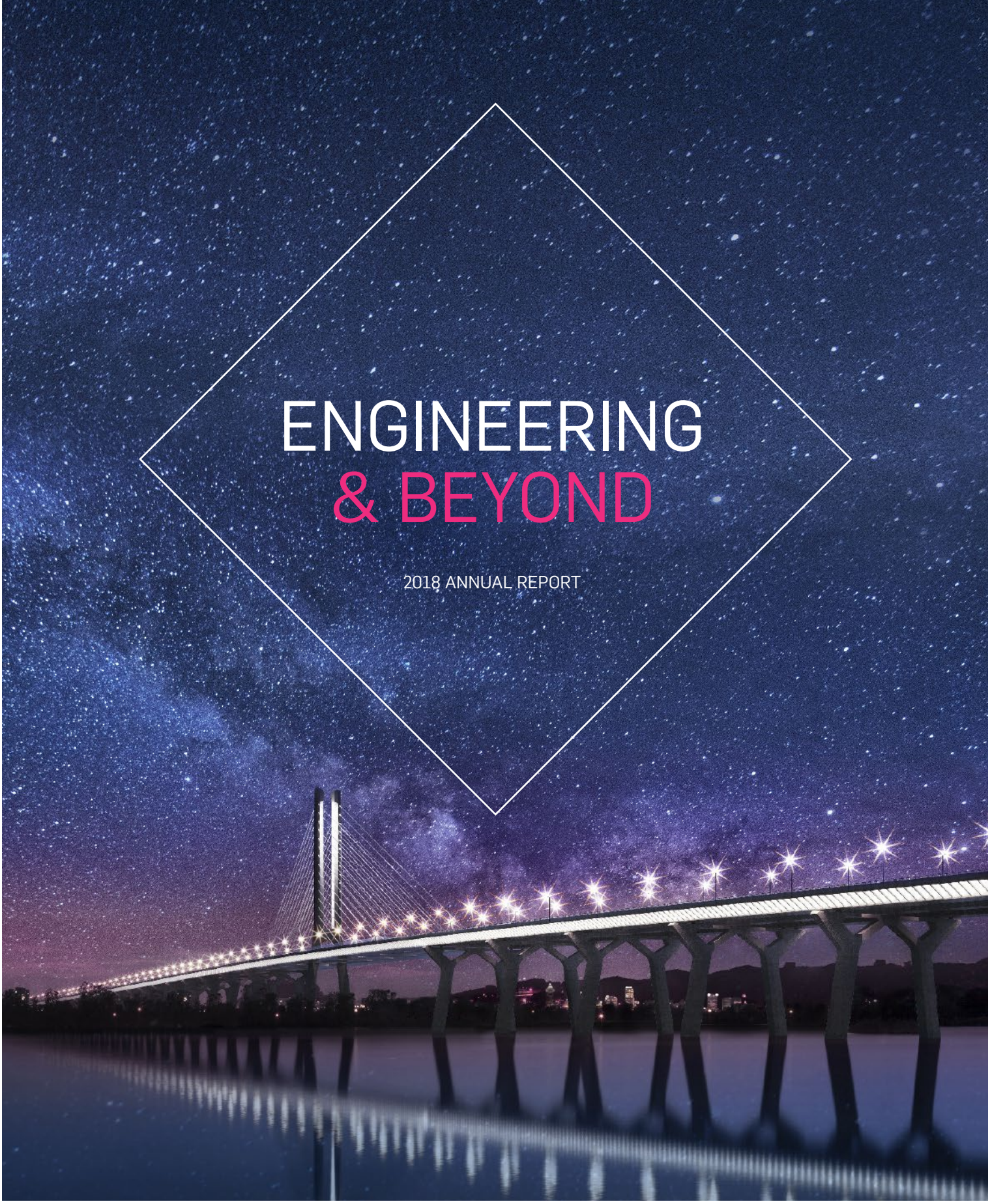
ENGINEERING & BEYOND

2018 ANNUAL REPORT

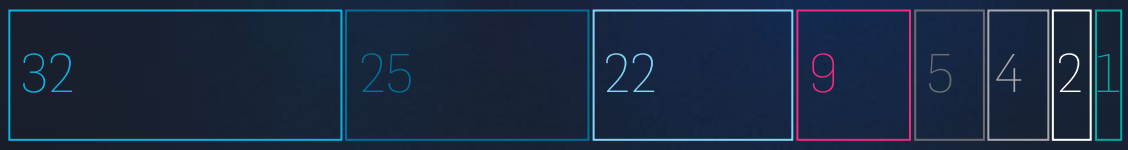


SNC·LAVALIN

Financial highlights

2018 REVENUES

BY INDUSTRY SEGMENT (%)



EDPM Oil & Gas Infrastructure Nuclear Mining & Metallurgy Clean Power Capital Thermal

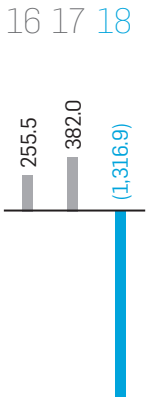
BY GEOGRAPHIC AREA (%)

Americas Middle East & Africa Europe Asia-Pacific

Photo: InterContinental Shanghai Wonderland – Shanghai, China

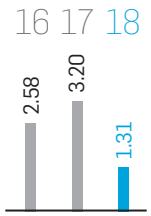
NET INCOME ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS

(IN MILLIONS CA$)



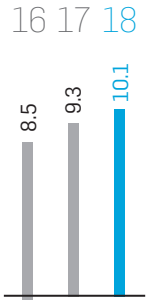
ADJUSTED CONSOLIDATED DILUTED EPS

(IN CA$)



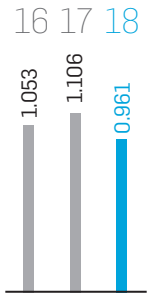
REVENUES

(IN BILLIONS CA$)



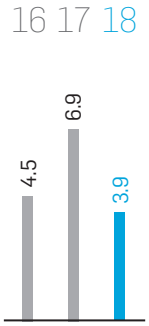
DIVIDENDS

(IN CA$)



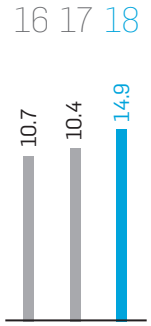
ADJUSTED E&C EBITDA MARGIN

(IN %)



BACKLOG

(IN BILLIONS CA$)



President's message

2018, a year of important achievements, overshadowed by challenges

We had an enormous amount to be proud of in 2018 in terms of excellence in delivery by the vast majority of our talented employees. However, it would be remiss of me not to first focus on the disappointments of the fourth quarter results, specifically the poor performance of our mining project in Chile. The project did not appropriately adhere to industry best practice risk and change management, which impacted the overall project forecast. We expect that some recovery from the mining write-down will flow back to the business at a future date.

This is not to say that the mining market and our expertise in this global industry are diminished. We are a diversified business and our range of projects and services means that we are well equipped when market cycles change. However, we have exited from the mining and metallurgy, lump-sum EPC market to focus on reimbursable engineering services to best manage our risks and maximise our returns.

The oil and gas sector suffered from lower and more volatile commodity pricing, which impacted end demand. A number of our key customers have taken a far more conservative position with regards to capital allocation, often resulting in delayed project approval. These challenges were further amplified by challenging intergovernmental relationships. That said, we remain fully committed to our key markets and our valued customer base that we have successfully served for decades.

