

Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements (“financial statements”) of SNC-Lavalin Group Inc. and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2016, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2016, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal control over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

NEIL BRUCE (signed)
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

SYLVAIN GIRARD (signed)
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

MARCH 1, 2017
MONTREAL, CANADA

Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

We have audited the accompanying consolidated financial statements of SNC-Lavalin Group Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SNC-Lavalin Group Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(s) Deloitte LLP¹

MARCH 1, 2017
MONTREAL, CANADA

(1) CPA auditor, CA, public accountancy permit No. A114871

Consolidated Statements of Financial Position

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	DECEMBER 31 2016	DECEMBER 31 2015
ASSETS			
Current assets			
Cash and cash equivalents	6	\$ 1,055,484	\$ 1,581,834
Restricted cash	6	55,577	38,964
Trade receivables	7	935,983	1,200,890
Contracts in progress		1,188,912	985,852
Inventories	8	138,795	152,186
Other current financial assets	9	492,725	908,870
Other current non-financial assets	10	315,847	329,219
Assets held for sale	36	6,706	–
Total current assets		4,190,029	5,197,815
Property and equipment	11	298,333	265,077
Capital investments accounted for by the equity method	5	399,425	419,525
Capital investments accounted for by the cost method	5	48,325	48,331
Goodwill	12	3,268,214	3,386,849
Intangible assets related to Kentz acquisition	13	194,164	272,650
Deferred income tax asset	27	421,461	436,817
Non-current portion of receivables under service concession arrangements		356,847	291,858
Other non-current financial assets	14	58,523	74,064
Other non-current non-financial assets	15	62,998	110,167
Total assets		\$ 9,298,319	\$ 10,503,153
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 1,888,242	\$ 2,330,538
Downpayments on contracts		263,382	185,813
Deferred revenues		851,158	1,041,633
Other current financial liabilities	16	303,975	394,348
Other current non-financial liabilities	17	397,790	370,621
Advances under contract financing arrangements	18	–	394,144
Current portion of provisions	20	236,594	364,455
Short-term debt and current portion of long-term debt:			
Non-recourse from Capital investments	19	21,011	8,200
Total current liabilities		3,962,152	5,089,752
Long-term debt:			
Recourse	19	349,369	349,144
Non-recourse from Capital investments	19	472,571	525,800
Other non-current financial liabilities		5,928	6,897
Non-current portion of provisions	20	326,401	344,325
Other non-current non-financial liabilities		15,846	10,215
Deferred income tax liability	27	269,718	273,524
Total liabilities		5,401,985	6,599,657
Equity			
Share capital	21	554,839	526,812
Retained earnings		2,959,366	2,901,353
Other components of equity	22	360,845	440,013
Other components of equity of asset held for sale	36	(1,828)	–
Equity attributable to SNC-Lavalin shareholders		3,873,222	3,868,178
Non-controlling interests		23,112	35,318
Total equity		3,896,334	3,903,496
Total liabilities and equity		\$ 9,298,319	\$ 10,503,153

See accompanying notes to consolidated financial statements.

Approved, on behalf of the Board of Directors, by:

NEIL BRUCE (signed)
DIRECTOR

PATRICIA A. HAMMICK (signed)
DIRECTOR

Consolidated Statements of Changes in Equity

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

2016

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 22)	TOTAL		
Balance at beginning of 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 21F)	–	–	(156,104)	–	(156,104)	–	(156,104)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(10,002)	(10,002)
Stock option compensation (Note 21B)	–	–	658	–	658	–	658
Shares issued under stock option plans (Note 21B)	585	28,027	(5,428)	–	22,599	–	22,599
Capital contributions by non-controlling interests	–	–	–	–	–	100	100
Balance at end of year	150,357	\$ 554,839	\$ 2,959,366	\$ 359,017	\$ 3,873,222	\$ 23,112	\$ 3,896,334

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

2015

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 22)	TOTAL		
Balance at beginning of year	152,465	\$ 531,460	\$ 2,785,067	\$ (2,721)	\$ 3,313,806	\$ 11,080	\$ 3,324,886
Net income	–	–	404,336	–	404,336	33,199	437,535
Other comprehensive income (loss)	–	–	(503)	442,734	442,231	3,625	445,856
Total comprehensive income	–	–	403,833	442,734	846,567	36,824	883,391
Dividends declared (Note 21F)	–	–	(150,863)	–	(150,863)	–	(150,863)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(28,480)	(28,480)
Stock option compensation (Note 21B)	–	–	(173)	–	(173)	–	(173)
Shares issued under stock option plans (Note 21B)	111	5,210	(994)	–	4,216	–	4,216
Shares redeemed and cancelled (Note 21D)	(2,804)	(9,858)	(111,919)	–	(121,777)	–	(121,777)
Capital contributions by non-controlling interests	–	–	–	–	–	1,296	1,296
Acquisition of non-controlling interests	–	–	(5,122)	–	(5,122)	(3,878)	(9,000)
Reduction of participation in a subsidiary	–	–	(18,476)	–	(18,476)	18,476	–
Balance at end of year	149,772	\$ 526,812	\$ 2,901,353	\$ 440,013	\$ 3,868,178	\$ 35,318	\$ 3,903,496

See accompanying notes to consolidated financial statements.

Consolidated Income Statements

YEAR ENDED DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)

	Note	2016	2015
Revenues from:			
E&C		\$ 8,223,085	\$ 9,363,508
Capital investments accounted for by the consolidation or cost methods		64,904	66,364
Capital investments accounted for by the equity method		182,844	157,082
		8,470,833	9,586,954
Direct costs of activities		7,264,735	8,154,155
Gross margin			
		1,206,098	1,432,799
Selling, general and administrative expenses	23	724,115	855,633
Restructuring costs	24	115,405	116,396
Acquisition-related costs and integration costs		4,409	19,574
Amortization of intangible assets related to Kentz acquisition	13	68,810	93,988
Gain on disposals of Capital investments	5A	(55,875)	(174,350)
Loss on disposals of E&C businesses	37	37,133	–
EBIT⁽¹⁾			
		312,101	521,558
Financial expenses	25	60,810	75,151
Financial income and foreign exchange losses (gains)	25	(18,693)	(74,846)
Earnings before income taxes			
		269,984	521,253
Income taxes	27	13,419	83,718
Net income			
		\$ 256,565	\$ 437,535
Net income attributable to:			
SNC-Lavalin shareholders		\$ 255,533	\$ 404,336
Non-controlling interests		1,032	33,199
Net income			
		\$ 256,565	\$ 437,535
Earnings per share (in \$)			
Basic		\$ 1.70	\$ 2.68
Diluted		\$ 1.70	\$ 2.68
Weighted average number of outstanding shares (in thousands)			
	21E		
Basic		150,077	150,918
Diluted		150,279	150,988

⁽¹⁾ Earnings before interest and taxes ("EBIT")

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2016		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	\$ 255,533	\$ 1,032	\$ 256,565
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 22)	(79,718)	(3,336)	(83,054)
Available-for-sale financial assets (Note 22)	1,252	–	1,252
Cash flow hedges (Note 22)	(12,159)	–	(12,159)
Share of other comprehensive income of investments accounted for by the equity method (Note 22)	6,066	–	6,066
Income taxes (Note 22)	3,563	–	3,563
Total of items that will be reclassified subsequently to net income	(80,996)	(3,336)	(84,332)
Remeasurement on defined benefit plans (Note 22)	(40,501)	–	(40,501)
Income taxes (Note 22)	3,855	–	3,855
Total of items that will not be reclassified subsequently to net income	(36,646)	–	(36,646)
Total other comprehensive loss	(117,642)	(3,336)	(120,978)
Total comprehensive income (loss)	\$ 137,891	\$ (2,304)	\$ 135,587

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2015		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	\$ 404,336	\$ 33,199	\$ 437,535
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 22)	441,420	3,625	445,045
Available-for-sale financial assets (Note 22)	830	–	830
Cash flow hedges (Note 22)	14,412	–	14,412
Share of other comprehensive loss of investments accounted for by the equity method (Note 22)	(11,747)	–	(11,747)
Income taxes (Note 22)	(2,181)	–	(2,181)
Total of items that will be reclassified subsequently to net income	442,734	3,625	446,359
Remeasurement on defined benefit plans (Note 22)	(341)	–	(341)
Income taxes (Note 22)	(162)	–	(162)
Total of items that will not be reclassified subsequently to net income	(503)	–	(503)
Total other comprehensive income	442,231	3,625	445,856
Total comprehensive income	\$ 846,567	\$ 36,824	\$ 883,391

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2016	2015
Operating activities			
Net income		\$ 256,565	\$ 437,535
Income taxes paid		(53,224)	(309,352)
Interest paid from E&C		(35,694)	(37,394)
Interest paid from Capital investments		(24,752)	(28,385)
Other reconciling items	26A	23,454	67,088
		166,349	129,492
Net change in non-cash working capital items	26B	(60,725)	(644,184)
Net cash generated from (used for) operating activities		105,624	(514,692)
Investing activities			
Acquisition of property and equipment		(151,339)	(115,975)
Payments for Capital investments	5C	(11,687)	(16,949)
Recovery associated to the settlement of a financial arrangement	21C	–	49,279
Change in restricted cash position		(16,666)	(7,207)
Increase in receivables under service concession arrangements		(195,361)	(129,733)
Recovery of receivables under service concession arrangements		119,483	93,000
Decrease in short-term and long-term investments		81,456	81,931
Net cash inflow on disposals of Capital investments accounted for by the equity method	5A	101,851	–
Net cash inflow on disposal of a Capital investment accounted for by the cost method	5A	–	600,717
Net cash outflow on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method	37	(23,900)	–
Other		9,086	28,965
Net cash generated from (used for) investing activities		(87,077)	584,028
Financing activities			
Increase in recourse credit facility	19	4,876	430,000
Repayment of recourse credit facility	19	(4,876)	(430,000)
Increase in non-recourse debt from Capital investments		940	2,074
Repayment of non-recourse debt from Capital investments		(8,990)	(10,491)
Increase in advances under contract financing arrangements	18	52,426	173,490
Repayment of advances under contract financing arrangements	18	(448,125)	(102,971)
Proceeds from exercise of stock options		22,599	4,216
Redemption of shares	21D	–	(121,777)
Dividends paid to SNC-Lavalin shareholders	21F	(156,104)	(150,863)
Dividends paid by subsidiaries to non-controlling interests		(10,002)	(28,480)
Other		9,027	(6,671)
Net cash used for financing activities		(538,229)	(241,473)
Increase (decrease) from exchange differences on translating cash and cash equivalents		(6,668)	51,766
Net decrease in cash and cash equivalents		(526,350)	(120,371)
Cash and cash equivalents at beginning of year		1,581,834	1,702,205
Cash and cash equivalents at end of year		\$ 1,055,484	\$ 1,581,834

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE	PAGE
1. DESCRIPTION OF BUSINESS	125
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	125
3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY	137
4. SEGMENT DISCLOSURES.....	140
5. CAPITAL INVESTMENTS.....	144
6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH.....	151
7. TRADE RECEIVABLES	152
8. INVENTORIES	152
9. OTHER CURRENT FINANCIAL ASSETS.....	152
10. OTHER CURRENT NON-FINANCIAL ASSETS.....	153
11. PROPERTY AND EQUIPMENT	153
12. GOODWILL	154
13. INTANGIBLE ASSETS RELATED TO KENTZ ACQUISITION	155
14. OTHER NON-CURRENT FINANCIAL ASSETS.....	155
15. OTHER NON-CURRENT NON-FINANCIAL ASSETS	155
16. OTHER CURRENT FINANCIAL LIABILITIES	156
17. OTHER CURRENT NON-FINANCIAL LIABILITIES	156
18. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS.....	156
19. SHORT-TERM DEBT AND LONG-TERM DEBT.....	157
20. PROVISIONS	159
21. SHARE CAPITAL.....	159
22. OTHER COMPONENTS OF EQUITY.....	163
23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	165
24. RESTRUCTURING COSTS	165
25. NET FINANCIAL EXPENSES	165
26. STATEMENTS OF CASH FLOWS.....	166
27. INCOME TAXES	167
28. FINANCIAL INSTRUMENTS.....	170
29. CAPITAL MANAGEMENT.....	176
30. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS.....	177
31. CONTINGENT LIABILITIES.....	180
32. OPERATING LEASE ARRANGEMENTS.....	185
33. REMUNERATION.....	185
34. RELATED PARTY TRANSACTIONS	186
35. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES	187
36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE.....	189
37. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT	189

Notes to Consolidated Financial Statements

(ALL TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

1. DESCRIPTION OF BUSINESS

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

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

The Company reports its revenues as follows:

- **E&C** includes contracts generating revenues related to engineering, construction, and O&M activities. Such activities include, among others, Engineering, Procurement and Construction (“EPC”), Engineering, Procurement and Construction Management (“EPCM”), and Operations & Maintenance (“O&M”) contracts.
- **Capital investments** regroup SNC-Lavalin’s investments in infrastructure concessions for public services or in other long-term assets.

In these audited consolidated financial statements (“financial statements”), activities from engineering and construction and operations and maintenance expertise are collectively referred to as “from E&C” or “excluding Capital investments” to distinguish them from activities related to the Capital investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Company’s financial statements have been prepared in accordance with **International Financial Reporting Standards** (“IFRS”) issued and effective, or issued and early adopted, for the year ended December 31, 2016, and are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS 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.

The Company’s financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for share unit plans, which are measured at fair value; and ii) defined benefit liability, which is measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets. Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

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

The Company’s financial statements were authorized for issue by the Board of Directors on March 1, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) CHANGE IN AN ACCOUNTING POLICY

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

C) AMENDMENTS ADOPTED IN 2016

The following amendments to existing standards have been adopted by the Company on January 1, 2016:

- *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.
- *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.
- Annual Improvements to IFRS (2012-2014 Cycle):
 - Amendments to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.
 - Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.
 - Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.
 - Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The adoption of the amendments listed above did not have any impact on the Company's financial statements.

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

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2017 and thereafter, with an earlier application permitted:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- IFRS 9, *Financial Instruments*, (“IFRS 9”) covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model.
- IFRS 15, *Revenue from Contracts with Customers*, (“IFRS 15”) outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related Interpretations.
- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.
- Amendments to IFRS 2, *Share-based Payment*, provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipt in advance, a date of transaction is established for each payment or receipt.
- *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.

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

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

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

Considerations for the implementation of IFRS 9 and IFRS 15

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

E) BASIS OF CONSOLIDATION

In accordance with IFRS, SNC-Lavalin's interests in other entities subject to control, joint control or significant influence are accounted for as follows:

TYPE OF INTEREST	TYPE OF INFLUENCE	ACCOUNTING METHOD
Subsidiary	Control	Consolidation method
Joint venture	Joint control	Equity method
Joint operation	Joint control	SNC-Lavalin's share of interest
Associate	Significant influence	Equity method
Investment	Non-significant influence	Cost method

A subsidiary that is not wholly-owned by SNC-Lavalin results in non-controlling interests that are presented separately on the consolidated statement of financial position, while the portions of net income and of comprehensive income attributable to such non-controlling interests are also shown separately on the consolidated income statement and on the consolidated statement of comprehensive income, respectively.

When necessary, adjustments are made to the financial statements of subsidiaries, joint arrangements and associates to bring their accounting policies in line with those used by the Company.

Business acquisitions

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, if any, in exchange for control of the acquiree. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

At the date of acquisition, the identifiable assets acquired and the liabilities assumed are recognized at fair value, except that:

- deferred income tax asset or liability, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes*, and IAS 19, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment*, at the date of acquisition; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with this standard.

Business acquisition costs are expensed in the periods in which these costs are incurred and the services are received.

The results of businesses acquired are included in the consolidated financial statements from the date on which control commences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The individual financial statements of each entity within the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity within the Company are expressed in Canadian dollars, which is the presentation currency of the Company for its consolidated financial statements.

