
Total	**$ 2,681,931**	**$ (2,190,174)**	**$ (8,671)**

11. STATEMENTS OF CASH FLOWS (CONTINUED)

E) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Recourse debt [(1)]	Limited recourse debt	Non-recourse debt from Capital investments [(2)]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [(3)]	Other non-current non-financial liabilities [(3)]
Balance at January 1, 2017	$ 349,369	$ –	$ 493,582	$ –	$ 5,928	$ 15,846
Changes arising from cash flows:						
Increase	2,681,931	1,500,000	5,971	–	2,008	10,853
Repayment	(2,198,845)	(26,648)	(5,969)	(177,948)	(5,679)	(2,832)
Total - changes arising from cash flows	483,086	1,473,352	2	(177,948)	(3,671)	8,021
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	177,948	–	–
Effect of foreign currency exchange differences	(3,092)	–	906	–	(260)	34
Amortization of deferred financing costs and discounts	6,545	1,825	15	–	–	–
Reclassification of deferred financing costs and discounts previously included in "Other current non-financial assets"	(8,128)	–	–	–	–	–
Non-current portion of deferred tenant allowance related to the disposal of the head office building (Note 18)	–	–	–	–	–	29,466
Additions through a business combination	517,759	–	–	–	13,428	–
Disposal of a Capital investment accounted for by the consolidation method	–	–	(181,541)	–	–	–
Balance at December 31, 2017	**$ 1,345,539**	**$ 1,475,177**	**$ 312,964**	**$ –**	**$ 15,425**	**$ 53,367**

(1) Recourse short-term debt and recourse long-term debt were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2017	JANUARY 1 2017
Recourse short-term debt	$ 318,757	$ –
Recourse long-term debt	1,026,782	349,369
Total	**$ 1,345,539**	**$ 349,369**

(2) Non-recourse short-term debt and long-term debt from Capital investments were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2017	JANUARY 1 2017
Non-recourse short-term debt from Capital investments	$ 15,566	$ 21,011
Non-recourse long-term debt from Capital investments	297,398	472,571
Total	**$ 312,964**	**$ 493,582**

(3) Change arising from cash flows of other non-current financial liabilities and other non-current non-financial liabilities was presented in the financing activities in the Company's consolidated statement of cash flows as follows:

YEAR ENDED DECEMBER 31	2017
Other non-current financial liabilities	$ (3,671)
Other non-current non-financial liabilities	8,021
Other	407
Total	**$ 4,757**

12. 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 fourth quarter and the year ended December 31, 2017, SNC-Lavalin recognized E&C revenues of $385.8 million (2016: $180.5 million) and $1,098.3 million (2016: $755.8 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 $39.5 million for the fourth quarter of 2017 (2016: $45.5 million) and $184.8 million for the year ended December 31, 2017 (2016: $182.8 million), respectively.

SNC-Lavalin's trade receivables from investments accounted for by the equity method amounted to $77.6 million as at December 31, 2017 (2016: $90.2 million). SNC-Lavalin's other current financial assets receivable from these investments accounted for by the equity method amounted to $103.6 million as at December 31, 2017 (2016: $83.0 million). SNC-Lavalin's remaining commitment to invest in its Capital investments accounted for by the equity method was $98.0 million at December 31, 2017 (2016: $98.0 million).

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

13. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at December 31, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2017					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [1]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 706,531**	**$ –**	**$ –**	**$ –**	**$ 706,531**	**$ 706,531**
Restricted cash	**20,932**	**–**	**–**	**–**	**20,932**	**20,932**
Trade receivables	**–**	**–**	**1,445,859**	**–**	**1,445,859**	**1,445,859**
Other current financial assets	**5,271**	**–**	**399,262**	**37,967**	**442,500**	**442,500**
Capital investments accounted for by the cost method [2]	**–**	**55,058**	**556**	**–**	**55,614**	**See [2]**
Non-current portion of receivables under service concession arrangements [3]	**–**	**–**	**273,340**	**–**	**273,340**	**291,238**
Other non-current financial assets [3], [4]	**7,602**	**–**	**22,167**	**14,552**	**44,321**	**44,321**
Total	**$ 740,336**	**$ 55,058**	**$ 2,141,184**	**$ 52,519**	**$ 2,989,097**	

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

(1) Fair value through profit or loss ("FVTPL"), comprised of financial assets classified as held for trading.