In order to put our legacy issues behind us—namely the federal charges for activities that took place seven to 20 years ago—we have long sought to negotiate a remediation agreement with the office of the Director of Public Prosecutions (Canada). We pursue this goal because we believe that it is in the public interest; it will lead to the right outcome for the long-suffering innocent employees, pensioners, clients, shareholders and other stakeholders who had nothing to do with the alleged events prior to 2012: and it is in the best interest of Canada and Canadian companies doing business abroad. In the absence of such an agreement, we are concentrating our efforts on defending the company through the court process.

Notable achievements:

- Our Infrastructure and Nuclear segments performed very well, and our Engineering, Procurement, Design, Management (EDPM) business recorded an industry-leading margin of 11.2% in the fourth quarter.
- We won a number of significant contracts around the globe in our various sectors. Among them were:
  - The Wasit Gas Plant installation project in Saudi Arabia;
  - Our defence equipment and support agreement with the UK Ministry of Defence;
  - Our contract for the design build management of the Federal Way Link Extension in Seattle, Washington;
  - Engineering, Procurement and Construction work as well as operations and maintenance for the Réseau express métropolitain (REM) light-rail transit project in Montreal, Canada;
  - A $33 million production-tooling contract to support Bruce Power's fuel channel and feeder replacement project, and additional work to support the life extension program for their CANDU units to operate safely through to 2064.
- We made a strategic decision to establish Linxon and Comprehensive Decommissioning International (CDI), two joint venture companies that are expected to open important new markets and revenue streams for us.

$10.1 BILLION

IN REVENUE

74%

OF REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS

$14.9 BILLION

DIVERSIFIED REVENUE BACKLOG AT YEAR END

Fourth Quarter news coverage

SNC-Lavalin found itself in the middle of a well-publicized political debate in Canada. I would like to reassure you that while we were the subject of the debate, this is a political matter and we did nothing improper. In fact, our communications with government officials were not only proper, but also public, as can be seen in the public lobbying registrar.

When faced with a very costly and prolonged trial and consequent persistent damage to our reputation in the marketplace – which past experience tells us will cost the company business opportunities – we defended the interests of our innocent stakeholders by talking to anyone who would listen. Our stakeholders expect nothing less from this management team – many have told us so – and we are confident that our efforts to obtain an appropriate solution available under Canadian law was the right thing to do.

2019, moving forward with commitment and confidence

We have taken steps to simplify our business structure in 2019 to concentrate on delivery of our key objectives that will position the business beyond just engineering while creating value for our stakeholders.

1. Focus on delivery

We appointed Ian Edwards (formerly President, Infrastructure) as our Chief Operating Officer to ensure greater collaboration among our business segments and laser focus on excellence in execution. Ian is also mandated to make sure we consistently apply our business development efforts and resources to opportunities we can best deliver on, from the bid stage right through to delivery. When we looked at creating this role, it wasn't simply about ensuring operational excellence in all that we do, but about putting effective and profitable collaboration within our business segments and subject matter experts at the heart of it.

2. Simplification of the sectors and our business model

Under Ian's leadership, we have consolidated our operating sectors down to four: EDPM, Nuclear, Infrastructure and Resources. All four of these sectors have growth potential, strong customer relationships and size. We will capitalise on their size, breadth and geographic presence to ensure consistent delivery for our customers globally.

3. Capital Allocation Strategy and cash generation

The importance of keeping cash and earnings generation is at the heart of what we do: we all strive to deliver the best projects, assets, and outcomes for our clients while also making sure the commercial objectives are delivered. This is an imperative for all – we create the world around us by making long-term value intrinsic to both what we deliver and what we bring back into our organization.

4. Financial objectives

For our 2019 outlook, we are targeting an adjusted diluted EPS from E&C in the range of $2.00 to $2.20 and an adjusted consolidated diluted EPS between $3.00 and $3.20. We expect our 2019 adjusted EBITDA from E&C to be in the $900 million to $950 million range.

5. Focus on protecting & generating value for our stakeholders

Not having a remediation agreement in place creates uncertainty for the company that the leadership team has a fiduciary duty to consider. Therefore, in December 2018 the Board of Directors established a special committee to consider options that would protect value for SNC-Lavalin stakeholders.