Foreign currency transactions and balances

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedure on transactions and balances in currencies other than their functional currency: 1) monetary items are translated in their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated in their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated in their functional currency using the average exchange rate of the period. Any resulting gains or losses are recognized in net income and, if hedge accounting is applied, offsetting losses or gains from the hedging items are also recognized in net income.

As a result of applying the procedure described above, Canadian and foreign operations obtain financial statements presented in their functional currency.

Translation of financial statements of foreign operations

For the purpose of presenting consolidated financial statements in Canadian dollars, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period, while revenues and expenses items are translated at the average exchange rate for the period. Exchange differences arising on consolidation, if any, are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal of foreign operations.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period end rate.

G) REVENUE RECOGNITION

REVENUES FROM E&C

Revenues from E&C are recognized based on the nature of the contract, which are mainly as follows:

- Revenues from **cost-plus reimbursable contracts** (usually providing for the reimbursement of costs related to time and material, plus an applicable margin) are recognized as costs are incurred, and include applicable margin earned as services are provided. Revenues from **fixed-price contracts** and **unit-rate contracts** are recognized on the stage of completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its stage of completion at any given time. Revenues from **mixed contracts** (providing for a mix of fixed-price and cost-plus reimbursable) are also recognized based on the stage of completion method. The stage of completion is determined by dividing the cumulative costs incurred as at the period end date by the sum of incurred costs and anticipated costs for completing a contract.
- The fixed-fee revenue portion from **cost reimbursable with fixed-fee contracts** for O&M activity is recognized on a straight-line basis over the term of the contract, while the revenues from the cost-reimbursable portion are recognized as costs are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For contracts using the stage of completion method to recognize revenue, the cumulative effect of changes to anticipated costs and anticipated revenues for completing a contract are recognized in the period in which the revisions are identified. SNC-Lavalin has numerous contracts that are in various stages of completion. Estimates are required to determine the appropriate anticipated costs and revenues. Anticipated revenues on contracts may include future revenues from unapproved change orders, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. Also, anticipated revenues on contracts may include future revenues from claims, if negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount that it is probable will be accepted by the customer can be measured reliably. Revenues from performance incentives are recognized when specific indicators have been met and collection is reasonably assured.

In the event that the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

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

REVENUES FROM CAPITAL INVESTMENTS

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

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

SEPARATELY IDENTIFIABLE REVENUE COMPONENTS CONTRACTUAL ARRANGEMENTS

SNC-Lavalin may enter into contractual arrangements with a client to deliver services on one project which span more than one component, such as EPC or EPCM, O&M and/or Capital investments. When entering into such arrangements, the Company allocates consideration received or receivable by reference to the relative fair values of the services delivered, when the amounts are separately identifiable. Accordingly, when such arrangements exist on the same project, the value of each revenue component is based on the fair value of each related activity and recognized according to the respective revenue recognition methods described above.

H) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Financial instruments are contracts that give rise to a financial asset or a financial liability. Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

CATEGORY	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Fair value through profit or loss ("FVTPL")	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Available-for-sale	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.	Investment income, which includes interest, dividends and distributions, is recognized in net income. Gains/losses from revaluation are recognized in other comprehensive income until assets are disposed of or impaired, at which time the gains/losses are recognized in net income.
Loans and receivables	Financial assets	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income
Other financial liabilities	Financial liabilities	Fair value including transaction costs		

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEDGING

In the normal course of its business, SNC-Lavalin enters into derivative financial instruments, namely i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin may also enter into other derivative financial instruments to hedge its exposure to market risk. When applying hedge accounting, SNC-Lavalin formally documents its accounting choice, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges. The Company does not enter into derivative financial instruments for speculative purposes.

CASH FLOW HEDGES

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instruments is recorded in other components of equity, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges of an available-for-sale investment are recognized in net income immediately, together with any changes in the fair value of the hedged available-for-sale investment that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in net income in the same line item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

Hedges of net investments of foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under “Exchange differences on translating foreign operations” in the “Other components of equity”. The gain or loss relating to the ineffective portion is recognized immediately in net income, and is included in the “Financial expenses” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the “Exchange differences on translating foreign operations” are reclassified to net income on the disposal of the foreign operation.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in net income.

When an available-for-sale financial asset is considered to be impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to net income. For available-for-sale equity instruments, impairment losses previously recognized in net income are not reversed through net income. Any increase in fair value subsequent to an impairment is recognized in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) SERVICE CONCESSION ARRANGEMENTS UNDER IFRIC INTERPRETATION 12

IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

- controls or regulates what services the operator (i.e. “the concessionaire”) must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

ACCOUNTING MODEL	DEMAND RISK
Financial asset model	The concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, e.g. availability payments).
Intangible asset model	The concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).
Bifurcated model	The concessionaire shares demand risk with the grantor (i.e., the grantor pays the concessionaire for its services partly by a financial asset and partly by granting a right to charge users of the infrastructure).

Revenues from service concession arrangements accounted for under IFRIC 12 are recognized as follows:

ACTIVITIES PROVIDED BY THE CONCESSIONAIRE	REVENUE RECOGNITION	CLASSIFICATION OF REVENUES IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Construction or upgrade (when a service concession arrangement involves the construction or upgrade of the public service infrastructure)	Revenues relating to construction or upgrade services under a service concession arrangement are recognized based on the stage of completion of the work performed, consistent with the Company's accounting policy on recognizing revenue applicable to any construction contract (see Note 2G).	The Company classifies these revenues as “from E&C” when SNC-Lavalin acts as an EPC contractor. When SNC-Lavalin does not act as an EPC contractor, revenues are recognized by the concession as part of “Capital investments” activities.
Operations and maintenance (these activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users)	Operations and maintenance revenues are recognized in the period in which the activities are performed by the Company, consistent with the Company's accounting policy on recognizing revenue applicable to any operation and maintenance contract (see Note 2G).	The Company classifies these revenues as “from E&C” when SNC-Lavalin acts as an O&M contractor. When SNC-Lavalin does not act as an O&M contractor, revenues are recognized by the concession as part of “Capital investments” activities.
Rehabilitation (when a service concession arrangement requires the concessionaire to rehabilitate the infrastructure such that the infrastructure can deliver a specified standard of service at all times)	When rehabilitation activities are considered revenue-generating activities, revenues are recognized in the period in which the services are provided, consistent with the Company's accounting policy on recognizing revenue applicable to any other similar contract (see Note 2G).	The Company classifies these revenues as “from E&C” activities when SNC-Lavalin acts as a rehabilitation contractor. When SNC-Lavalin does not act as a rehabilitation contractor, revenues are recognized by the concession as part of “Capital investments” activities.
Financing (when financial asset model or bifurcated model is applied)	Finance income generated on financial assets is recognized using the effective interest method.	The Company classifies this finance income as “Capital investments” activities.

Financial asset model

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair values of the activity delivered, when the amounts are separately identifiable.

Revenues recognized by the Company under the financial asset model are accumulated in “Receivables under service concession arrangements”, a financial asset that is recovered through payments received from the grantor.

Intangible asset model

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. Amortization period begins when the infrastructure is available for use.

Fees collected by the concessionaire upon the usage of the infrastructure are classified as revenues from “Capital investments” activities.

J) CASH EQUIVALENTS

Cash equivalents include short-term liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are designated as FVTPL and accounted for at fair value.

K) RESTRICTED CASH

Restricted cash includes cash and cash equivalents for which the use is restricted for specific purposes under certain arrangements. Restricted cash that is not expected to become unrestricted within the next twelve months is included in “Other non-current financial assets” (Note 14). Restricted cash is designated as FVTPL and accounted for at fair value.

L) CONTRACTS IN PROGRESS

Contracts in progress represent the gross unbilled amount for a given project that is expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized by the Company to date less progress billings.

If progress billings for a given project exceed costs incurred plus recognized profits, then the difference is presented as deferred revenues.

M) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined: i) by using specific identification of the individual costs; or ii) on a weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

N) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is recorded at rates set to charge operations with the cost of depreciable assets less their residual values (if any) over their estimated useful lives.

Property and equipment used for E&C activities are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings	Straight-line, by component	25 to 50 years
Computer equipment	Straight-line	2 to 5 years
Office furniture	Diminishing balance	20%
Machinery	Straight-line	1 to 15 years

O) INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 years
Trademarks	Straight-line	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income when the asset is derecognized.

P) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, which mainly include property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

Q) GOODWILL

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and joint ventures is included within investments accounted for by the equity method. For the purpose of impairment testing, goodwill is allocated to each of the Company’s CGU or group of CGU expected to benefit from the synergies of the combination. A CGU or group of CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGU may be impaired. If the recoverable amount of the CGU or group of CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGU and then to the other assets of the CGU or group of CGU pro-rata on the basis of the carrying amount of each asset in the CGU or group of CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has designated October 31 as the date for the annual impairment test.

R) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and satisfy generally accepted conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, using the straight-line method over a period not exceeding five years.

S) DOWNPAYMENTS ON CONTRACTS

Downpayments on contracts are contractually agreed advance payments made by clients that are deducted from future billings to such clients as work is performed.

T) DEFERRED REVENUES

Deferred revenues consist of amounts billed to clients for a given project in excess of revenue recognized according to the corresponding revenue recognition method and represents the opposite of contracts in progress. A given project may present an amount in either deferred revenues or in contracts in progress, but not both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U) INCOME TAXES

Income taxes recognized in net income comprise the sum of deferred income tax and current income tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise amounts receivable from or payable to tax authorities relating to the current or prior reporting periods, which are uncollected or unpaid at the reporting date. Current tax is payable on taxable income, which differs from net income in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax on temporary differences associated with shares in subsidiaries, joint arrangements and associates is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. For management's assessment of the probability of future taxable income to utilize against deferred income tax assets, see Note 3. Deferred income tax liabilities are always provided for in full.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred income tax assets or liabilities are recognized as a component of income taxes in net income, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred income tax is recognized in other comprehensive income or equity, respectively.

V) DEFINED BENEFIT PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Defined benefit pension plans and other post-employment benefits obligations are included in "Provisions" in the consolidated statement of financial position and have been determined using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement to the eligible employees and measures each unit separately to build up the final obligation. In valuing the defined benefit cost as well as other post-employment benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high quality corporate bonds with cash flows that match the timing and amount of expected benefit payments.

Remeasurement, comprising: i) actuarial gains and losses, ii) the effect of the changes to the asset ceiling (if applicable), and iii) the return on plans' assets (excluding interest), is credited or charged to equity in other comprehensive income in the period in which it arises. Remeasurement recognized in other comprehensive income is not reclassified to net income in subsequent periods. The cumulative amount of remeasurement is included in retained earnings.

Defined benefit costs comprise: i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), ii) net interest expense or income; and iii) remeasurement. Service cost and net interest income or expense are recognized in net income while the remeasurement is recognized in other comprehensive income in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net accrued defined pension benefit liability or asset.

W) SELLING EXPENSES

All costs related to contract proposals are expensed as incurred.

X) EARNINGS PER SHARE

Basic and diluted earnings per share have been determined by dividing the consolidated net income attributable to SNC-Lavalin shareholders for the period by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y) SHARE-BASED PAYMENTS

Stock options

Stock options granted to employees are measured at their fair value at the grant date. The estimated fair value of the stock options is determined using the Black-Scholes option pricing model.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the shorter of the vesting period or the term over which an employee becomes eligible to retire, based on the Company's estimate of stock options that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest and the impact of such revision, if any, is recognized in net income.

Share units

The 2014 Performance Share Unit plan ("2014 PSU plan"), 2009 Performance Share Unit plan ("2009 PSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), Restricted Share Unit plan ("RSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share units". For share units granted to employees under the share unit plans, a liability is recognized and measured at the fair value of the liability, which is based on the Company's share price. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period.

Z) PROVISIONS

A provision is a liability of uncertain timing or amount that is recognized in the consolidated statement of financial position.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructuring

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

AA) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain non-controlling interest in its former subsidiary after the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities recognized that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue and gross margin recognition

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

The determination of **anticipated revenues** includes the contractually agreed revenue and may also involve estimates of future revenues from claims and unapproved change orders if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. An example of such contract variation could be a change in the specifications or design of the project, whereby costs related to such variation might be incurred prior to the client's formal contract amendment signature. A claim represents an amount expected to be collected from the client or a third-party as reimbursement for costs incurred that are not part of the original contract. In both cases, management's judgments are required in determining the probability that additional revenue will be recovered from these variations and in determining the measurement of the amount to be recovered.

As risks and uncertainties are different for each project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. In particular, while engineering and construction activities usually do not exceed 4 years, operations and maintenance activities include contracts for which the duration might exceed 20 years, notably on certain public-private partnership arrangements. The long-term nature of certain arrangements usually results in significant estimates related to scheduling and prices.

The determination of estimates is based on SNC-Lavalin's business practices as well as its historical experience. Furthermore, management regularly reviews underlying estimates of project profitability.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Service concession arrangements

The accounting for certain Capital investment activities requires the application of judgment in determining if they fall within the scope of IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”). Additional judgments need to be exercised when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, the accounting treatment of rehabilitation costs and associated estimates, as well as the effective interest rate to be applied to the financial asset. As the accounting for Capital investments under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the Capital investments.

Basis of consolidation

Under certain circumstances, the determination of the Company’s level of power over an investee requires exercise of judgment. As such, the classification of the entity as a subsidiary, a joint arrangement, an associate or a cost investment might require the application of judgment through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity’s board of directors and various other factors.

Values used in impairment tests

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU or group of CGU to which goodwill has been allocated. The value in use calculation requires management to estimate future cash flows expected to arise from the CGU or group of CGU and a suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate. Cash flows for each CGU or group of CGU are derived from the budget for the upcoming year and a long-term forecast prepared by management, which covers an additional period from 3 to 5 years. The budget, which is approved on an annual basis by members of the Company’s Board of Directors and senior management, and long-term forecast, which is prepared on an annual basis by the Company’s senior management, are the primary sources for the determination of value in use. Cash flows beyond the long-term forecast are extrapolated using a growth rate of 2.5% in 2016 (2015: 2.5%). The discount rate is derived from the Company’s post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks. Discount rates ranging from 9.7% to 12.9% have been used for goodwill impairment calculations performed in 2016 (2015: from 11.1% to 13.5%). The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

As at October 31, 2016 and 2015, goodwill was not considered to be impaired.

Approximately 90% of the Company’s goodwill balance is allocated to the Oil & Gas CGU. The recoverable amount of this CGU, based on a terminal growth rate of 2.5% in 2016 (2015: 2.5%) and a discount rate of 12.9% in 2016 (2015: 13.5%), exceeded its carrying amount by \$253.0 million as at October 31, 2016 (2015: \$298.7 million). Assuming all other assumptions remain the same, a 130-basis point decrease in 2016 (2015: a 140-basis point decrease) in the terminal growth rate or a 260-basis increase in 2016 (2015: a 90-basis point increase) in the discount rate would have caused the Oil & Gas CGU’s carrying amount to be comparable to its recoverable amount as at that date. No reasonable change in the key assumptions used for the other CGU or group of CGU would have resulted in an impairment loss as at October 31, 2016 and 2015.

When there is any indication that the tangible and intangible assets other than goodwill have suffered an impairment loss, the determination of the recoverable amount of tangible and intangible assets other than goodwill requires management to estimate cash flows expected to arise from these assets and a suitable discount rate in order to calculate the present value in a manner described above for goodwill.

The identification of events that could have an impact on the estimated cash flows of the assets and the determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets if found to be impaired.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Measurement of retirement benefit obligations and other post-employment benefit obligations

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans and other post-employment benefits are determined using actuarial valuations, and are dependent on assumptions such as the rate of compensation increase as determined by management. While management believes these assumptions represent its best estimate, differences in actual results or changes in assumptions could have an impact on the obligations, expenses and amounts of actuarial gains (losses) recognized in the consolidated statement of comprehensive income.