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

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

(4) For the year ended December 31, 2017, the net loss on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company's share unit plans amounted to $3.8 million (2016: net gain of $38.1 million), while the net gain on corresponding share unit plans' liabilities amounted to $8.4 million (2016: net loss of $23.5 million).

13. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at December 31, 2017 and December 31, 2016 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2017			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	**$ –**	**$ 2,176,947**	**$ 2,176,947**	**$ 2,176,947**
Downpayments on contracts	**–**	**149,388**	**149,388**	**149,388**
Other current financial liabilities	**20,775**	**243,949**	**264,724**	**264,724**
Provisions	**–**	**52,519**	**52,519**	**52,519**
Short-term debt and long-term debt [(1)]	**–**	**3,133,680**	**3,133,680**	**3,178,071**
Other non-current financial liabilities	**1,303**	**14,122**	**15,425**	**15,425**
Total	**$ 22,078**	**$ 5,770,605**	**$ 5,792,683**	

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

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

For the years ended December 31, 2017 and 2016, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

14. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

14. CONTINGENT LIABILITIES (CONTINUED)

Charges and RCMP investigation

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

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

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

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

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

14. CONTINGENT LIABILITIES (CONTINUED)

World Bank Settlement

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

African Development Bank Settlement

On October 1, 2015, the Company announced a settlement with the African Development Bank relating to allegations of corruption in two African countries (the "African Development Bank Settlement"). The African Development Bank Settlement requires that the Company cooperate with the African Development Bank on various compliance matters in the future.

Canada's Integrity Regime

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

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

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

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

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

14. CONTINGENT LIABILITIES (CONTINUED)

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

The Company participated in the Voluntary Reimbursement Program ("Bill 26") which was put into force by the Government of Quebec on November 2, 2015. The Program provided for a period of time within which the Government of Quebec and various municipalities, governmental agencies and others could assess whether settlement proposals by program participants should cover a governmental or municipal entity. The Company settled all issues that it notified under the Program, or which the Program brought to its attention, on a timely and substantiated basis.

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aïssa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec.

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and was awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA$17.2 million translated using the exchange rates as at October 1, 2014 (representing the equivalent of 12.9 million CHF and US$2.0 million) plus interest. As at December 31, 2017, the Company has received all amounts due under this award.

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

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

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

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

14. CONTINGENT LIABILITIES (CONTINUED)

B) CLASS ACTION LAWSUITS

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

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

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

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in “Wave 1” of the matter commonly referred to as the “Pyrrhotite Case” in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the then-known defendants, on an *in solidum* basis (the “Wave 1 claims”). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin’s share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). In addition to the appeal of the decision, recourses in warranty were filed against another party, which may result in reduction of SNC-Lavalin’s share of the damages. The appeal hearing has started in October 2017 and will be completed in April 2018.

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

<u>Legal proceedings</u>

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

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

14. CONTINGENT LIABILITIES (CONTINUED)

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

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

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

15. SHORT-TERM DEBT AND LONG-TERM DEBT

On April 20, 2017, SNC-Lavalin announced that it reached an agreement with WS Atkins Limited (previously WS Atkins plc) ("Atkins") to acquire the entire issued and to be issued share capital of Atkins (see Note 20). This acquisition was funded through a combination of equity and debt issuance, including a £300 million term facility (the "Term Facility") and a $1,500 million loan (the "CDPQ Loan") made by CDPQ Revenu Fixe Inc. (the "CDPQ RF") to SNC-Lavalin Highway Holdings Inc. ("Highway Holdings").

On May 15, 2017, the Company amended its existing revolving credit facility (the "Revolving Facility") and merged the Revolving Facility with the Term Facility into one single agreement (the "Credit Agreement").

Following the acquisition of Atkins, the actual cash draws under the Term Facility, the CDPQ loan and the Revolving Facility are indicated in Note 20.

A) REVOLVING FACILITY

The Revolving Facility is comprised of two tranches: i) tranche A is for an amount of $2,000 million; and ii) tranche B is for an amount of $750 million. The Revolving Facility maturity date is May 15, 2021 or such other date as may be agreed pursuant to extension provisions of the Credit Agreement. Borrowings under tranche A may be obtained in the form of: i) prime rate loans; ii) acceptances; iii) US base rate loans; iv) Libor loans in US dollars, Euros and British pounds; and v) non-financial, financial and documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non-financial or documentary letters of credit.