We have our strong, diversified revenue backlog of $14.9 billion at year end, which leaves us well positioned for the year ahead, and clear capital allocation strategy that focuses on maintaining our investment-grade credit rating.

Moving beyond engineering

Our Vision and Values frame our focus in 2019 and beyond. In terms of what we bid on and execute going forward, we are prioritizing long-term sustainable growth. In that same sustainability vein, we are extremely proud to sit as a co-chair of PACI, the World Economic Forum's Partnership against Corruption Initiative.

In March 2018 we rolled out our new Vision and four core values – Safety, Integrity, Collaboration and Innovation – that now form the bedrock of how we should strive to speak and behave as a team. They build on the Operational Excellence programme we launched in 2016. Through its long-term, structured approach, we are reinforcing a culture of continuous improvement that touches on every aspect of our business.

On the Health and Safety front, we have made solid progress achieving or beating our main high-level metric of Perfect Days without any harm to people or the environment we work within.

Although our E&C business will always be core to our operations, we remain committed to taking our technology and digital offerings to the next level. Moving forward means not just moving beyond our past, but also diversifying – moving beyond traditional engineering.

In July, our company was named one of the world's top three design firms by Engineering News-Record (ENR), the widely recognised global industry ranking. In part, it is a demonstration of our successful integration of our 2017 acquisition of Atkins, one of the world's most respected design, engineering and project management consultancies.

Let me conclude by saying that I am very proud of the fantastic work being done by our thousands of employees around the world every day and that our short-term challenges are just that. I want to thank all our SNC-Lavalin Group colleagues for their commitment throughout this difficult year and to reassure them and our stakeholders that I am optimistic about our prospects as we move SNC-Lavalin beyond engineering.

Neil Bruce
President and Chief Executive Officer

Leadership team






From left to right:

Neil Bruce
President & Chief Executive Officer

Ian L. Edwards
Chief Operating Officer

James Cullens
Executive Vice-President, Human Resources

Marie-Claude Dumas
President, Technology Ventures

Sylvain Girard
Executive Vice-President and Chief Financial Officer

Craig Muir
President, Resources






From left to right:

Philip Hoare
President, Engineering, Design and Project Management

Hartland J. A. Paterson
Executive Vice-President and General Counsel

Erik J. Ryan
Executive Vice-President, Strategy, Marketing and External Relations

Alexander (Sandy) Taylor
President, Nuclear

Stéphanie Vaillancourt
Executive Vice-President, Capital and Treasurer

Jonathan Wilkinson
President, Infrastructure

2018 highlights

Engineering & Beyond

Integrity

AWARDED
the Compliance Leader Verification from Ethisphere Institute

APPOINTED
Neil Bruce to co-chair of PACI, the World Economic Forum anti-corruption initiative

RANKED
among the top third of all companies in the 2018 Corporate Political Engagement Index, from Transparency International UK

REACHED
an agreement to settle class actions brought in 2012

RANKED
7th in the Globe and Mail's yearly comprehensive ranking of Canada's corporate boards for strong governance

Health & safety, security and environment (HSE)

RECORDED
A TOTAL OF 50 PERFECT DAYS FREE OF ANY INCIDENT

5 DAYS OVER TARGET AND 9 MORE THAN IN 2017

CONTRACTED

for Engineering, Procurement and Construction (EPC) and Rolling Stock, Systems and Operation and Maintenance services (RSSOM) of the Réseau express métropolitain (REM) in Montreal, Quebec

APPOINTED

as part of the Aurora partnership to help transform UK defence engineering services

SIGNED

$240-million Al Zour Refinery contract in Kuwait

ANNOUNCED

formation of Linxon, a new company with ABB

COMMITTED

to advancing AI in Canada with participation in supercluster

WON

Federal Way Link Extension contract for design-build management with Mott MacDonald in Seattle, Washington