Measurement of provisions shown in the consolidated statement of financial position

In measuring a provision, the Company takes risks and uncertainties into account. The uncertainties mainly relate to timing and amount of a provision. Also, risks and uncertainties arise from discounting a provision, where the effect of the time value of money is significant, using a pre-tax discount rate that reflects current market assessments of the time value of money. Additionally, the Company takes future events, such as changes in the law, into account where there is sufficient objective evidence that they will occur when measuring a provision.

Contingent liabilities

As described in more details in Note 31, the Company is subject to certain ongoing investigations and class action lawsuits have been filed against the Company. The outcome of these investigations or actions, while not determinable, could have a material adverse impact on the Company's liquidity and financial results.

Measurement of share-based payment expenses

The Company offers the 2009 and 2014 PSU plans to selected individuals within the organization. Subject to performance conditions, the number of units granted is adjusted depending on specific indicators to determine the number of units to which all participants receiving the award will be entitled at the end of the vesting period. At each measurement date, management is required to estimate the number of 2009 and 2014 performance share units that will vest, which impacts the amount of associated liabilities and expenses.

Assessment of deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of significant judgment in determining whether or not the Company's deferred income tax assets are "probable" to be recovered from future taxable income and therefore, can be recognized in the Company's consolidated financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantively enacted tax rates that will apply at such time.

Measurement of financial instruments at fair value

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either directly or indirectly observable, or that are not based on observable market data.

Assets and liabilities acquired in a business combination

Intangible assets and goodwill arising out of business combinations are accounted for by applying the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, the Company uses significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to intangible assets and goodwill, as well as the amortization period for intangible assets with finite lives. If results differ from estimates, the Company may increase amortization or recognize impairment charges.

4. SEGMENT DISCLOSURES

SNC-Lavalin's reportable segments are i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; iv) **Infrastructure**; and v) **Capital**. The Company also provides additional information on certain sub-segments of its segments, notably on the Infrastructure & Construction and Operations & Maintenance ("O&M") sub-segments of Infrastructure. These sub-segments qualify as operating segments and they have been aggregated. These sub-segments have similar economic characteristics, and are similar in each of the following respects: the nature of the services, the methods used to deliver them and the employees' technical know-how which can sometimes be transferred from a project to another, and allows them to work in projects in various sub-segments.

The description of each of the segment and related sub-segments is as follows:

Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects.

Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle, from front-end evaluation through decommissioning (capital and operational expenditures).

Power covers projects and services in hydro, nuclear and thermal power generation, renewable power generation, energy from waste, and electrical power delivery systems. It also has a wealth of expertise in clean and sustainable power technologies.

Infrastructure regroups projects from Infrastructure & Construction and O&M. Infrastructure & Construction includes projects and professional services in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agri-food, life sciences, automation, industrial processes), geotechnical engineering and materials testing as well as water infrastructure and treatment facilities. In addition, Infrastructure & Construction includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management. Operations & Maintenance includes services provided to clients in Integrated Real Estate Solutions, Industrial, Transportation and Defence & Logistics.

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes capital investments in a variety of infrastructure assets such as bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants, for which further details are provided in Note 5.

As disclosed in note 2B, the Company changed its measure of profit or loss for its reportable segments; such measure of profit or loss is referred as to the segment EBIT, which now excludes gains (losses) on disposals of E&C businesses and Capital investments, whereby in the past it only excluded disposals of activities that qualified as restructuring.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2). The Company evaluates segment performance using **segment EBIT**, which consists, except for the Capital segment, of gross margin less i) directly related selling, general and administrative expenses; ii) corporate selling, general and administrative expenses that are directly related to projects or segments; and iii) non-controlling interests before taxes. Corporate selling, general and administrative expenses that are not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs and integration costs, amortization of intangible assets related to Kentz acquisition and gains (losses) on disposal(s) of E&C businesses are not allocated to the Company's segments.

The Company evaluates the Capital segment performance using: i) dividends or distributions received from investments accounted for by the cost method; ii) SNC-Lavalin's share of the net results of its investments, or dividends from its Capital investments for which the carrying amount is \$nil, but would otherwise be negative based on historical financial results and dividends, for investments accounted for by the equity method; and iii) net result from investments accounted for by the consolidation method, less the portion attributable to non-controlling interests.

4. SEGMENT DISCLOSURES (CONTINUED)

The Capital segment EBIT also reflects selling, general and administrative expenses, including corporate selling, general and administrative expenses that are directly related to projects or to the segment. Accordingly, the **segment EBIT from Capital** is reported net of selling, general and administrative expenses.

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

YEAR ENDED DECEMBER 31	2016			
	REVENUES	SEGMENT EBIT		
		E&C	CAPITAL	TOTAL
Mining & Metallurgy	\$ 355,944	\$ 35,302	\$ –	\$ 35,302
Oil & Gas	3,735,456	186,273	–	186,273
Power	1,624,034	113,009	–	113,009
Infrastructure				
Infrastructure & Construction	1,629,413	67,761	–	67,761
Operations & Maintenance	878,238	63,247	–	63,247
Sub-total – Infrastructure	2,507,651	131,008	–	131,008
Total E&C segments	8,223,085	465,592	–	465,592
Capital	247,748	–	201,942	201,942
	\$ 8,470,833			667,534
Reversal of non-controlling interests before income taxes included above		1,050	–	1,050
Corporate selling, general and administrative expenses and others not allocated to the segments		(162,317)	(24,284)	(186,601)
Restructuring costs (Note 24)		(115,405)	–	(115,405)
Amortization of intangible assets related to Kentz acquisition (Note 13)		(68,810)	–	(68,810)
Acquisition-related costs and integration costs		(4,409)	–	(4,409)
Gain on disposals of Capital investments (Note 5A)		–	55,875	55,875
Loss on disposals of E&C businesses (Note 37)		(37,133)	–	(37,133)
EBIT		78,568	233,533	312,101
Net financial expenses (Note 25)		27,926	14,191	42,117
Earnings before income taxes		50,642	219,342	269,984
Income taxes (Note 27)		3,265	10,154	13,419
Net income		\$ 47,377	\$ 209,188	\$ 256,565
Net income attributable to:				
SNC-Lavalin shareholders				\$ 255,533
Non-controlling interests				1,032
Net income				\$ 256,565

4. SEGMENT DISCLOSURES (CONTINUED)

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

YEAR ENDED DECEMBER 31	2015 ⁽¹⁾			
	REVENUES	SEGMENT EBIT		
		E&C	CAPITAL	TOTAL
Mining & Metallurgy	\$ 780,886	\$ 73,135	\$ –	\$ 73,135
Oil & Gas	3,914,644	300,567	–	300,567
Power	1,784,821	116,399	–	116,399
Infrastructure				
Infrastructure & Construction	1,847,676	(2,237)	–	(2,237)
Operations & Maintenance	1,035,481	54,421	–	54,421
Sub-total – Infrastructure	2,883,157	52,184	–	52,184
Total E&C segments	9,363,508	542,285	–	542,285
Capital	223,446	–	194,073	194,073
	\$ 9,586,954			736,358
Reversal of non-controlling interests before income taxes included above		39,834	–	39,834
Corporate selling, general and administrative expenses and others not allocated to segments		(180,873)	(18,153)	(199,026)
Restructuring costs (Note 24)		(116,396)	–	(116,396)
Amortization of intangible assets related to Kentz acquisition (Note 13)		(93,988)	–	(93,988)
Acquisition-related costs and integration costs		(19,574)	–	(19,574)
Gain on disposal of a Capital investment (Note 5A)		–	174,350	174,350
EBIT		171,288	350,270	521,558
Net financial expenses (income) (Note 25)		(7,693)	7,998	305
Earnings before income taxes		178,981	342,272	521,253
Income taxes (Note 27)		49,948	33,770	83,718
Net income		\$ 129,033	\$ 308,502	\$ 437,535
Net income attributable to:				
SNC-Lavalin shareholders				\$ 404,336
Non-controlling interests				33,199
Net income				\$ 437,535

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

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.

YEAR ENDED DECEMBER 31	2016	2015
Supplementary information:		
Net loss on disposals of E&C businesses (Note 37)	\$ (44,582)	\$ –
Excluding the net loss listed above	90,927	95,834
Net income attributable to SNC-Lavalin shareholders from E&C	46,345	95,834
Net gain on disposals of Capital investments (Note 5A)	48,381	145,719
Highway 407 ETR dividends	132,516	125,807
Excluding the items listed above	28,291	36,976
Net income attributable to SNC-Lavalin shareholders from Capital investments	209,188	308,502
Net income attributable to SNC-Lavalin shareholders	\$ 255,533	\$ 404,336

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents property, equipment, goodwill and intangible assets inside and outside Canada reflected on the Company's consolidated statements of financial position:

	DECEMBER 31 2016	DECEMBER 31 2015
Property, equipment, goodwill and intangible assets		
Canada:		
From E&C	\$ 313,115	\$ 313,902
From Capital investments	–	–
	313,115	313,902
Outside Canada:		
From E&C	3,447,596	3,610,674
From Capital investments	–	36,562
	3,447,596	3,647,236
	\$ 3,760,711	\$ 3,961,138

The following tables present revenues by geographic area according to project location:

YEAR ENDED DECEMBER 31		2016			
Revenues by geographic area ⁽¹⁾	ENGINEERING AND CONSTRUCTION	OPERATIONS AND MAINTENANCE	CAPITAL INVESTMENTS	TOTAL	
Canada	\$ 2,606,243	\$ 680,365	\$ 207,563	\$ 3,494,171	
Middle East:					
Saudi Arabia	858,956	21,195	–	880,151	
Other countries	589,518	45	–	589,563	
Australia	1,597,101	–	–	1,597,101	
United States	895,633	2,349	2,570	900,552	
Africa	282,022	87,568	23,939	393,529	
Latin America	128,288	–	–	128,288	
Europe	343,383	86,716	13,676	443,775	
Other regions	43,703	–	–	43,703	
	\$ 7,344,847	\$ 878,238	\$ 247,748	\$ 8,470,833	
YEAR ENDED DECEMBER 31		2015			
Revenues by geographic area ⁽¹⁾	ENGINEERING AND CONSTRUCTION	OPERATIONS AND MAINTENANCE	CAPITAL INVESTMENTS	TOTAL	
Canada	\$ 3,243,616	\$ 780,299	\$ 189,733	\$ 4,213,648	
Middle East:					
Saudi Arabia	832,003	19,276	–	851,279	
Other countries	541,649	175	–	541,824	
Australia	1,391,286	–	–	1,391,286	
United States	763,957	2,444	2,037	768,438	
Africa	502,670	151,533	15,477	669,680	
Latin America	559,886	–	–	559,886	
Europe	424,396	81,754	16,200	522,350	
Other regions	68,563	–	–	68,563	
	\$ 8,328,026	\$ 1,035,481	\$ 223,447	\$ 9,586,954	

⁽¹⁾ In 2016, other than Canada, Australia, United States and Saudi Arabia were the only countries where the Company derived more than 10% of its revenues. In 2015, other than Canada, Australia was the only country where the Company derived more than 10% of its revenues.

5. CAPITAL INVESTMENTS

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

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

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

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

I) IN 2016

MALTA INTERNATIONAL AIRPORT

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

Net gain on disposal of SNCL Malta

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

Net cash inflow on disposal of SNCL Malta

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

RAYALSEEMA

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

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

On December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing activities in France and in Monaco to Ciclad and Impact Holding for a nominal amount, including its investment in Société d’Exploitation de l’Aéroport de Mayotte S.A.S. (“Mayotte Airport”). See Note 37 for further details.

5. CAPITAL INVESTMENTS (CONTINUED)

Gain on disposals of Capital investments

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

YEAR ENDED DECEMBER 31	2016		
	BEFORE TAXES	INCOME TAXES	NET OF TAXES
Gain on disposal of SNCL Malta	\$ 61,089	\$ (7,494)	\$ 53,595
Loss on disposal of Rayalseema	(2,550)	–	(2,550)
Loss on disposal of Mayotte Airport (Note 37)	(2,664)	–	(2,664)
Gain on disposals of Capital investments	\$ 55,875	\$ (7,494)	\$ 48,381

Net cash inflow on disposals of Capital investments

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

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

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

II) IN 2015

SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")

In June 2015, the Company announced that the consortium SSL, of which SNC-Lavalin is a 50% partner, has finalized an agreement with the Government of Canada to design, build, finance and maintain the New Champlain Bridge Corridor project. SSL will operate and maintain the bridge for the duration of the concession period until 2049. The Company committed to invest in this Capital investment an amount of \$43.1 million in equity.

SNC-Lavalin's investment in SSL is accounted for by the equity method.

CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP

In July 2015, the Company announced that Crosslinx Transit Solutions General Partnership, a consortium in which SNC-Lavalin, along with its three partners, has reached financial close on the Eglinton Crosstown Light Rail Transit project (the "Eglinton Crosstown LRT") in Toronto, Canada. Under the project agreement, Crosslinx Transit Solutions General Partnership will provide the design, build, financing and 30-year maintenance and rehabilitation of the Eglinton Crosstown LRT. The Company committed to invest in this Capital investment an amount of \$24.9 million in equity.

SNC-Lavalin's investment in Crosslinx Transit Solutions General Partnership is accounted for by the equity method.

AMBATOVY NICKEL PROJECT ("AMBATOVY")

On September 21, 2015, the Ambatovy Nickel Project achieved financial completion. Accordingly, the project financing that was put in place to finance the construction of the project, for which SNC-Lavalin provided a US\$105 million financial guarantee and a US\$70 million cross-guarantee to the Ambatovy project's lenders, became non-recourse to all of the partners, including SNC-Lavalin. At the same time, the put/call arrangement (the "option") between SNC-Lavalin and two shareholders of Ambatovy became exercisable, allowing SNC-Lavalin to divest its 5% ownership interest in Ambatovy (the "investment") and the balance of its loans to a shareholder of Ambatovy (the "loans").

On September 30, 2015, the Company announced that it exercised its option. As such, SNC-Lavalin sold to one of Ambatovy shareholders its investment in Ambatovy and its loans for a cash consideration of US\$449.7 million (CA\$600.7 million).

5. CAPITAL INVESTMENTS (CONTINUED)

Net gain on disposal of Ambatovy

YEAR ENDED DECEMBER 31	2015
Consideration received	\$ 600,717
Carrying amount of the investment and loans	(425,367)
Disposition-related costs	(1,000)
Gain on disposal of Ambatovy	174,350
Income taxes	(28,631)
Net gain on disposal of Ambatovy	\$ 145,719

B) NET BOOK VALUE AND DESCRIPTIONS OF CAPITAL INVESTMENTS

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

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

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

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

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

I) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE CONSOLIDATION METHOD

SNC-Lavalin's main Capital investments accounted for by the consolidation method are detailed below:

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
					DECEMBER 31 2016	DECEMBER 31 2015
InPower BC General Partnership	John Hart Generating Replacement Facility (under construction)	Yes	2033	Canada	100.0%	100.0%
Okanagan Lake Concession Limited Partnership ("Okanagan Lake Concession")	1.1-km William R. Bennett Bridge under a 30-year concession agreement	Yes	2035	Canada	100.0%	100.0%
Rainbow Hospital Partnership ("Rainbow")	Restigouche Hospital Center for psychiatric care	Yes	2044	Canada	100.0%	100.0%
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	Mayotte airport under a 15-year concession agreement	Yes	2026	France	–	100.0%

5. CAPITAL INVESTMENTS (CONTINUED)

II) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

SNC-Lavalin's main Capital investments accounted for by the equity method are listed below:

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
					DECEMBER 31 2016	DECEMBER 31 2015
Joint ventures:						
407 East Development Group General Partnership ("407 EDGGP")	32-km toll Highway 407 East	Yes	2045	Canada	50.0%	50.0%
407 International Inc. ⁽¹⁾ ("Highway 407 ETR")	108-km toll highway under a 99-year concession agreement	No	2098	Canada	16.77%	16.77%
Chinook Roads Partnership ("Chinook")	25-km of six-lane road	Yes	2043	Canada	50.0%	50.0%
Crosslinx Transit Solutions General Partnership	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	25.0%	25.0%
Groupe infrastructure santé McGill ⁽²⁾ ("MIHG")	McGill University Health Centre – Glen Campus under a 34-year concession agreement	Yes	2044	Canada	60.0%	60.0%
Rideau Transit Group Partnership ("Rideau")	The Confederation Line, City of Ottawa's light rail transit system (under construction)	Yes	2043	Canada	40.0%	40.0%
Signature on the Saint-Laurent Group General Partnership ("SSL")	New Champlain Bridge Corridor (under construction)	Yes	2049	Canada	50.0%	50.0%
TC Dôme S.A.S. ^{(2), (3)} ("TC Dôme")	5.3-km electric cog railway	Yes	2043	France	51.0%	51.0%
Associates:						
InTransit BC Limited Partnership ("InTransit BC")	19-km rapid transit line	Yes	2040	Canada	33.3%	33.3%
Malta International Airport p.l.c. ⁽⁴⁾	65-year concession agreement to operate the Malta airport	No	2067	Malta	–	15.5%
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	N/A	Algeria	25.5%	25.5%
Rayalseema Expressway Private Limited	30-year concession agreement to build and operate a 189-km toll highway section (under construction in 2015)	Yes	2040	India	–	36.9%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	26.0%	26.0%

⁽¹⁾ Although the Company holds less than 20% of the equity shares of Highway 407 ETR, the Company exercises joint control over this entity based on its contractual agreements.