B) TERM FACILITY

The Term Facility is comprised of three tranches: i) tranche 1 is for an amount of £75 million; ii) tranche 2 is for an amount of £75 million; and iii) tranche 3 is for an amount of £150 million. Tranches 1, 2 and 3 maturity dates are respectively on the third, the fourth and the fifth anniversaries of the disbursement of the Term Facility. The Term Facility is not revolving and amounts repaid or prepaid may not be reborrowed. Borrowings were obtained in the form of Libor loans in British pounds. In November 2017, borrowings under tranche 1 were repaid.

C) BILATERAL LETTERS OF CREDIT

Any lender party to the Credit Agreement may, in its sole discretion, issue bilateral letters of credit (outside the Credit Facility) requested by the Company in any currency agreed to by such issuing lender. The Company must ensure that the aggregate outstanding amount of all outstanding bilateral letters of credit under the Credit Agreement does not at any time exceed $2,500 million. The Company has also access to other bilateral letters of credit capacity outside of the Credit Agreement.

15. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

D) CDPQ LOAN

The CDPQ Loan is a limited recourse debt comprised of two tranches: i) tranche A which is a non-revolving term loan in an aggregate amount of $1,000 million; and ii) tranche B which is a non-revolving term loan in an aggregate amount of $500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of Highway Holdings, an indirect wholly-owned subsidiary of the Company holding shares of 407 International Inc. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. The maturity date of the CDPQ Loan is on the seventh anniversary of the funding date. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: i) the CDOR rate; and ii) 0.9%, plus an applicable margin.

E) DEBENTURES

On November 24, 2017, the Company issued new unsecured debentures of $300 million aggregate principal amount that bears interest at a fixed annual rate of 2.689%, payable in equal semi-annual instalment over a 3-year term. The net proceeds were used by the Company to repay certain indebtedness outstanding under the Term Facility and the Revolving Facility and for general corporate purposes.

16. DISPOSAL GROUP AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at December 31, 2017, the disposal group and non-current assets classified as held for sale included: i) a Capital investment accounted for by the equity method, namely MHIG, and its holding company (see Note 4A); and ii) other non-current assets, mainly project equipment, included in the Oil & Gas segment.

The major classes of assets and liabilities of the disposal group and assets held for sale as at December 31, 2017 were as follows:

AT DECEMBER 31, 2017	MHIG	OTHER NON-CURRENT ASSETS	TOTAL
Cash and cash equivalents	$ 39	$ –	$ 39
Other current assets	1,428	–	1,428
Capital investments accounted for by the equity method	106,321	–	106,321
Other non-current assets	–	206	206
Assets of disposal group classified as held for sale and assets held for sale	107,788	206	107,994
Current liabilities	1,182	–	1,182
Non-current liabilities	59,258	–	59,258
Liabilities of disposal group classified as held for sale	60,440	–	60,440
Net assets of disposal group classified as held for sale and assets held for sale	$ 47,348	$ 206	$ 47,554

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

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

17. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT

A) IN 2017

On October 13, 2017, SNC-Lavalin completed the sale of its ownership interest of 100% in Equinox CA Europe Ltd. ("Equinox") in exchange for total cash consideration of €6.8 million (CA$10.1 million).

Net gain on disposal of Equinox

YEAR ENDED DECEMBER 31		2017
Consideration received	$	10,120
Net assets disposed of [1]		(8,961)
Disposition-related costs		(715)
Gain on disposal of Equinox		**444**
Income taxes		–
Net gain on disposal of Equinox	**$**	**444**

[1] On October 13, 2017, net assets disposed of included cash and cash equivalents of $32.1 million, other current assets of $0.2 million and current liabilities of $23.3 million.

Net cash outflow on disposal of Equinox

YEAR ENDED DECEMBER 31		2017
Consideration received in cash	$	10,120
Less: cash and cash equivalents balances disposed of		(32,064)
Net cash outflow on disposal of Equinox	**$**	**(21,944)**

In 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 December 31, 2017, certain assumptions used to estimate such adjustments have been revised, resulting in a gain of $0.6 million before income taxes ($0.4 million net of taxes) in 2017.

B) IN 2016

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

In addition, on December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing activities in France and in Monaco, including its investment in Société d'Exploitation de l'Aéroport de Mayotte (see Note 4A), to Ciclad and Impact Holding for a nominal amount, as detailed below. These activities were presented in the Infrastructure & Construction and Operations & Maintenance sub-segments of the Infrastructure segment and in the Capital segment.