REFINED

the corporate Diversity & Inclusion program by implementing a business-led, regionalized approach

FORMED

US-based JV company Comprehensive Decommissioning International (CDI) with Holtec

Key milestones

RANKED

3RD IN ENGINEERING NEWS-RECORD MAGAZINE'S

2018 TOP 225 INTERNATIONAL DESIGN FIRMS

COMPLETED

THE TRANSFER OF FIFTH CANADIAN ASSET

INTO OUR INFRASTRUCTURE INVESTMENT VEHICLE

DELIVERED

VALE CLEAN AER PROJECT

IN SUDBURY, ONTARIO, ONE OF THE LARGEST ENVIRONMENTAL INVESTMENTS IN CANADIAN HISTORY

OPERATIONALIZED

OUR CORE VALUES

ACROSS THE COMPANY

EARNED

THE ENVISION® PLATINUM AWARD

FROM THE INSTITUTE FOR SUSTAINABLE INFRASTRUCTURE FOR WORK ON THE NEW CHAMPLAIN BRIDGE CORRIDOR PROJECT IN MONTREAL, QUEBEC

COMPLETED

THE COMMISSIONING

OF THE JOHN HART GENERATING STATION REPLACEMENT IN BRITISH COLUMBIA, WHICH EARNED THE "OUTSTANDING PROJECT" AWARD FROM THE CANADIAN HYDROPOWER ASSOCIATION

Unleashing our future potential

Chairman's message

For SNC-Lavalin, 2018 was a year of mixed results, with both positive progress and unexpected challenges.

We were pleased to see that SNC-Lavalin ranked 7th in the Globe and Mail's yearly comprehensive ranking of Canada's corporate boards for strong governance, up from 25th in the prior year. This is a wonderful recognition of the work we undertook in renewing our Board and our governance systems in previous years. We also continued to settle our legacy legal issues, reaching an agreement in May to settle class actions brought in 2012. The integration of our Atkins acquisition went very smoothly and on plan through 2018. And, we are now ranked 3rd in Engineering News Record magazine's Top International Design Firms, with 52,000 employees operating in over 50 countries from a strong Canadian base and headquarters in Montreal.

At the same time, there were unexpected operational setbacks in 2018 that were disappointing. As a result, SNC-Lavalin's annual results for 2018 were well below guidance as well as what we are capable of as a company. Both the Board of Directors and management are committed to do better in 2019, and to prove the potential and value of SNC-Lavalin to all stakeholders.

Management, with the support of the Board, has taken immediate action to address these unacceptable operational difficulties. We have reassessed our capital allocation framework, implemented measures to reduce our leverage and adjusted our dividend policy. These measures will allow the Company to strengthen its balance sheet and protect our investment-grade rating.

Needless to say, as our October 10, 2018 statement made clear, we were extremely disappointed by the decision of the Director of the Public Prosecution Service of Canada not to invite SNC-Lavalin to negotiate a Remediation Agreement under the new legislation Parliament passed into law in June 2018. We believe SNC-Lavalin meets the objectives of this legislation. These remediation agreements are not, as some have characterized them, a means to avoid corporate accountability for past actions – they are a fair and equitable agreement with the federal prosecutor that includes financial penalties, monitoring and the implementation of a company-wide ethics framework. That said, with the opportunity to participate in a Remediation Agreement not yet available to us, we will vigorously pursue the legal case brought against us through the courts.

At the same time, as we have indicated publicly, the Board will look at our options in these uncertain circumstances to safeguard the future of the Company in the interests of our stakeholders, employees, pensioners and shareholders as well as customers and suppliers. As such, the Board implemented a non-standing committee with this mandate in December 2018.