⁽²⁾ Although the Company's ownership interest in MIHG and TC Dôme is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

⁽³⁾ The Company's investment in TC Dôme was presented as a non-current asset held for sale as at December 31, 2016 (Note 36).

⁽⁴⁾ Although the Company's ownership interest in Malta International Airport p.l.c. was less than 20%, the Company exercised significant influence over this entity based on its contractual agreements.

N/A: not applicable

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its Capital investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below:

YEAR ENDED DECEMBER 31, 2016	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	\$ 1,134,662	\$ 1,945,432	\$ 3,080,094
Interest income (at 100%)	\$ 10,666	\$ 15,084	\$ 25,750
Interest expense (at 100%)	\$ 383,484	\$ 177,261	\$ 560,745
Depreciation and amortization (at 100%)	\$ 104,837	\$ 136	\$ 104,973
Income tax expense (at 100%)	\$ 134,389	\$ 4	\$ 134,393

YEAR ENDED DECEMBER 31, 2015	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	\$ 1,002,189	\$ 1,858,690	\$ 2,860,879
Interest income (at 100%)	\$ 9,270	\$ 18,295	\$ 27,565
Interest expense (at 100%)	\$ 336,281	\$ 159,253	\$ 495,534
Depreciation and amortization (at 100%)	\$ 86,047	\$ 150	\$ 86,197
Income tax expense (at 100%)	\$ 115,892	\$ 2	\$ 115,894

YEAR ENDED DECEMBER 31, 2016	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	\$ 372,935	\$ 45,907	\$ 418,842
Other comprehensive loss (at 100%)	(772)	(2,027)	(2,799)
Total comprehensive income (at 100%)	\$ 372,163	\$ 43,880	\$ 416,043

YEAR ENDED DECEMBER 31, 2015	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	\$ 311,157	\$ 36,125	\$ 347,282
Other comprehensive loss (at 100%)	(701)	(20,057)	(20,758)
Total comprehensive income (at 100%)	\$ 310,456	\$ 16,068	\$ 326,524

YEAR ENDED DECEMBER 31		2016	2015
Company's share of net income of Capital investments based on its ownership interest ⁽¹⁾		\$ 82,951	\$ 68,539
Company's net income from Capital investments included in its income statement ⁽¹⁾		\$ 153,995	\$ 131,279

⁽¹⁾ See Note 1 on the following page.

5. CAPITAL INVESTMENTS (CONTINUED)

DECEMBER 31, 2016	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	\$ 557,629	\$ 189,969	\$ 747,598
Other current assets (at 100%)	409,900	129,235	539,135
Non-current assets (at 100%)	4,361,739	3,781,431	8,143,170
Total assets (at 100%)	5,329,268	4,100,635	9,429,903
Trade payables (at 100%)	86,030	163,961	249,991
Other current financial liabilities (at 100%)	992,545	231,941	1,224,486
Other non-current financial liabilities (at 100%)	6,814,017	3,577,239	10,391,256
Other non-current non-financial liabilities (at 100%)	495,942	–	495,942
Total liabilities (at 100%)	8,388,534	3,973,141	12,361,675
Net assets (liabilities) (at 100%)	\$ (3,059,266)	\$ 127,494	\$ (2,931,772)
Company's carrying value of Capital investments included in its statement of financial position ⁽¹⁾	\$ –	\$ 273,633	\$ 273,633

DECEMBER 31, 2015	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	\$ 376,886	\$ 269,118	\$ 646,004
Other current assets (at 100%)	358,443	1,228,250	1,586,693
Non-current assets (at 100%)	4,396,184	2,701,305	7,097,489
Total assets (at 100%)	5,131,513	4,198,673	9,330,186
Trade payables (at 100%)	87,109	26,939	114,048
Other current financial liabilities (at 100%)	952,861	1,018,479	1,971,340
Other non-current financial liabilities (at 100%)	6,256,155	3,080,248	9,336,403
Other non-current non-financial liabilities (at 100%)	476,816	–	476,816
Total liabilities (at 100%)	7,772,941	4,125,666	11,898,607
Net assets (liabilities) (at 100%)	\$ (2,641,428)	\$ 73,007	\$ (2,568,421)
Company's carrying value of Capital investments included in its statement of financial position ⁽¹⁾	\$ –	\$ 262,965	\$ 262,965

⁽¹⁾ Under the equity method of accounting, distributions from a joint venture reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends declared by the joint venture are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to \$nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. In these situations, the Company no longer recognizes its share of net income of Capital investments based on its ownership, but rather recognizes the excess amount of dividends declared by a joint venture in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 ETR of \$132.5 million in 2016 (2015: \$125.8 million) and did not recognize its share of Highway 407 ETR's net income of \$62.6 million (2015: \$52.2 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was \$nil at December 31, 2016 and 2015. The negative carrying value of the Company's investment in Highway 407 ETR, which is not recognized on the Company's statement of financial position, amounted to \$514.3 million as at December 31, 2016 (2015: \$443.6 million).

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of Capital investments classified as associates:

YEAR ENDED DECEMBER 31	2016	2015
Statements of comprehensive income		
Revenues (at 100%)	\$ 423,262	\$ 408,772
Expenses (at 100%)	313,089	302,462
Net income (at 100%)	110,173	106,310
Other comprehensive income (loss) (at 100%)	7,581	(10,474)
Total comprehensive income (at 100%)	\$ 117,754	\$ 95,836
Company's share of net income of Capital investments based on its ownership interest	\$ 28,849	\$ 25,803
Company's share of net income from Capital investments included in its income statement	\$ 28,849	\$ 25,803
	DECEMBER 31 2016	DECEMBER 31 2015
Statements of financial position		
Current assets (at 100%)	\$ 474,854	\$ 543,908
Non-current assets (at 100%)	1,251,631	1,755,602
Total assets (at 100%)	1,726,485	2,299,510
Current liabilities (at 100%)	104,713	211,540
Non-current liabilities (at 100%)	1,136,120	1,507,127
Total liabilities (at 100%)	1,240,833	1,718,667
Net assets (at 100%)	\$ 485,652	\$ 580,843
Company's carrying value of Capital investments included in its statement of financial position	\$ 125,792	\$ 156,560

III) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE COST METHOD

The main Capital investments accounted for by the cost method are listed below:

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
				DECEMBER 31 2016	DECEMBER 31 2015
Astoria Project Partners II LLC	550 MW natural-gas power plant	N/A	U.S.A.	6.2%	6.2%
Highway Concessions One Private Limited	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	N/A	India	10.0%	10.0%

N/A: not applicable

For the years ended December 31, 2016 and 2015, the Company's consolidated income includes revenues of \$2.6 million and \$nil, respectively, from these investments.

5. CAPITAL INVESTMENTS (CONTINUED)

C) PAYMENTS AND REMAINING COMMITMENTS IN CAPITAL INVESTMENTS

When making investments in infrastructure concessions, SNC-Lavalin may not be required to make its contribution immediately but instead may commit to make its contribution over time.

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in Capital investments accounted for by the equity or cost methods as at December 31, 2016 and 2015:

	2016	2015
Commitments to invest in Capital investments – January 1	\$ 113,942	\$ 55,983
Increase (decrease) in commitments to invest in Capital investments	(4,205)	74,908
Payments for Capital investments during the year	(11,687)	(16,949)
Commitments to invest in Capital investments – December 31	\$ 98,050	\$ 113,942

At December 31, 2016, the commitments to invest in Capital investments were related to contributions for Rideau, 407 EDGGP, SSL and Eglinton Crosstown (2015: Rideau, 407 EDGGP, SSL and Eglinton Crosstown) and were presented as "Other current financial liabilities" (see Note 16) since they are either expected to be paid in the following year or are callable on demand.

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

6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS

	DECEMBER 31 2016	DECEMBER 31 2015
Bank balances, bank term deposits and bankers' acceptances	\$ 1,055,484	\$ 1,581,834
Cash and cash equivalents	\$ 1,055,484	\$ 1,581,834

B) RESTRICTED CASH

	DECEMBER 31 2016	DECEMBER 31 2015
Bank balances, bank term deposits and bankers' acceptances	\$ 62,516	\$ 45,733
Restricted cash – current and non-current	\$ 62,516	\$ 45,733
Presented on the statement of financial position as follows:		
Current assets – "Restricted cash"	\$ 55,577	\$ 38,964
Non-current assets – included in "Other non-current financial assets" (Note 14)	\$ 6,939	\$ 6,769

7. TRADE RECEIVABLES

The following table presents the Company's trade receivables that are within normal terms of payment separately from those that are past due, with a reconciliation to the net carrying amount:

	DECEMBER 31 2016	DECEMBER 31 2015
Trade receivables:		
Within normal terms of payment	\$ 723,911	\$ 1,031,631
Past due	334,046	439,732
Total trade receivables	1,057,957	1,471,363
Allowance for doubtful accounts	(121,974)	(270,473)
Trade receivables, net of allowance for doubtful accounts	\$ 935,983	\$ 1,200,890

The allowance for doubtful accounts is established based on SNC-Lavalin's best estimates on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Trade receivables are usually not externally quoted. However, management regularly reviews trade receivables and assesses the appropriateness of the allowance for doubtful accounts.

The change in the allowance for doubtful accounts is detailed below:

YEAR ENDED DECEMBER 31	2016	2015
Balance at beginning of year	\$ 270,473	\$ 222,334
Change in allowance, other than write-offs and recoveries	(61,260)	97,934
Write-offs of trade receivables	(63,645)	(5,081)
Recoveries	(17,644)	(44,714)
Disposals of E&C businesses	(5,950)	-
Balance at end of year	\$ 121,974	\$ 270,473

8. INVENTORIES

	DECEMBER 31 2016	DECEMBER 31 2015
Raw materials	\$ 56,575	\$ 72,956
Work in progress	44,837	46,535
Finished goods	37,383	32,695
Inventories	\$ 138,795	\$ 152,186

The cost of inventories recognized by the Company as an expense during the year ended December 31, 2016 was \$99.3 million (2015: \$138.5 million).

9. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
Retentions on client contracts	\$ 303,147	\$ 664,385
Advances to suppliers, subcontractors and employees and deposits on contracts	56,625	66,046
Derivative financial instruments used for hedges – favourable fair value	2,373	9,742
Current portion of receivables under service concession arrangements	13,346	19,439
Current portion of deposit notes	37,810	81,456
Consideration receivable related to the disposal of Real Estate Facilities Management business (Note 37)	11,604	-
Other	67,820	67,802
Other current financial assets	\$ 492,725	\$ 908,870

10. OTHER CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
Income taxes and other taxes receivable	\$ 260,385	\$ 253,878
Prepaid expenses and other	55,462	75,341
Other current non-financial assets	\$ 315,847	\$ 329,219

11. PROPERTY AND EQUIPMENT

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2016	\$ 101,988	\$ 342,755	\$ 144,665	\$ 86,737	\$ 133,342	\$ 809,487
Additions	43,903	23,130	17,286	46,572	30,056	160,947
Effect of foreign currency exchange differences	(1,422)	(114)	(1,492)	(11,958)	(1,784)	(16,770)
Disposals / retirements / salvage	(12,825)	(40,253)	(18,450)	(16,223)	(36,070)	(123,821)
Balance as at December 31, 2016	\$ 131,644	\$ 325,518	\$ 142,009	\$ 105,128	\$ 125,544	\$ 829,843
Accumulated depreciation						
Balance as at January 1, 2016	46,002	293,754	106,365	27,618	70,671	544,410
Depreciation expense	11,877	17,452	13,161	15,786	12,046	70,322
Effect of foreign currency exchange differences	(501)	338	(594)	(5,641)	(447)	(6,845)
Disposals / retirements / salvage	(2,277)	(38,787)	(14,299)	(6,122)	(14,892)	(76,377)
Balance as at December 31, 2016	\$ 55,101	\$ 272,757	\$ 104,633	\$ 31,641	\$ 67,378	\$ 531,510

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2015	\$ 101,644	\$ 330,801	\$ 140,166	\$ 66,645	\$ 120,224	\$ 759,480
Additions	10,050	26,584	15,490	36,006	27,845	115,975
Effect of foreign currency exchange differences	1,206	(690)	527	(7,263)	3,344	(2,876)
Disposals / retirements / salvage	(10,912)	(13,940)	(11,518)	(8,651)	(18,071)	(63,092)
Balance as at December 31, 2015	\$ 101,988	\$ 342,755	\$ 144,665	\$ 86,737	\$ 133,342	\$ 809,487
Accumulated depreciation						
Balance as at January 1, 2015	41,670	293,513	102,060	8,641	67,498	513,382
Depreciation expense	5,730	14,819	12,685	24,306	10,026	67,566
Effect of foreign currency exchange differences	(68)	(1,609)	(41)	(4,215)	544	(5,389)
Disposals / retirements / salvage	(1,330)	(12,969)	(8,339)	(1,114)	(7,397)	(31,149)
Balance as at December 31, 2015	\$ 46,002	\$ 293,754	\$ 106,365	\$ 27,618	\$ 70,671	\$ 544,410

Net book value:

As at December 31, 2016	\$ 76,543	\$ 52,761	\$ 37,376	\$ 73,487	\$ 58,166	\$ 298,333
As at December 31, 2015	\$ 55,986	\$ 49,001	\$ 38,300	\$ 59,119	\$ 62,671	\$ 265,077

An amount of \$17.2 million as at December 31, 2016 (2015: \$12.8 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash acquisitions of property and equipment amounted to \$9.6 million in the year ended December 31, 2016 (2015: \$nil).

12. GOODWILL

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

Balance at January 1, 2015	\$ 2,895,379
Net foreign currency exchange differences	491,470
Balance at December 31, 2015	3,386,849
Net foreign currency exchange differences	(102,957)
Goodwill derecognized on disposals of E&C businesses	(15,678)
Balance at December 31, 2016	\$ 3,268,214

For the purpose of annual impairment testing, goodwill is allocated to CGU or groups of CGU, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

As at December 31, 2016 and 2015, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	DECEMBER 31 2016	DECEMBER 31 2015
Mining & Metallurgy	\$ 100,297	\$ 92,684
Oil & Gas	2,941,263	3,048,985
Power	66,751	66,723
Infrastructure & Construction	109,496	111,281
O&M	50,407	67,176
	\$ 3,268,214	\$ 3,386,849

As at October 31, 2016 and 2015, goodwill was not considered to be impaired.