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

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

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

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

Net cash inflow (outflow) on disposals

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

18. GAIN ON DISPOSAL OF THE HEAD OFFICE BUILDING

On June 22, 2017, SNC-Lavalin announced that it completed the sale of its Montreal head office building and land located on René-Lévesque Boulevard West for $173.3 million to GWL Realty Advisors on behalf of institutional clients. Concurrently, SNC-Lavalin entered into a 20 year lease for the building.

Net gain on disposal of the head office building

YEAR ENDED DECEMBER 31	2017
Consideration received	$ 173,288
Carrying amount of the head office building and land	(22,781)
Deferred tenant allowance	(31,017)
Deferred gain on disposal of the head office building	(2,905)
Disposition-related costs	(1,484)
Gain on disposal of the head office building	**115,101**
Income taxes	(13,570)
Net gain on disposal of the head office building	**$ 101,531**

19. ACQUISITION OF NON-CONTROLLING INTEREST

In 2017, SNC-Lavalin signed an agreement to acquire the non-controlling interest of Saudi Arabia Kentz Co. LLC for total cash consideration of US$45.8 million (CA$59.5 million) and to introduce a new shareholder for this entity, ultimately increasing SNC-Lavalin's ownership interest in this subsidiary from 49% to 75%.

Excess of the consideration paid over the carrying amount

YEAR ENDED DECEMBER 31	2017
Consideration paid	$ 59,499
Carrying amount of the acquired non-controlling interest	(23,740)
Excess of the consideration paid over the carrying amount before income taxes	**35,759**
Income taxes	–
Excess of the consideration paid over the carrying amount net of income taxes	**$ 35,759**

The excess of the consideration paid over the carrying amount of the acquired non-controlling interest of $35.8 million is included in "Retained earnings" in the Company's consolidated statement of changes in equity for the year ended December 31, 2017.

The acquisition of the prior shareholder's shareholdings in Saudi Arabia Kentz Co. LLC resulted in the derecognition of non-controlling interest in the Company's subsidiary. Based on the contractual agreements with the new shareholder, the Company consolidates the results of this entity in full from the date of such transaction.

20. BUSINESS COMBINATIONS

A) WS ATKINS PLC

On April 20, 2017, SNC-Lavalin announced that it reached an agreement with WS Atkins Limited (previously WS Atkins plc), approved by the boards of directors of both companies, on the terms of a cash acquisition by which SNC-Lavalin would acquire the entire issued and to be issued share capital of Atkins (the "Acquisition"). Headquartered in the United Kingdom, Atkins is a global design, engineering and project management consultancy, with a position across the infrastructure, transportation and energy sectors. The primary reasons for the Acquisition were to bring to SNC-Lavalin new and complementary capabilities in its existing activities, with minimal overlap in its service offering, and to broaden the Company's presence in Europe, the U.K., Scandinavia, the U.S., the Middle East and Asia.

20. BUSINESS COMBINATIONS (CONTINUED)

In July 2017, SNC-Lavalin announced that it completed its Acquisition of Atkins. The aggregate cash consideration for the Acquisition was £20.80 per Atkins share for a total consideration of approximately $3.5 billion and was financed, including the acquisition-related costs, using the net proceeds from an $880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters; a $400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec; a $1.5 billion loan from the CDPQ RF to Highway Holdings, a draw of £300 million (CA$498 million) under the Term Facility, as well as a draw of US$185 million (CA$238 million) and £56 million (CA$93 million) under the Revolving Facility (see Note 15).

On July 3, 2017, each subscription receipt entitled the holder to automatically receive, without payment of additional consideration or further action, one common share of the Company together with an amount equal to the per share dividends the Company declared on its common shares for record dates that occurred between April 27, 2017 and July 3, 2017, for a total of $6.8 million (the "Dividend-equivalent amount").

In July 2017, common shares issued in exchange of subscription receipts were as follows:

	PUBLIC OFFERING	PRIVATE PLACEMENT	TOTAL
Number of common shares issued in exchange of subscription receipts	17,105,000	7,775,000	24,880,000
Price per subscription receipt (in $)	$ 51.45	$ 51.45	$ 51.45
Gross proceeds	$ 880,052	$ 400,024	$ 1,280,076
Less: Dividend-equivalent amount			(6,792)
Less: Common share issue costs			(52,494)
Plus: Income taxes related to common share issue costs			13,942
Carrying amount of shares issued in exchange of subscription receipts			**$ 1,234,732**
Less: Non-cash income taxes related to common share issue costs			(13,942)
Proceeds from shares issued in exchange of subscription receipts			**$ 1,220,790**

I) PRELIMINARY ALLOCATION OF PURCHASE PRICE

The acquisition of Atkins has been accounted for using the acquisition method, and Atkins has been consolidated from the effective date of acquisition with the Company acquiring 100% of the voting shares of Atkins.