13. INTANGIBLE ASSETS RELATED TO KENTZ ACQUISITION

On August 22, 2014, SNC-Lavalin completed its acquisition of Kentz Corporation Limited (“Kentz”), which resulted in recognition of intangible assets by the Company.

The following tables detail a reconciliation of the carrying amount of intangible assets related to Kentz acquisition:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2016	\$ 142,301	\$ 246,012	\$ 30,944	\$ 419,257
Effect of foreign currency exchange differences	(4,635)	(8,011)	(1,008)	(13,654)
Balance as at December 31, 2016	\$ 137,666	\$ 238,001	\$ 29,936	\$ 405,603
Accumulated depreciation				
Balance as at January 1, 2016	90,438	47,759	8,410	146,607
Depreciation expense	29,281	33,611	5,918	68,810
Effect of foreign currency exchange differences	(2,606)	(1,167)	(205)	(3,978)
Balance as at December 31, 2016	\$ 117,113	\$ 80,203	\$ 14,123	\$ 211,439

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2015	\$ 118,915	\$ 205,601	\$ 25,841	\$ 350,357
Effect of foreign currency exchange differences	23,386	40,411	5,103	68,900
Balance as at December 31, 2015	\$ 142,301	\$ 246,012	\$ 30,944	\$ 419,257
Accumulated depreciation				
Balance as at January 1, 2015	26,781	10,698	1,856	39,335
Depreciation expense	55,805	32,479	5,704	93,988
Effect of foreign currency exchange differences and other	7,852	4,582	850	13,284
Balance as at December 31, 2015	\$ 90,438	\$ 47,759	\$ 8,410	\$ 146,607

Net book value:

As at December 31, 2016	\$ 20,553	\$ 157,798	\$ 15,813	\$ 194,164
As at December 31, 2015	\$ 51,863	\$ 198,253	\$ 22,534	\$ 272,650

14. OTHER NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
From E&C		
Derivative financial instruments – favourable fair value (Note 21C)	\$ 31,248	\$ 56
Other	20,336	29,429
From Capital investments		
Non-current portion of deposit notes	–	37,810
Restricted cash	6,939	6,769
Other non-current financial assets	\$ 58,523	\$ 74,064

15. OTHER NON-CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2016	DECEMBER 31 2015
From E&C	\$ 62,998	\$ 73,605
From Capital investments	–	36,562
Other non-current non-financial assets	\$ 62,998	\$ 110,167

16. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2016	DECEMBER 31 2015
Commitments to invest in Capital investments accounted for by the equity and cost methods (Note 5C)	\$ 98,050	\$ 113,942
Retentions on supplier contracts	150,127	185,420
Balance of purchase price payable relating to acquisition of businesses	1,882	2,443
Derivative financial instruments used for hedges – unfavourable fair value	39,216	92,503
Consideration payable related to the disposal of local French operations and Mayotte Airport (Note 37)	14,700	–
Other	–	40
Other current financial liabilities	\$ 303,975	\$ 394,348

17. OTHER CURRENT NON-FINANCIAL LIABILITIES

	DECEMBER 31 2016	DECEMBER 31 2015
Income taxes and other taxes payable	\$ 267,146	\$ 241,899
Share unit plans' liabilities (Note 21C)	92,469	44,005
Other	38,175	84,717
Other current non-financial liabilities	\$ 397,790	\$ 370,621

18. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

The Company's non-recourse advances under contract financing arrangements secured by the projects' specific assets were as follows as at December 31, 2016 and 2015:

	DECEMBER 31 2016	DECEMBER 31 2015
Sainte-Justine University Hospital Centre	\$ –	\$ 151,034
Evergreen Line rapid transit project	–	243,110
Advances under contract financing arrangements	\$ –	\$ 394,144

SAINTE-JUSTINE UNIVERSITY HOSPITAL CENTRE

In May 2012, SNC-Lavalin announced the financial closure and official signing of the Grandir en santé expansion project of the Sainte-Justine University Hospital Centre. Under the contract, SNC-Lavalin was to provide engineering, construction and financing to the Sainte-Justine University Hospital Centre. In 2013, the Company entered into a non-recourse \$201.0 million credit facility agreement with financial institutions for the financing of this project. Amounts drawn under the revolving credit facility bore interest at a rate for bankers' acceptances plus 1.45% per year.

In the third quarter of 2016, the Company repaid in full the balance outstanding under the non-recourse credit facility agreement used to finance part of the Sainte-Justine University Hospital Centre project and such facility was terminated according to the credit agreement.

EVERGREEN LINE RAPID TRANSIT PROJECT

In 2012, the Company and a partner were awarded an engineering, procurement and construction ("EPC") contract for the Evergreen Line rapid transit project in the Province of British Columbia, Canada. For the duration of this EPC contract, the Company entered into a non-recourse \$255.3 million credit facility agreement with financial institutions to fund the working capital requirements of the project. Amounts drawn under the revolving credit facility bore interest at a fixed rate of 2.7% per year for the fixed rate tranche and at a variable rate, which is CDOR plus 1.45%, for the floating rate tranche.

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

19. SHORT-TERM DEBT AND LONG-TERM DEBT

A) RECOURSE REVOLVING CREDIT FACILITY

I) IN 2016

The Company has an unsecured revolving credit facility (the “Facility”) totalling \$4,250 million which the Company may use for the issuance of performance and financial letters of credit as well as cash draws. In the third quarter of 2016, the Company amended its Facility to: i) extend its maturity from August 2018 to August 2019; and ii) increase its limit applicable to financial letters of credit and cash draws from \$1,800 million to \$2,000 million.

As at December 31, 2016, the cash draws and letters of credit outstanding under the Company’s Facility were as follows:

AT DECEMBER 31, 2016	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Credit facility	\$ 4,250,000	\$ –	\$ 2,022,429 ⁽¹⁾	\$ 2,227,571

⁽¹⁾ Includes \$246.7 million of financial letters of credit.

In addition, the Facility permits the issuance of bilateral letters of credit on a non-committed basis. As at December 31, 2016, \$168.3 million of bilateral letters of credit were outstanding.

II) IN 2015

The Company had an unsecured revolving credit facility (the “Facility”) totalling \$4,250 million which the Company may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of \$1,800 million applicable to financial letters of credit and cash draws but not to performance letters of credit. Amounts drawn under the Facility bear interest at variable rates plus an applicable margin. In 2015, the Company amended its Facility to extend its maturity from August 2017 to August 2018.

In 2015, the cash draws and the cash repayments under the Company’s Facility were as follows:

YEAR ENDED DECEMBER 31	2015
Balance as at January 1, 2015	\$ –
Amounts drawn	430,000
Amounts repaid	(430,000)
Balance as at December 31, 2015	\$ –

As at December 31, 2015, the cash draws and letters of credit outstanding under the Company’s Facility were as follows:

AT DECEMBER 31, 2015	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Credit facility	\$ 4,250,000	\$ –	\$ 2,133,118 ⁽²⁾	\$ 2,116,882

⁽²⁾ Includes \$277.2 million of financial letters of credit.

In addition, the Facility permits the issuance of bilateral letters of credit on a non-committed basis. As at December 31, 2015, \$258.5 million of bilateral letters of credit were outstanding.

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

B) RECOURSE LONG-TERM DEBT

	DECEMBER 31 2016	DECEMBER 31 2015
Recourse (to the general credit of the Company)		
Debentures, 6.19%, due in July 2019 with a face value of \$350.0 million repayable in full at maturity The 2019 debenture is unsecured and subject to negative pledge clauses.	\$ 349,369	\$ 349,144
Recourse long-term debt	\$ 349,369	\$ 349,144

C) NON-RECOURSE DEBT FROM CAPITAL INVESTMENTS (UNSECURED OR SECURED ONLY BY CAPITAL INVESTMENT'S SPECIFIC ASSETS)

	DECEMBER 31 2016	DECEMBER 31 2015
Okanagan Lake Concession		
5.415% credit facility, due in 2033, secured by all assets of Okanagan Lake Concession, including a pledge by SNC-Lavalin of its units in Okanagan Lake Concession as well as an assignment of the concession's future revenues.	\$ 121,477	\$ 125,891
Société d'Exploitation de l'Aéroport de Mayotte		
Loan in three tranches, maturing from 2014 to 2026, which bore interest at: i) variable rates varying between Euribor 1 month plus 1.25% and Euribor 3 months plus 1.90%; and ii) a fixed rate of 4.91%. The loan was secured by assets of Société d'Exploitation de l'Aéroport de Mayotte.	–	38,222
Rainbow Hospital Partnership		
Long-term bonds, due in 2044 and bearing interest at a fixed rate of 4.994%. The long-term bonds are secured by all assets of Rainbow Hospital Partnership.	65,861	68,166
InPower BC General Limited Partnership		
Senior bonds, due in 2033 and bearing interest at a fixed rate of 4.471%. The senior bonds are secured by all assets of InPower BC General Limited Partnership.	291,584	290,998
Other	14,660	10,723
Total non-recourse short-term debt and long-term debt from Capital investments	493,582	534,000
Less: short-term debt and current portion of long-term debt from Capital investments	21,011	8,200
Non-recourse long-term debt from Capital investments	\$ 472,571	\$ 525,800

D) REPAYMENT OF PRINCIPAL OF SHORT-TERM DEBT AND LONG-TERM DEBT

The future principal payments of SNC-Lavalin's recourse and non-recourse short-term and long-term debt are summarized below and reconciled to their net carrying amount:

AT DECEMBER 31, 2016	Recourse	Non-recourse from Capital investments	Total
2017	\$ –	\$ 21,835	\$ 21,835
2018	–	7,556	7,556
2019	350,000	9,147	359,147
2020	–	24,314	24,314
2021	–	25,118	25,118
Thereafter	–	416,306	416,306
Total	\$ 350,000	\$ 504,276	\$ 854,276
Net unamortized deferred financing costs and unamortized discounts	(631)	(10,694)	(11,325)
Net carrying amount of short-term debt and long-term debt	\$ 349,369	\$ 493,582	\$ 842,951

20. PROVISIONS

	Pension and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other ⁽¹⁾	Total
Balance at January 1, 2016	\$ 136,994	\$ 216,765	\$ 93,057	\$ 261,964	\$ 708,780
Additional provisions recognized in the year	18,149	42,512	115,405	64,395	240,461
Amounts used during the year	(19,947)	(161,195)	(109,051)	(44,053)	(334,246)
Unused amounts reversed during the year	–	(6,360)	–	(60,104)	(66,464)
Remeasurement recognized in equity	40,501	–	–	–	40,501
Disposals of E&C businesses	(8,637)	(912)	–	(10,914)	(20,463)
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	(16,600)	(4,815)	4,380	11,461	(5,574)
Balance at December 31, 2016	\$ 150,460	\$ 85,995	\$ 103,791	\$ 222,749	\$ 562,995

Presented on the statement of financial position
as follows:

Current portion of provisions	\$ 236,594
Non-current portion of provisions	\$ 326,401

⁽¹⁾ Other provisions include mainly litigations, warranty provisions, environmental liabilities and other asset retirement obligations.

The expected timing of outflows of economic benefits relating to the Company's provisions are as follows: i) most of the litigation provisions are expected to be resolved within the next 5 years; ii) forecasted losses on certain contracts are expected to be incurred over the period of a contract duration, usually up to 3 years; iii) most of the accrued restructuring costs are expected to be disbursed within the next 12 months; iv) warranty expenditures are expected to take place within the next 5 years; and v) most of the other provisions are expected to be resolved over the next 10 years. The main assumptions used to determine the provision for pension and other post-employment benefits and other information, including the expected level of future funding payments in respect of those arrangements, are given in Note 30.

21. SHARE CAPITAL

A) AUTHORIZED

The Company is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

The share capital issued and outstanding of the Company consists only of fully paid common shares without nominal value. All common shares are equally eligible to receive dividends, subject to the prior rights of the holders of preferred shares. Each common share carries one vote at the shareholders' meeting of the Company.

Subject to the prior rights of the holders of preferred shares, upon the liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, all the Company's assets available for payment or distribution to the holders of the common shares shall be paid or distributed equally, share for share, to the holders of such common shares.

21. SHARE CAPITAL (CONTINUED)

B) STOCK OPTION PLANS

The main features of the stock option plans under which stock options were outstanding at December 31, 2016 are summarized below:

	2013 AND 2011 STOCK OPTION PLANS
Grant date	Sixth trading day following the approval by the Company's Board of Directors
Exercise price of stock options	The greater of: i) the average closing price for the five trading days preceding the grant date and ii) the closing price on the first trading day immediately preceding the grant date
Vesting of stock options	Graded vesting in three equal tranches: two years, three years and four years, respectively, after the grant date
Expiry of stock options	Six years after the grant date for the 2013 stock option plan and five years after the grant date for the 2011 stock option plan
Other provisions	In the event of cessation of employment, except in the event of death or if the optionee is eligible to retire, unvested options are cancelled immediately and vested options remain exercisable for a specified period not exceeding 30 days. In the event of death or if the optionee is eligible to retire, both vested and unvested options continue to run their normal course.

The table below presents the changes in the number of options outstanding in 2016 and 2015:

	2016		2015	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	1,935,285	\$ 44.47	3,179,369	\$ 45.42
Exercised ⁽¹⁾	(585,428)	\$ 38.60	(110,873)	\$ 38.02
Expired	(668,263)	\$ 54.07	(603,750)	\$ 52.49
Forfeited	(64,030)	\$ 42.90	(529,461)	\$ 42.38
Options outstanding at end of year	617,564	\$ 39.81	1,935,285	\$ 44.47

(1) The weighted average market price of the Company's common shares upon the exercise of stock options was \$40.52 in 2016 (\$44.86 in 2015).

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2016.

RANGE OF EXERCISE PRICES	STOCK OPTION PLAN	YEAR OF GRANT	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
			NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING OPTIONS' TERM (MONTHS)	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
\$37.04	2011	2012	183,666	4	\$ 37.04	183,666	\$ 37.04
\$40.98	2013	2013	433,898	28	\$ 40.98	208,846	\$ 40.98
			617,564	21	\$ 39.81	392,512	\$ 39.14

As at December 31, 2016, 3,200,000 stock options remained available for future grants under the 2013 stock option plan (2015: 3,200,000 stock options), while no stock options remain available for future grants under the 2011 stock option plan.

The stock option compensation cost recorded in the year ended December 31, 2016 was \$0.7 million (2015: reversal of the stock option compensation cost of \$0.2 million).

21. SHARE CAPITAL (CONTINUED)

C) SHARE UNIT PLANS

As at December 31, 2016 and 2015, the Company had four share unit compensation plans for executives, namely the 2014 PSU plan, the 2009 PSU plan, the 2009 DSU plan, and the RSU plan, and a share unit compensation plan, the DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc.

The terms and conditions of the executive plans are summarized below:

	2009 PSU PLAN	2009 DSU PLAN	RSU PLAN	2014 PSU PLAN
Grant date	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
Number of units	Subject to performance conditions, the number of units granted shall be adjusted depending on the three-year cumulative annualized growth of earnings per share	Determined at grant date, without any further changes	Determined at grant date, without any further changes	Subject to performance conditions, the number of units granted shall be adjusted depending on the total shareholder return compared to peers, as defined in the plan
Vesting of units	Units vest in full at the end of the third calendar year following the grant date	Units vest at a rate of 20% per year at the end of each calendar year following the grant date	Units vest in full three years following their grant date	Units vest in full at the end of the third calendar year following the grant date
Payment	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting January 1 st of the calendar year during which the grant of such award was made and ending on the vesting date.	Units are redeemable for cash by the Company within thirty days following the first anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company no later than March 15 th of the year following the end of the vesting period	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting on January 1 st of the calendar year during which the grant of such award was made and ending on the vesting date.
Redemption price	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the first anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
Forfeiture	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
Other provisions	The units vest immediately in the event of death or if a participant is eligible to retire, with payment being made within ninety business days following the end of the third calendar year from the grant date	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a <i>pro rata</i> basis, with payment being made no later than March 15 th of the year following the event	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a <i>pro rata</i> basis, with payment being made no later than two and a half months following the event

The terms and conditions of the DSU plan are as follows: units are issued to Board Members of SNC-Lavalin Group Inc. at the end of each quarter. Each member is required to participate in the DSU plan by deferring at least 25% of their annual retainer. An additional number of units are also granted annually as determined by the Corporate Governance Committee of SNC-Lavalin Group Inc. All units issued vest immediately. When a member ceases to be a member of the Board of Directors, units are redeemed immediately in cash.

21. SHARE CAPITAL (CONTINUED)

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2016 and 2015:

	2016		2015	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2014 PSU plan	394,115	\$ 47.24	515,727	\$ 40.87
2009 DSU plan	15,848	\$ 46.94	23,288	\$ 39.84
RSU plan	559,665	\$ 47.40	656,101	\$ 41.34
DSU plan	30,845	\$ 48.34	29,796	\$ 41.38

In 2015, the financial arrangement with an investment grade financial institution to limit the Company's exposure to the variability of the units caused by fluctuations in its share price was terminated by the Company for total proceeds of \$49.3 million and replaced with derivative financial instruments with investment grade financial institutions. The derivative financial instruments, the fair value of which fluctuates in accordance with the movement in the Company's share price, are required to be classified as FVTPL. As such, they are measured at fair value on the consolidated statement of financial position under "Other non-current financial assets" (see Note 14) if the fair value of a derivative financial instrument is favourable or under "Other non-current financial liabilities" if the fair value of a derivative financial instrument is unfavourable.

The compensation expense related to the share unit plans was \$29.9 million for the year ended December 31, 2016 (2015: \$21.8 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was \$33.2 million as at December 31, 2016 (2015: \$12.5 million), while the share unit plans' liabilities amounted to \$92.5 million as at December 31, 2016 (2015: \$44.0 million).

D) REDEMPTION OF SHARES

In 2016, the Board of Directors authorized the renewal of the Company's normal course issuer bid to purchase for cancellation, on the open market, up to 3,000,000 (2015: 13,287,774) common shares within a one-year period. The renewal of the Company's normal course issuer bid requires annual approval by the Board of Directors and the Toronto Stock Exchange.

There were no redemptions of shares in 2016. In 2015, the Company repurchased and cancelled 2,803,900 common shares under its current and previously authorized normal course issuer bid resulting in cash outflows of \$121.8 million.

E) WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES – BASIC AND DILUTED

The weighted average number of outstanding shares in 2016 and 2015 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	2016	2015
Weighted average number of outstanding shares – basic	150,077	150,918
Dilutive effect of stock options	202	70
Weighted average number of outstanding shares – diluted	150,279	150,988

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

F) DIVIDENDS

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

22. OTHER COMPONENTS OF EQUITY

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

	DECEMBER 31 2016	DECEMBER 31 2015
Exchange differences on translating foreign operations	\$ 389,726	\$ 472,355
Available-for-sale financial assets	2,384	1,768
Cash flow hedges	6,695	10,036
Share of other comprehensive loss of investments accounted for by the equity method	(39,788)	(44,146)
Other components of equity	\$ 359,017	\$ 440,013
Presented on the statement of financial position as follows:		
Other components of equity	\$ 360,845	\$ 440,013
Other components of equity of asset held for sale (Note 36)	\$ (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 hedging instruments, if any, 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 revalued 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.

22. OTHER COMPONENTS OF EQUITY (CONTINUED)

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

YEAR ENDED DECEMBER 31	2016		2015	
Exchange differences on translating foreign operations:				
Balance at beginning of year	\$	472,355	\$	28,024
Current year gains (losses)		(102,422)		452,243
Reclassification to net income		11,488		–
Net investment hedge – current year gains (losses)		11,216		(10,823)
Income taxes relating to current year gains (losses)		(2,911)		2,911
Balance at end of year		389,726		472,355
Available-for-sale financial assets:				
Balance at beginning of year		1,768		645
Current year gains (losses) ⁽¹⁾		(22)		6,830
Income taxes relating to current year gains (losses)		(636)		(61)
Reclassification to net income ⁽¹⁾		1,274		(6,000)
Income taxes relating to amounts reclassified to net income		–		354
Balance at end of year		2,384		1,768
Cash flow hedges:				
Balance at beginning of year		10,036		4,244
Current year gains (losses)		21,874		(31,580)
Income taxes relating to current year gains (losses)		(339)		6,663
Reclassification to net income		(34,033)		45,992
Income taxes relating to amounts reclassified to net income		9,157		(15,283)
Balance at end of year		6,695		10,036
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of year		(44,146)		(35,634)
Current year share		(2,464)		(19,135)
Income taxes relating to current year share		468		5,201
Reclassification to net income		8,530		7,388
Income taxes relating to amounts reclassified to net income		(2,176)		(1,966)
Balance at end of year		(39,788)		(44,146)
Other components of equity	\$	359,017	\$	440,013
Presented on the statement of financial position as follows:				
Other components of equity	\$	360,845	\$	440,013
Other components of equity of asset held for sale (Note 36)	\$	(1,828)	\$	–

⁽¹⁾ In 2016, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to \$1.3 million (2015: loss of \$3.4 million) and the loss arising on adjustments for the hedged item attributable to hedged risk in a designated fair value hedge accounting relationship amounted to \$1.3 million (2015: gain of \$3.4 million).

REMEASUREMENT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following table provides 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 years ended December 31, 2016 and 2015:

YEAR ENDED DECEMBER 31	2016			2015		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (33,519)	\$ 6,241	\$ (27,278)	\$ (33,178)	\$ 6,403	\$ (26,775)
Remeasurement recognized during the year:						
Defined benefit pension plans	(26,311)	942	(25,369)	6,201	(61)	6,140
Other post-employment benefits	(14,190)	2,913	(11,277)	(6,542)	(101)	(6,643)
	(40,501)	3,855	(36,646)	(341)	(162)	(503)
Cumulative amount at December 31	\$ (74,020)	\$ 10,096	\$ (63,924)	\$ (33,519)	\$ 6,241	\$ (27,278)

23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31	2016	2015
Selling expenses	\$ 194,837	\$ 188,407
General and administrative expenses	529,278	667,226
Selling, general and administrative expenses	\$ 724,115	\$ 855,633

24. RESTRUCTURING COSTS

In 2015, the Company extended its restructuring efforts by launching the “STEP Change” program. This program was designed to make the Company more agile customer-facing and allow the Company to further improve operational efficiency, including a realignment of its corporate and operating organization.

In 2016, the Company launched the “Operational Excellence” program, which is a long-term, structured approach that focuses on improving every aspect of the Company’s business.

The Company incurred \$115.4 million of restructuring costs in 2016 (2015: \$116.4 million).

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

25. NET FINANCIAL EXPENSES

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

26. 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, for the year ended December 31:

	2016	2015
Depreciation of property and equipment and amortization of other non-current non-financial assets:		
From E&C	\$ 140,566	\$ 162,419
From Capital	2,533	-
Income taxes recognized in net income (Note 27)	13,419	83,718
Net financial expenses recognized in net income (Note 25)	42,117	305
Share-based expense (Note 21)	30,541	21,625
Income from Capital investments accounted for by the equity method	(182,844)	(157,082)
Dividends and distributions received from Capital investments accounted for by the equity method	162,389	157,070
Net change in provisions related to forecasted losses on certain contracts	(125,043)	(24,717)
Gain on disposals of Capital investments (Note 5A)	(55,875)	(174,350)
Restructuring costs recognized in net income (Note 24)	115,405	116,396
Restructuring costs paid	(109,051)	(78,747)
Loss on disposals of E&C businesses (Note 37)	37,133	-
Other	(47,836)	(39,549)
Other reconciling items	\$ 23,454	\$ 67,088

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows, for the year ended December 31:

	2016	2015
Decrease in trade receivables	\$ 178,219	\$ 118,395
Increase in contracts in progress	(246,719)	(86,120)
Increase in inventories	(1,298)	(27,033)
Decrease (increase) in other current financial assets	357,339	(81,605)
Increase in other current non-financial assets	(104,661)	(18,435)
Decrease in trade payables	(226,718)	(112,098)
Increase (decrease) in downpayments on contracts	89,403	(86,575)
Decrease in deferred revenues	(150,186)	(191,954)
Decrease in other current financial liabilities	(19,748)	(80,049)
Increase (decrease) in other current non-financial liabilities	63,644	(78,710)
Net change in non-cash working capital items	\$ (60,725)	\$ (644,184)

27. INCOME TAXES

A) DEFERRED INCOME TAX ASSET AND DEFERRED INCOME TAX LIABILITY

Deferred income taxes arising from temporary differences and unused tax losses can be summarized as follows:

	JANUARY 1 2016	Recognized in other comprehensive income	Derecognized upon disposals of businesses and investments	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2016
Current:						
Retentions on client contracts	\$ (171,920)	\$ —	\$ —	\$ 123,993	\$ —	\$ (47,927)
Contracts in progress	(9,469)	—	—	1,014	7	(8,448)
Retentions on supplier contracts	68,741	—	—	(35,637)	—	33,104
Accrued employee compensation	9,286	—	(428)	4,619	—	13,477
Current liabilities	118,053	—	(1,003)	(13,607)	(481)	102,962
Other	(418)	—	(4)	634	20	232
Non-current:						
Property and equipment, and goodwill	(56,939)	—	77	(4,273)	(2,142)	(63,277)
Other non-current financial assets	(20,213)	—	—	(6,831)	—	(27,044)
Provisions	(30,721)	—	—	45,717	(564)	14,432
Capital investments accounted for by the equity or cost methods	(147,414)	(1,708)	—	(8,960)	282	(157,800)
Pension plans and other post- employment benefits	14,003	3,855	143	(1,132)	(1,350)	15,519
Other	(10,868)	5,271	—	7,505	30	1,938
Unused tax losses	401,172	—	(772)	(126,614)	789	274,575
Deferred income tax asset, net	\$ 163,293	\$ 7,418	\$ (1,987)	\$ (13,572)	\$ (3,409)	\$ 151,743

Presented on the statement of
financial position as follows:

Deferred income tax asset	\$ 436,817	—	—	—	—	\$ 421,461
Deferred income tax liability	\$ 273,524	—	—	—	—	\$ 269,718

27. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period of 2015 can be summarized as follows:

	JANUARY 1 2015	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2015
Current:					
Retentions on client contracts	\$ (145,969)	\$ –	\$ (25,951)	\$ –	\$ (171,920)
Contracts in progress	(10,953)	–	1,777	(293)	(9,469)
Retentions on supplier contracts	90,353	–	(21,612)	–	68,741
Accrued employee compensation	14,578	–	(5,292)	–	9,286
Current liabilities	85,860	–	31,026	1,167	118,053
Other	4,250	–	(4,276)	(392)	(418)
Non-current:					
Property and equipment, and goodwill	(67,540)	–	19,420	(8,819)	(56,939)
Other non-current financial assets	(12,560)	–	(7,653)	–	(20,213)
Provisions	(2,258)	–	(32,896)	4,433	(30,721)
Capital investments accounted for by the equity or cost methods	(119,092)	3,235	(30,008)	(1,549)	(147,414)
Pension plans and other post-employment benefits	13,454	(162)	(382)	1,093	14,003
Other	(2,512)	(5,416)	(3,022)	82	(10,868)
Unused tax losses	312,966	–	85,528	2,678	401,172
Deferred income tax asset, net	\$ 160,577	\$ (2,343)	\$ 6,659	\$ (1,600)	\$ 163,293

Presented on the statement of financial position as follows:

Deferred income tax asset	\$ 419,639	–	–	–	\$ 436,817
Deferred income tax liability	\$ 259,062	–	–	–	\$ 273,524

As at December 31, 2016, the Company had \$1,725.4 million (2015: \$2,110.4 million) of non-capital tax losses carried-forward of which \$1,251.0 million will expire in varying amounts from 2017 to 2037 (2015: \$1,685.0 million expiring from 2016 to 2036). As at December 31, 2016, a deferred income tax asset of \$274.6 million (2015: \$401.2 million) has been recognized on \$1,086.7 million (2015: \$1,533.6 million) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized. As at December 31, 2016, the Company had \$161.2 million of the unrecognized non-capital tax losses that will expire in varying amounts from 2017 to 2037 (2015: \$233.5 million expiring in varying amounts from 2016 to 2036).

As at December 31, 2016, the Company had \$56.5 million (2015: \$53.5 million) of capital tax losses carried-forward on which no deferred income tax asset has been recognized of which \$25.1 million will expire in 2031 and 2032 (2015: \$26.6 million expiring in 2031 and 2032), while the remaining capital tax losses have no expiry date.

As at December 31, 2016, a deferred income tax liability has not been recognized on taxable temporary differences of \$978.3 million (2015: \$1,191.9 million) associated with investments in subsidiaries, associates and interests in joint arrangements, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

27. INCOME TAXES (CONTINUED)

B) INCOME TAXES

The relationship between the expected income taxes based on Canadian effective tax rate of SNC-Lavalin at 26.6% (2015: 26.6%) and the reported income taxes in net income can be reconciled as follows:

YEAR ENDED DECEMBER 31	2016		2015	
	AMOUNT	%	AMOUNT	%
Income before income taxes	\$ 269,984		\$ 521,253	
Canadian tax rate for SNC-Lavalin		26.6		26.6
Expected income taxes	\$ 71,899		\$ 138,685	
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	(26,857)	(9.9)	(23,084)	(4.4)
Effect of Canadian provincial tax rate differences	(1,269)	(0.4)	(71)	–
Net income and losses not affected by tax	22,237	8.2	13,660	2.6
Effect of benefit from a previous unrecognized tax loss used to reduce current tax expense	(11,208)	(4.2)	(10,983)	(2.1)
Effect of differences between accounting gain and taxable capital gain realized on disposal of Ambatovy	–	–	(16,711)	(3.2)
Effect of differences between accounting gain and taxable capital gain realized on disposal of SNCL Malta	(8,829)	(3.3)	–	–
Effect of differences between accounting gain and taxable capital gain realized on disposals of E&C businesses and Mayotte Airport	15,458	5.7	–	–
Effect of reversal of a previous write-down of deferred income tax asset	(5,709)	(2.1)	(10,808)	(2.1)
Effect of valuation allowances on previously recognized deferred income tax asset (liability)	2,870	1.1	1,315	0.3
Non-taxable income from certain Capital investments accounted for by the equity method	(38,945)	(14.4)	(38,562)	(7.4)
Other permanent differences for tax purposes	(508)	(0.2)	15,988	3.1
Other	(5,720)	(2.1)	14,289	2.7
Income taxes at effective tax rate	\$ 13,419	5.0	\$ 83,718	16.1

SNC-Lavalin's income taxes were comprised of the following:

YEAR ENDED DECEMBER 31	2016		2015	
Current income taxes	\$ (153)		\$ 90,377	
Deferred income taxes	13,572		(6,659)	
Income taxes	\$ 13,419		\$ 83,718	

28. FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

AT DECEMBER 31

2016

	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					FAIR VALUE
	FVTPL ⁽¹⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	
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:						
Derivative financial instruments	—	—	—	2,373	2,373	2,373
Other current financial assets	—	—	490,352	—	490,352	491,292
Capital investments accounted for by the equity method:						
At amortized cost	—	—	109,306	—	109,306	109,306
Capital investments accounted for by the cost method:						
At cost or at fair value ⁽²⁾	—	47,732	—	—	47,732	See ⁽²⁾
At amortized cost	—	—	593	—	593	593
Non-current portion of receivables under service concession arrangements ⁽³⁾	—	—	356,847	—	356,847	397,271
Other non-current financial assets:						
Restricted cash	6,939	—	—	—	6,939	6,939
Derivative financial instruments ⁽⁴⁾	31,248	—	—	—	31,248	31,248
Other:						
At cost/amortized cost ⁽³⁾	—	—	20,336	—	20,336	20,336
Total	\$ 1,149,248	\$ 47,732	\$ 1,913,417	\$ 2,373	\$ 3,112,770	

AT DECEMBER 31

2015

	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					FAIR VALUE
	FVTPL ⁽¹⁾	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	
Cash and cash equivalents	\$ 1,581,834	\$ —	\$ —	\$ —	\$ 1,581,834	\$ 1,581,834
Restricted cash	38,964	—	—	—	38,964	38,964
Trade receivables	—	—	1,200,890	—	1,200,890	1,200,890
Other current financial assets:						
Derivative financial instruments	—	—	—	9,742	9,742	9,742
Other current financial assets	—	—	899,128	—	899,128	901,262
Capital investments accounted for by the equity method:						
At amortized cost	—	—	109,306	—	109,306	109,306
Capital investments accounted for by the cost method:						
At cost or at fair value ⁽²⁾	—	47,717	—	—	47,717	See ⁽²⁾
At amortized cost	—	—	614	—	614	614
Non-current portion of receivables under service concession arrangements ⁽³⁾	—	—	291,858	—	291,858	327,619
Other non-current financial assets:						
Restricted cash	6,769	—	—	—	6,769	6,769
Derivative financial instruments	56	—	—	—	56	56
Other:						
At cost/amortized cost ⁽³⁾	—	—	67,239	—	67,239	67,239
Total	\$ 1,627,623	\$ 47,717	\$ 2,569,035	\$ 9,742	\$ 4,254,117	

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

⁽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⁾ In 2016, the net gain on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company's share unit plans amounted to \$38.1 million, while the loss on corresponding share unit plans' liabilities amounted to \$23.5 million.