The purchase price for this business acquisition was $3.5 billion. The preliminary allocation of purchase price and the total cash consideration paid are shown below. During the three-month period ended December 31, 2017, the Company modified the preliminary allocation of purchase prise and has retrospectively revised the impact of changes to the preliminary allocation of purchase price.

20. BUSINESS COMBINATIONS (CONTINUED)

AT JULY 3, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE	NOTE	ADJUSTMENTS	REVISED PRELIMINARY ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$ 388,280		$ –	$ 388,280
Trade receivables (1)	584,319	A	(57,018)	527,301
Contracts in progress	337,230	A	(30,286)	306,944
Other current assets	131,760	A	1,079	132,839
Other non-current assets	240,068	A	13,591	253,659
Intangible assets related to Atkins acquisition (Note 22)	721,756		317,283	1,039,039
Trade payables and other current liabilities	(1,018,962)	B	(75,458)	(1,094,420)
Short-term debt and long-term debt (2)	(517,759)		–	(517,759)
Non-current liabilities and non-controlling interests	(578,400)	C	(119,516)	(697,916)
Net identifiable assets of business acquired	288,292		49,675	337,967
Goodwill (Note 21) (3), (4)	3,219,402		(49,675)	3,169,727
Total purchase price	$ 3,507,694		$ –	$ 3,507,694

(1) The gross contractual amounts receivable are $640.7 million of which $56.4 million is the estimated amount at the acquisition date of the contractual cash flows not expected to be collected.

(2) Include senior notes with a face value of US$75 million issued by Atkins in the US private placement market. These senior notes were due May 31, 2019, were repayable in full at maturity, bore interest at a rate of 4.38% (as adjusted, from time to time, by reference to a pension deficit ratio) and were unsecured and subject to affirmative and negative covenants.

(3) Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks. The total amount of goodwill that is expected to be deductible for tax purposes is $118.8 million.

(4) In relation with the agreement to acquire Atkins, SNC-Lavalin entered into forward foreign exchange contracts under which SNC-Lavalin sold Canadian dollars and bought British pounds. Forward foreign exchange contracts having a notional value of £1,500 million were classified as derivatives used for cash flow hedges until the payment date, which occurred in July 2017. The effective portion of the loss arising from these hedging instruments, which amounted to $2.7 million before income taxes ($2.7 million after income taxes), was initially recognized in "Cash flow hedges" in the Company's consolidated statement of comprehensive income and was subsequently recognized as a reclassification adjustment to goodwill on the date of acquisition of Atkins (see Note 10).

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Atkins, it is not practical to definitively allocate the purchase price as at December 31, 2017. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period, which cannot exceed one year from the acquisition date. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

The main adjustments made to the preliminary allocation of purchase price are as follows:

A. Project-related assets

The Company adjusted the initial value of project-related assets, such as trade receivables and contracts in progress, to reflect new information obtained about facts and circumstances that existed at the date of acquisition related to these projects.

B. Trade payables and other current liabilities

The Company adjusted the initial value allocated to certain trade payables and other current liabilities, mainly on project-related liabilities and on the short-term portion of certain provisions existing at the date of acquisition.

C. Non-current liabilities and non-controlling interests

This adjustment mainly represents the impact on deferred income tax liability from adjustments discussed above, as well as adjustments made to the fair value of certain provisions existing at the date of acquisition.

20. BUSINESS COMBINATIONS (CONTINUED)

The total purchase price related to the acquisition of Atkins, net of cash and cash equivalents at acquisition, included in the consolidated statement of cash flows is as follows:

YEAR ENDED DECEMBER 31	2017
Total purchase price as per above	$ 3,507,694
Less: Cash and cash equivalents at acquisition as per above	388,280
Total purchase price, net of cash and cash equivalents at acquisition	**$ 3,119,414**

II) GOODWILL ARISING ON THE BUINESS COMBINATION

Goodwill arose in the business combination because the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

III) ACQUSITION-RELATED COSTS AND INTERGATION COSTS

Acquisition-related costs and integration costs amounted to $124.3 million in year ended December 31, 2017, of which $76.3 million related solely to the acquisition-related costs, and included the following costs, among others:

- a loss of $48.7 million from remeasurement of a foreign exchange option; and
- a net foreign exchange gain of $9.7 million due to the timing difference between the date of acquisition and the date of payment for such acquisition.