28. FINANCIAL INSTRUMENTS (CONTINUED)

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

AT DECEMBER 31	2016			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	\$ –	\$ 1,888,242	\$ 1,888,242	\$ 1,888,242
Downpayments on contracts	–	263,382	263,382	263,382
Other current financial liabilities:				
Derivative financial instruments	39,216	–	39,216	39,216
Other current financial liabilities	–	264,759	264,759	264,759
Provisions	–	103,791	103,791	103,791
Short-term debt and long-term debt ⁽¹⁾ :				
Recourse	–	349,369	349,369	383,579
Non-recourse from Capital investments	–	493,582	493,582	541,637
Other non-current financial liabilities	–	5,928	5,928	5,928
Total	\$ 39,216	\$ 3,369,053	\$ 3,408,269	

AT DECEMBER 31	2015			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	\$ –	\$ 2,330,538	\$ 2,330,538	\$ 2,330,538
Downpayments on contracts	–	185,813	185,813	185,813
Other current financial liabilities:				
Derivative financial instruments	92,503	–	92,503	92,503
Other current financial liabilities	–	301,845	301,845	301,845
Advances under contract financing arrangements ⁽²⁾	–	394,144	394,144	397,024
Provisions	–	93,057	93,057	93,057
Short-term debt and long-term debt ⁽¹⁾ :				
Recourse	–	349,144	349,144	394,202
Non-recourse from Capital investments	–	534,000	534,000	583,311
Other non-current financial liabilities	2,857	4,040	6,897	6,897
Total	\$ 95,360	\$ 4,192,581	\$ 4,287,941	

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

⁽²⁾ The fair value of the advances under contract financing arrangements was determined using the market approach, which uses prices and other relevant information generated by market transactions involving similar or comparable liabilities.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	FINANCIAL INSTRUMENTS
Level 1	Quoted prices in active markets for identical assets or liabilities	Available-for-sale equity investments accounted for at fair value
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash and derivatives
Level 3	Inputs for the asset or liability that are not based on observable market data	None

28. FINANCIAL INSTRUMENTS (CONTINUED)

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE AND FOR WHICH THE FAIR VALUE IS DISCLOSED

The methodology used to determine the fair value of the following Company's assets and liabilities not measured at fair value is based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	ASSETS AND LIABILITIES
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Trade receivables, financial asset classified as "loans and receivables" (included in Capital investments accounted for by the equity or cost method), receivables under service concession arrangements, trade payables, downpayments on contracts, advances under contract financing arrangements, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, other non-current financial assets, other current financial liabilities, provisions and other non-current financial liabilities
Level 3	Inputs for the asset or liability that are not based on observable market data	None

For the years ended December 31, 2016 and 2015, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

NATURE OF RISK	DESCRIPTION
Credit risk	Risk that SNC-Lavalin will incur a financial loss if the other party to a financial instrument fails to discharge an obligation. The maximum exposure to credit risk for SNC-Lavalin at the end of a given period usually corresponds to the carrying amount of its financial assets exposed to such risk, as presented in Note 28A. In 2015, the exposure included the maximum amount payable by SNC-Lavalin if the financial guarantees granted on the Ambatovy project were called on. Such guarantees expired in 2015 and are no longer considered in SNC-Lavalin's maximum risk exposure.
Liquidity risk	Possibility that SNC-Lavalin will encounter difficulties in meeting the obligations associated with its financial liabilities
Market risk	Variability in the fair value or future cash flows of a financial instrument caused by a change in market prices in items such as currency rates, interest rates and equity prices

CREDIT RISK

For SNC-Lavalin, credit risk arises from:

- i) Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.
- ii) Derivative financial instruments with a favourable fair value, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with high-grade financial institutions, which are expected to satisfy their obligations under the contracts.
- iii) Trade receivables, as detailed in Note 7. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project.

The Company's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. The amounts of trade receivables presented in the consolidated statements of financial position are net of an allowance for doubtful accounts, estimated by the Company and based, in part, on the age of specific receivable balance and the current and expected collection trends. When assessing the credit risk associated with its trade receivables, the Company also considers the other financial and non-financial assets and liabilities recognized with the same client or within the same project to provide additional indications on the Company's exposure to credit risk. As such, in addition to the age of its trade receivables, the Company also considers the age of its contracts in progress, as well as the existence of any deferred revenue or downpayments on contracts on the same project or with the same client.

28. FINANCIAL INSTRUMENTS (CONTINUED)

- iv) Other current financial assets, as detailed in Note 9, and other non-current financial assets, as detailed in Note 14. The current and non-current portions of receivables under service concession arrangements are within normal terms of payment and there were no significant amounts that were past due as at December 31, 2016 and 2015.
- v) The financial asset classified as “Loans and Receivables” included in “Capital investments accounted for by the equity method”, which consists of a subordinated loan receivable from a Capital investment as at December 31, 2016 and 2015 (Note 5B). The subordinated loan receivable from a Capital investment is within normal terms of payment and there are no significant amounts that are past due as at December 31, 2016 and 2015.

LIQUIDITY RISK

SNC-Lavalin monitors its liquidity risk arising from financial instruments on an ongoing basis by ensuring that it has access to sufficient resources to meet its obligations.

The Company’s liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed. Due to the nature of the Company’s activities, the fact that its operations are conducted through multiple entities and joint operations and that it operates in many countries, the Company’s cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various pooling agreements with financial institutions, may transfer cash balances between subsidiaries, joint arrangements or investees and use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

SNC-Lavalin’s consolidated statement of financial position included \$515.3 million at December 31, 2016 (2015: \$542.0 million) of liabilities from Capital investments that are accounted for by the consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the Capital investments and are secured by the respective concession’s assets, including \$482.2 million of financial assets at December 31, 2016 (2015: \$488.6 million), and by SNC-Lavalin’s shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin, assuming its Capital investments accounted for by the consolidation method were unable to meet their obligations, corresponds to the carrying amount invested in these entities.

SNC-Lavalin’s future principal payments on its short-term debt and long-term debt are presented in Note 19.

I) MATURITY ANALYSIS OF FINANCIAL LETTERS OF CREDIT

A draw on letters of credit or bank guarantees (Note 28C) by one or more third parties could, among other things, significantly reduce the Company’s cash position and have a material adverse effect on its business and results of operations. The following table presents a maturity analysis for the financial letters of credit outstanding as at December 31, 2016 and December 31, 2015:

MATURITY	DECEMBER 31 2016	DECEMBER 31 2015
Not later than 1 year	\$ 221,147	\$ 245,158
Later than 1 year and not later than 5 years	25,015	31,536
Later than 5 years	523	497
	\$ 246,685	\$ 277,191

II) MATURITY ANALYSIS OF TRADE PAYABLES

As at December 31, 2016, 96% (2015: 96%) of the outstanding balance of “Trade payables” of \$1,888.2 million (2015: \$2,330.5 million) had a maturity of not later than 1 year.

III) MATURITY ANALYSIS OF OTHER FINANCIAL LIABILITIES

The “Downpayments on contracts” are contractually agreed advance payments made by clients that are deducted from future billings to such clients as work is performed and do not usually have a fixed contractual maturity. This liability is reversed based on the stage of completion method over the duration of a contract.

The “Retentions on supplier contracts” included in “Other current financial liabilities” (Note 16) are short-term liabilities the settlement of which is usually determined by the achievement of contractual milestones on projects and usually do not have a fixed contractual maturity.

28. FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

I) CURRENCY RISK

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets (liabilities) of its foreign operations.

Foreign currency risk is managed by the Company by matching, when possible, the cash receipts in a foreign currency and the cash disbursements in the same foreign currency, for each revenue-generating project in which foreign currencies are involved. Derivative financial instruments with banks, usually forward foreign exchange contracts, are also used to hedge the cash flows in foreign currencies.

The following table summarizes the major forward foreign exchange contracts that were outstanding, for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2016			AT DECEMBER 31, 2015		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA\$ 657,469	US\$ 514,896	2017-2021	CA\$ 819,038	US\$ 654,722	2016-2020
CA\$ 47,819	€ 32,936	2017-2021	CA\$ 89,749	€ 61,133	2016-2020
US\$ 114,339	CA\$ 154,206	2017-2021	US\$ 89,347	CA\$ 118,041	2016-2020
€ 110,324	CA\$ 162,155	2017-2021	€ 72,103	CA\$ 105,433	2016-2020

As at December 31, 2016, the forward foreign exchange contracts used for hedging purposes by the Company had a net unfavourable fair value of \$36.8 million (2015: \$82.8 million). The majority of the forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar.

SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2016 has been calculated from the Company's net assets (liabilities) denominated in US dollars and Euros, from derivative financial instruments used to hedge the exposure to US dollars and Euros and from investments made in foreign operations.

		IMPACT ON EQUITY	
		CA\$/US\$ ^{(2), (3)}	CA\$/€ ⁽²⁾
Increase (decrease)	10% appreciation in the Canadian dollar ⁽¹⁾	\$ (320,556)	\$ (10,369)
Increase (decrease)	10% depreciation in the Canadian dollar ⁽¹⁾	\$ 320,556	\$ 10,369

⁽¹⁾ Assuming all other variables remain the same.

⁽²⁾ The Company's exposure to other currencies is not significant.

⁽³⁾ Includes mainly \$308.4 million of change in exchange differences on translating foreign operations.

As at December 31, 2016, the impact of 10% change in exchange rates between Canadian dollars and Euros would have no significant impact on the Company's net income, while the 10% appreciation in the Canadian dollar comparing to the US dollar would decrease the Company's net income by \$17.6 million (10% depreciation in the Canadian dollar comparing to the US dollar would increase the Company's net income by \$17.6 million).

II) INTEREST RATE RISK

Cash and cash equivalents, and restricted cash, usually involve limited interest rate risk due to their short-term nature.

NON-RECOURSE LONG-TERM DEBT FROM CAPITAL INVESTMENTS

Unlike E&C activities, Capital investments are often capital intensive due to the ownership of assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company. These investments usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing the interest rates gives the Capital investments stable and predictable financing cash outflows, which are usually structured to match the expected timing of their cash inflows.

RECOURSE SHORT-TERM DEBT EXCLUDING CAPITAL INVESTMENTS

SNC-Lavalin's recourse short-term debt bears interest at a variable rate which exposes the Company to interest rate risk.

28. FINANCIAL INSTRUMENTS (CONTINUED)

RECOURSE LONG-TERM DEBT EXCLUDING CAPITAL INVESTMENTS

SNC-Lavalin's recourse long-term debt bears interest at a fixed rate and is measured at amortized cost, therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

SNC-Lavalin's advances under contract financing arrangements usually involve limited interest rate risk due to their short-term nature.

As a result, the changes in interest rates do not have a significant impact on SNC-Lavalin's consolidated net income.

III) EQUITY PRICE RISK

SNC-Lavalin limits its exposure arising from the share unit plans caused by fluctuations in its share price, through financial arrangements with investment high-grade financial institutions described in Note 21C.

C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. Certain letters of credit decrease in relation to the percentage of completion of projects. As at December 31, 2016, SNC-Lavalin had outstanding letters of credit of \$2,190.7 million (2015: \$2,391.6 million).

29. CAPITAL MANAGEMENT

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between: i) having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time, ii) maximizing return on equity.

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the other components of equity are not representative of the Company's financial position.

The Company does not consider non-recourse debt when monitoring its capital because the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the Capital investments or the projects they finance. The Company's investment and underlying assets in its Capital investments or projects may, however, be at risk if such investments or projects were unable to repay their non-recourse debt.

The Company's objective is to maintain a recourse debt-to-capital ratio below a ratio of 30:70. The Company's recourse debt-to-capital ratio for the years ended December 31, 2016 and 2015 was as follows:

	DECEMBER 31 2016	DECEMBER 31 2015
Recourse debt	\$ 349,369	\$ 349,144
Equity attributable to SNC-Lavalin shareholders	\$ 3,873,222	\$ 3,868,178
Less: Other components of equity	359,017	440,013
Plus: Recourse debt	349,369	349,144
Total amount of capital	\$ 3,863,574	\$ 3,777,309
Recourse debt-to-capital ratio	9:91	9:91

The Company has paid quarterly dividends for 27 consecutive years and has increased its yearly dividend paid per share over each of the past 16 years. Dividend policy is determined by the Board of Directors of the Company.

COVENANTS

The Company's unsecured recourse debentures (the "debentures") are committed and subject to affirmative and negative covenants, as defined in the debentures agreement.

The Company's unsecured recourse revolving credit facility (the "Facility") is committed and subject to affirmative, negative and financial covenants, including a requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to earnings before interest, taxes, depreciation and amortization ratio, as defined in the Facility agreement, not exceeding a certain limit.

The term "net recourse debt to earnings before interest, taxes, depreciation and amortization ratio" is defined in the Facility agreement and does not correspond to the Company's metrics as presented above and/or to the specific terms used in the Management's Discussion and Analysis for the year ended December 31, 2016.

In case of an event of default, the debentures and the Facility are subject to customary accelerated repayment terms.

In 2016, the Company complied with all of the covenants related to its debentures and its Facility.

30. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

A) PENSION PLANS

SNC-Lavalin has defined contribution and defined benefit pension plans. The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was \$60.2 million in 2016 (2015: \$64.9 million).

DEFINED CONTRIBUTION PENSION PLANS

SNC-Lavalin's contributions to its defined contribution plans are recorded as expenses in the year in which they are incurred and totalled \$53.3 million in 2016 (2015: \$58.5 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are all closed to new entrants and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for two plans and every year for the remaining two plans. The latest actuarial valuations were performed on December 31, 2015 for two plans, on December 31, 2013 for the third plan and on May 1, 2016 for the fourth plan. The measurement date used for the benefit obligation and plan assets is December 31 of each year. SNC-Lavalin's defined benefit pension plans are partly funded and one defined benefit pension plan is secured by a letter of credit.

The defined benefit plans are administrated by committees composed of a number of representatives from employer's representatives, active employees, inactive employees and independent members. Members of the committees are required by law and by their articles of association to act in the best interest of the pension plans and all their relevant stakeholders, i.e. active employees, inactive employees, retirees and employers. The pension plan committees are responsible for the investment policy with regard to the assets of the pension plans, which are held by a trustee legally separated from SNC-Lavalin.