IV) IMPACT OF THE BUSINESS ACQUISITION ON THE RESULTS OF SNC-LAVALIN

SNC-Lavalin's consolidated revenues and net income attributable to SNC-Lavalin shareholders for the year ended December 31, 2017 included approximately $1.8 billion and $136 million, respectively, from the business acquisition of Atkins completed by SNC-Lavalin on July 3, 2017. Had the acquisition of Atkins and related acquisition-related costs and financing occurred on January 1, 2017, SNC-Lavalin pro forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately $10.8 billion and $310 million, respectively. These pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin's acquisition date adjusted to reflect hypothetical additional financing costs and amortization expense of intangible assets since January 1, 2017 and should not be viewed as indicative of SNC-Lavalin's consolidated future performance.

B) DATA TRANSFER SOLUTIONS LLC

On October 31, 2017, SNC-Lavalin announced the acquisition of Data Transfer Solutions LLC ("Data Transfer Solutions") for US$45 million (approximately CA$59 million). Completed on October 30, 2017, the acquisition added to the capabilities of SNC-Lavalin's Atkins segment and enhanced service offerings in digital asset management for clients.

The acquisition of Data Transfer Solutions has been accounted for using the acquisition method and Data Transfer Solutions has been consolidated from the effective date of acquisition with the Company acquiring 100% of the voting shares of Data Transfer Solutions.

20. BUSINESS COMBINATIONS (CONTINUED)

The preliminary allocation of purchase price and the total cash consideration paid are shown below.

AT OCTOBER 30, 2017		PRELIMINARY ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$	1,619
Trade receivables [(1)]		5,492
Contracts in progress		3,865
Other current assets		172
Other non-current assets		1,995
Trade payables and other current liabilities		(4,209)
Net identifiable assets of business acquired		8,934
Goodwill (Note 21) [(2)]		49,993
Total purchase price	**$**	**58,927**

(1) The gross contractual amounts receivable are $5.5 million of which $nil is the estimated amount at the acquisition date of the contractual cash flows not expected to be collected.

(2) Goodwill represents the excess of the cost of acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as revenue backlog, customer relationships and trademarks. The total amount of goodwill that is expected to be deductible for tax purposes is $50.0 million.

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Data Transfer Solutions, it is not practical to definitively allocate the purchase price as at December 31, 2017. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period, which cannot exceed one year from the acquisition date. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

The total purchase price related to the acquisition of Data Transfer Solutions, net of cash and cash equivalents at acquisition, is as follows:

YEAR ENDED DECEMBER 31		2017
Total purchase price as per above	$	58,927
Less: Cash and cash equivalents at acquisition as per above		1,619
Total purchase price, net of cash and cash equivalents at acquisition	**$**	**57,308**

The total purchase price related to the acquisitions of Atkins and Data Transfer Solutions included in the consolidated statement of cash flows is as follows:

YEAR ENDED DECEMBER 31		2017
Atkins	$	3,119,414
Data Transfer Solutions		57,308
Total purchase price, net of cash and cash equivalents at acquisition	**$**	**3,176,722**

21. GOODWILL

The following table presents a reconciliation of the carrying amount of the Company's goodwill:

YEAR ENDED DECEMBER 31	2017
Balance at January 1, 2017	$ 3,268,214
Additional amount recognized from the acquisition of Atkins (Note 20A)	3,169,727
Additional amount recognized from the acquisition of Data Transfer Solutions (Note 20B)	49,993
Net foreign currency exchange differences	(164,494)
Balance at December 31, 2017	**$ 6,323,440**

22. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

The following table presents a reconciliation of the carrying amount of the Company's intangible assets related to business combinations:

YEAR ENDED DECEMBER 31	2017
Intangible assets related to Kentz acquisition - January 1, 2017	$ 194,164
Additional amount recognized from the acquisition of Atkins (Note 20A):	
Revenue backlog	194,073
Customer relationships	740,440
Trademarks	104,526
Amortization expense	(138,892)
Net foreign currency exchange differences	(4,474)
Intangible assets related to business combinations - December 31, 2017	**$ 1,089,837**

Intangible assets with definite useful life related to Atkins acquisition are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Revenue backlog	Straight-line	3 years
Customer relationships	Straight-line	10 years
Trademarks	Straight-line	4 to 8 years