SNC-Lavalin's defined benefit pension plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and compensation risk.

NATURE OF RISK	DESCRIPTION
Investment risk	The present value of the defined benefit pension plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plans liabilities; however, this will be partially offset by an increase in the return on the plans' debt securities.
Compensation risk	The present value of the defined benefit pension plan obligation is calculated by reference to the final pensionable earnings of plans participants.

30. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table sets forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31	2016	2015
Change in pension benefit obligation:		
Pension benefit obligation at beginning of year	\$ 318,636	\$ 306,158
Current service cost	1,119	1,583
Interest cost	10,270	10,246
Benefits paid	(16,042)	(15,304)
Contributions by plan participants	787	958
Remeasurement:		
Actuarial losses arising from changes in demographic assumptions	–	2,308
Actuarial (gains) losses arising from changes in financial assumptions	44,278	(12,172)
Actuarial (gains) losses arising from experience adjustments	(3,106)	3,429
Effect of foreign currency exchange differences	(33,906)	21,430
Pension benefit obligation at end of year	\$ 322,036	\$ 318,636
Change in pension plan assets:		
Fair value of pension plan assets at beginning of year	\$ 238,412	\$ 224,707
Interest income	7,806	7,669
Remeasurement:		
Return on plans assets (excluding interest income)	11,281	17
Administration costs	(594)	(677)
Benefits paid	(16,042)	(15,304)
Contributions by the employer	6,886	6,332
Contributions by plan participants	787	958
Effect of foreign currency exchange differences	(23,154)	14,710
Fair value of pension plans assets at end of year	\$ 225,382	\$ 238,412

AT DECEMBER 31	2016	2015
Funded status reflected in the statement of financial position:		
Present value of the pension benefit obligation	\$ 322,036	\$ 318,636
Fair value of pension plan assets	225,382	238,412
Funded status	96,654	80,224
Effect of the asset ceiling from remeasurement ⁽¹⁾	570	3,854
Additional liability due to minimum funding requirements	3,533	3,562
Net accrued pension benefit liability	\$ 100,757	\$ 87,640

⁽¹⁾ The economic benefit available has been determined as a reduction in future contributions. It represents the present value of the future service cost for each period, excluding amounts borne by plan participants, over the expected remaining life of the plan. The assumptions used to determine the future service costs are consistent with those used to determine the defined benefit obligation.

SNC-Lavalin's net defined benefit pension costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31	2016	2015
Current service cost	\$ 1,119	\$ 1,583
Net interest expense	2,731	2,837
Administration costs	594	677
Components of benefit pension costs recognized in net income	\$ 4,444	\$ 5,097

30. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SNC-Lavalin's net defined benefit pension costs recognized in other comprehensive income were comprised of:

YEAR ENDED DECEMBER 31	2016	2015
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding interest income)	\$ (11,281)	\$ (17)
Actuarial losses arising from changes in demographic assumptions	–	2,308
Actuarial (gains) losses arising from changes in financial assumptions	44,278	(12,172)
Actuarial (gains) losses arising from experience adjustments	(3,106)	3,429
Effect of the asset ceiling from remeasurement	(3,423)	(2,589)
Variation in liability due to minimum funding requirements	(157)	2,840
Components of benefit pension costs (reversal of costs) recognized in other comprehensive income	\$ 26,311	\$ (6,201)

SNC-Lavalin expects to make contributions of \$7.2 million in 2017 to its defined benefit pension plans.

The following table presents the fair value of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

	DECEMBER 31 2016	DECEMBER 31 2015
Asset category		
Equity securities	\$ 85,179	\$ 80,797
Debt securities	140,203	157,615
Total	\$ 225,382	\$ 238,412

The fair values of the above equity and debt instruments are determined based on quoted prices in active markets.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation:

	DECEMBER 31 2016	DECEMBER 31 2015
Accrued pension benefit obligation		
Discount rate	2.82%	3.53%
Rate of compensation increase ⁽¹⁾	2.36%	2.36%

⁽¹⁾ The weighted average rate of compensation increase excluding a pension plan for which benefits are not linked to future salary levels represented 3.26% as at December 31, 2016 (2015: 3.11%).

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2016, while holding all other assumptions constant.

If the discount rate is 1% higher (lower), the defined benefit pension obligation would decrease by an estimated amount of \$48.0 million (increase by an estimated amount of \$62.8 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$32.9 million (decrease by an estimated amount of \$25.0 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit pension obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit pension obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same method applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The weighted average duration of the pension benefit obligation as at December 31, 2016 was 16.7 years (2015: 16.4 years).

B) OTHER POST-EMPLOYMENT BENEFITS

SNC-Lavalin has a number of other post-employment benefit plans, which are all defined benefit plans and include mainly termination indemnities, medical and dental care benefits, and life insurance benefits. SNC-Lavalin's other post-employment benefit plans are unfunded plans.

As at December 31, 2016, the obligation for other post-employment benefits amounted to \$49.7 million (2015: \$49.4 million).

31. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

Charges and RCMP investigation

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

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

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

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

31. CONTINGENT LIABILITIES (CONTINUED)

In addition, as announced on February 5, 2014, certain subsidiaries of the Company obtained the requisite certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. Such certification is subject to periodic renewal by the AMF. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract.

World Bank Settlement

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

African Development Bank Settlement

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

Canada’s Integrity Regime

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

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

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

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

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

31. CONTINGENT LIABILITIES (CONTINUED)

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

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

Other Investigations

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

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty a sum equivalent to CA\$17.2 million (representing the equivalent of 12.9 million CHF and US\$2.0 million) plus interest. The Company has so far received CA\$15.2 million up to December 31, 2016 with the balance expected to be received upon the forced execution of seized assets.

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

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

31. CONTINGENT LIABILITIES (CONTINUED)

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

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

B) CLASS ACTION LAWSUITS

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

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

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

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

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

In the course of 2016 both the Company and the plaintiffs in the Ontario Action filed motions for summary judgment in respect of the Ontario Action; the judge heard the motions in August 2016 and in September 2016 rendered judgement that both sets of motions should be permanently stayed – effectively rejecting them. The Ontario Action therefore will move to the stage of examinations for discovery by the plaintiffs commencing in the first quarter of 2017.

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

31. CONTINGENT LIABILITIES (CONTINUED)

C) OTHER

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

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

Legal proceedings

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

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

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

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

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

The Company is a party to other claims and litigation arising in the normal course of operations, including by clients, subcontractors, and vendors presenting claims for, amongst other things, recovery of costs related to certain projects.

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

32. OPERATING LEASE ARRANGEMENTS

The following table presents the total of future minimum lease payments under SNC-Lavalin's non-cancellable operating leases at December 31, 2016 and 2015:

	DECEMBER 31 2016	DECEMBER 31 2015
Not later than 1 year	\$ 92,633	\$ 105,099
Later than 1 year and not later than 5 years	195,007	213,155
Later than 5 years	92,400	112,896
	\$ 380,040	\$ 431,150

SNC-Lavalin's payments under operating lease arrangements recognized as an expense in net income amounted to \$137.9 million for the year ended December 31, 2016 (2015: \$128.3 million).

As at December 31, 2016, future minimum sublease payments expected to be received under non-cancellable subleases totalled \$210.9 million and were as follows: \$41.7 million – not later than 1 year, \$138.8 million – later than 1 year and not later than 5 years, and \$30.4 million – later than 5 years. As at December 31, 2015, future minimum sublease payments expected to be received under non-cancellable subleases totalled \$38.4 million and were as follows: \$6.2 million – not later than 1 year, \$22.4 million – later than 1 year and not later than 5 years, and \$9.8 million – later than 5 years.

33. REMUNERATION

A) EMPLOYEE REMUNERATION

Expenses recognized for employee benefits, including expenses recognized for key management remuneration and directors' fees, are analyzed as follows:

YEAR ENDED DECEMBER 31	2016	2015
Short-term benefits ⁽¹⁾	\$ 3,579,804	\$ 3,784,939
Share-based payments	30,541	21,625
Defined contribution pension plans	53,297	58,536
Defined benefit pension plans and other post-employment benefits	21,256	13,592
	\$ 3,684,898	\$ 3,878,692

⁽¹⁾ Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses, non-monetary benefits and termination benefits that are expected to be settled within twelve months after the end of the annual reporting period.

B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

In 2015, key management of the Company was defined as all members of its Company's Senior Management Committee and all directors of SNC-Lavalin Group Inc.'s Board of Directors. In 2016, the Company changed prospectively its definition of the Company's key management to include all employees that are classified at the executive levels, corresponding mainly to the senior vice-presidents and above, and all members of the Company's Board of Directors.

The number of individuals included as key management was 147 people in 2016 (2015: 131 people).

Expenses recognized for key management remuneration and directors' fees, even if the services were provided only for a portion of the year, are detailed as follows:

YEAR ENDED DECEMBER 31	2016	2015
Short-term benefits ⁽¹⁾	\$ 83,129	\$ 63,164
Share-based payments	27,900	13,137
Termination benefits	5,136	10,642
Defined benefit and defined contribution pension plans and other post-employment benefits	3,761	3,648
	\$ 119,926	\$ 90,591

⁽¹⁾ Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits.

34. RELATED PARTY TRANSACTIONS

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

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

The accounting treatment of intragroup profits is summarized below:

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

For the year ended December 31, 2016, SNC-Lavalin recognized revenues of \$755.8 million (2015: \$733.9 million) from contracts with Capital investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these Capital investments accounted for by the equity method of \$182.8 million for the year ended December 31, 2016 (2015: \$157.1 million).

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to \$90.2 million as at December 31, 2016 (2015: \$65.4 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to \$83.0 million as at December 31, 2016 (2015: \$94.2 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was \$98.0 million as at December 31, 2016 (2015: \$113.9 million).

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

35. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2016 and 2015, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out below:

SUBSIDIARIES	2016	2015	COUNTRY
	%	%	
Candu Energy Inc.	100.0	100.0	Canada
Evergreen Rapid Transit Holdings Inc.	100.0	100.0	Canada
Infrastructure Famille Santé Inc.	100.0	100.0	Canada
InPower BC General Partnership	100.0	100.0	Canada
Interfleet Technology Limited	100.0	100.0	United Kingdom
Itansuca Proyectos de Ingenieria S.A.	100.0	100.0	Colombia
Kentz Corporation Limited	100.0	100.0	Channel Islands
Kentz Pty Ltd.	100.0	100.0	Australia
Okanagan Lake Concession Limited Partnership	100.0	100.0	Canada
P.T. SNC-Lavalin TPS	95.0	95.0	Indonesia
Rainbow Hospital Partnership	100.0	100.0	Canada
S.A. SNC-Lavalin N.V.	100.0	100.0	Belgium
Saudi Arabian Kentz Company Limited ⁽¹⁾	49.0	49.0	Saudi Arabia
SNC-Lavalin (GB) Limited	100.0	100.0	England
SNC-Lavalin (Malaysia) Sdn. Bhd.	100.0	100.0	Malaysia
SNC-Lavalin (Proprietary) Limited	100.0	100.0	South Africa
SNC-Lavalin Aéroports S.A.S.U.	–	100.0	France
SNC-Lavalin Algérie EURL	100.0	100.0	Algeria
SNC-Lavalin Arabia LLC	100.0	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	100.0	100.0	Australia
SNC-Lavalin Capital Inc.	100.0	100.0	Canada
SNC-Lavalin Chile S.A.	100.0	100.0	Chile
SNC-Lavalin Construction (Atlantic) Inc.	100.0	100.0	Canada
SNC-Lavalin Construction Inc.	100.0	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors Inc.	100.0	100.0	United States
SNC-Lavalin Constructors International Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors (Pacific) Inc.	100.0	100.0	Canada
SNC-Lavalin Defence Programs Inc.	100.0	100.0	Canada
SNC-Lavalin Engineering India Private Limited	100.0	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	100.0	100.0	United States
SNC-Lavalin Europe B.V.	100.0	100.0	Netherlands
SNC-Lavalin Europe S.A.S.	100.0	100.0	France
SNC-Lavalin GEM Ontario Inc.	100.0	100.0	Canada
SNC-Lavalin GEM Québec Inc.	100.0	100.0	Canada
SNC-Lavalin Inc.	100.0	100.0	Canada
SNC-Lavalin International Inc.	100.0	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	100.0	France
SNC-Lavalin Major Projects Inc.	100.0	100.0	Canada
SNC-Lavalin Nuclear Inc.	100.0	100.0	Canada
SNC-Lavalin O&M Solutions Inc.	–	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	100.0	Canada
SNC-Lavalin Peru S.A.	100.0	100.0	Peru

⁽¹⁾ Although the Company's ownership interest in Saudi Arabia Kentz Company Limited is less than 50%, the Company does exercise control over this entity based on its contractual agreements.

35. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	2016	2015	
SUBSIDIARIES	%	%	COUNTRY
SNC-Lavalin Polska Sp. Z o.o.	100.0	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	100.0	100.0	Brazil
SNC-Lavalin Romania S.A.	100.0	100.0	Romania
SNC-Lavalin S.A.S.	–	100.0	France
SNC-Lavalin Stavibel Inc.	100.0	100.0	Canada
SNC-Lavalin UK Limited	100.0	100.0	United Kingdom
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	–	100.0	France
The SNC-Lavalin Corporation	100.0	100.0	United States
Valerus Field Solutions Holdings LLC	100.0	100.0	United States
	2016	2015	
JOINT VENTURES	%	%	COUNTRY
Capital investments			
407 East Development Group General Partnership	50.0	50.0	Canada
407 International Inc. ⁽¹⁾	16.77	16.77	Canada
Chinook Roads Partnership	50.0	50.0	Canada
Crosslinx Transit Solutions General Partnership	25.0	25.0	Canada
Groupe infrastructure santé McGill, S.E.N.C. ⁽²⁾	60.0	60.0	Canada
Rideau Transit Group General Partnership	40.0	40.0	Canada
Signature on the Saint-Laurent Group General Partnership	50.0	50.0	Canada
TC Dôme S.A.S. ⁽²⁾	51.0	51.0	France
Other			
SNC-Lavalin International Inc. and Zuhair Fayeze Engineering Consultancies Company	50.0	50.0	Saudi Arabia
	2016	2015	
JOINT OPERATIONS	%	%	COUNTRY
407 East Construction General Partnership	50.0	50.0	Canada
Crosslinx Transit Solutions Constructors G.P.	25.0	25.0	Canada
Signature on the Saint Lawrence Construction General Partnership	45.0	50.0	Canada
SLN-Aecon JV	50.0	50.0	Canada
SNC-Lavalin Gulf Contractors LLC	49.0	49.0	U.A.E.
UGL Kentz Joint Venture	50.0	50.0	Australia
	2016	2015	
ASSOCIATES	%	%	COUNTRY
Capital investments			
InTransit BC Limited Partnership	33.3	33.3	Canada
Malta International Airport p.l.c. ⁽³⁾	–	15.5	Malta
Myah Tipaza S.p.A.	25.5	25.5	Algeria
Rayalseema Expressway Private Limited	–	36.9	India
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	26.0	Algeria

⁽¹⁾ Although the Company holds less than 20% of the equity shares of 407 International Inc., the Company exercises joint control over this entity based on its contractual agreements.

⁽²⁾ Although the Company's ownership interest in Groupe infrastructure santé McGill, S.E.N.C. and TC Dôme S.A.S. is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

⁽³⁾ Although the Company's ownership interest in Malta International Airport p.l.c. was less than 20%, the Company exercised significant influence over this entity based on its contractual agreements.

36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

37. DISPOSALS OF E&C BUSINESSES AND MAYOTTE AIRPORT

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

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

YEAR ENDED DECEMBER 31

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

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

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

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

Net cash inflow (outflow) on disposals

YEAR ENDED DECEMBER 31

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