In closing, on behalf of the Board of Directors, I want to express our appreciation to our committed investors, who believe in the potential of SNC-Lavalin as a global engineering champion, and to our dedicated employees, who are a key part of unleashing our future potential. I also want to recognize the leadership efforts of our President and CEO, Neil Bruce and our COO, Ian Edwards to react rapidly and decisively to our recent operational setbacks, and to underscore that the management team has the full confidence of the Board in their capacity to rebuild our operational excellence, profitability and focussed growth.

Kevin G. Lynch
Chairman of the Board

FINANCIAL REPORT 2018

Table of contents

2018 Management's Discussion and Analysis

February 21, 2019

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

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

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

Non-IFRS Financial Measures and Additional IFRS Measures

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE

Performance

- Adjusted diluted earnings per share from Engineering & Construction ("**E&C**") ("**Adjusted diluted EPS from E&C**")
- Adjusted earnings before interest, income taxes, depreciation and amortization ("**Adjusted EBITDA**")
- Adjusted net income from E&C
- Booking-to-revenue ratio
- Diluted earnings per share from E&C and Diluted earnings per share from Capital
- Earnings before interest and income taxes ("**EBIT**")
- Earnings before interest, income taxes, depreciation and amortization ("**EBITDA**")
- Return on average shareholders' equity ("**ROASE**")
- Revenue backlog
- Segment earnings before interest and income taxes ("**Segment EBIT**")

Liquidity

- Net recourse debt (or Cash net of recourse debt)
- Net recourse debt to adjusted EBITDA ratio
- Working capital and Current ratio

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in Section 14 to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS, refer to Section 14 for references to the sections of this MD&A where these reconciliations are provided.

Comparative figures

Effective January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15"), IFRS 9, *Financial Instruments*, ("IFRS 9"), and Amendments to IFRS 2, *Share-based Payment*, ("IFRS 2"), without restatement of comparative figures, as described in Section 13.

The Company modified its comparative figures for the following changes:

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs. As such, this change resulted in a reclassification of $1,028.1 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the year ended December 31, 2017.

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

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

In addition, concurrent to the adoption of IFRS 9, *Financial Instruments*, on January 1, 2018, the Company presents "Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss" separately in its income statement. This change resulted in a reclassification of a loss of $1.0 million for the year ended December 31, 2017 related to derivative financial instruments used by the Company to limit its exposure to the variability of its share unit plans' liabilities from "Corporate selling, general and administrative expenses" to "Gain (loss) arising on financial assets at fair value through profit or loss".

Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on February 21, 2019. The assumptions are set out throughout this MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in this MD&A). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) outcome of pending and future claims and litigation; (b) on February 19, 2015, the Company was charged with one count of corruption under the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations; (d) reputation of the Company; (e) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements or to execute projects efficiently; (f) contract awards and timing; (g) remaining performance obligations; (h) being a provider of services to government agencies; (i) international operations; (j) Brexit; (k) ownership interests in Capital investments; (l) dependence on third parties; (m) joint ventures and partnerships; (n) competition; (o) professional liability or liability for faulty services; (p) monetary damages and penalties in connection with professional and engineering reports and opinions; (q) insurance coverage; (r) health and safety; (s) qualified personnel; (t) work stoppages, union negotiations and other labour matters; (u) information systems and data; (v) acquisitions or other investment; (w) divestitures and the sale of significant assets; (x) liquidity and financial position; (y) indebtedness; (z) security under the SNC-Lavalin Highway Holdings Loan; (aa) dependence on subsidiaries to help repay indebtedness; (bb) dividends; (cc) post-employment benefit obligations, including pension-related obligations; (dd) working capital requirements; (ee) collection from customers; (ff) impairment of goodwill and other assets; (gg) global economic conditions;

(hh) fluctuations in commodity prices; (ii) inherent limitations to the Company's control framework; and (jj) environmental laws and regulations.

The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in this report.

The forward-looking statements herein reflect the Company's expectations as at February 21, 2019, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

Management's Discussion and Analysis – Table of Contents

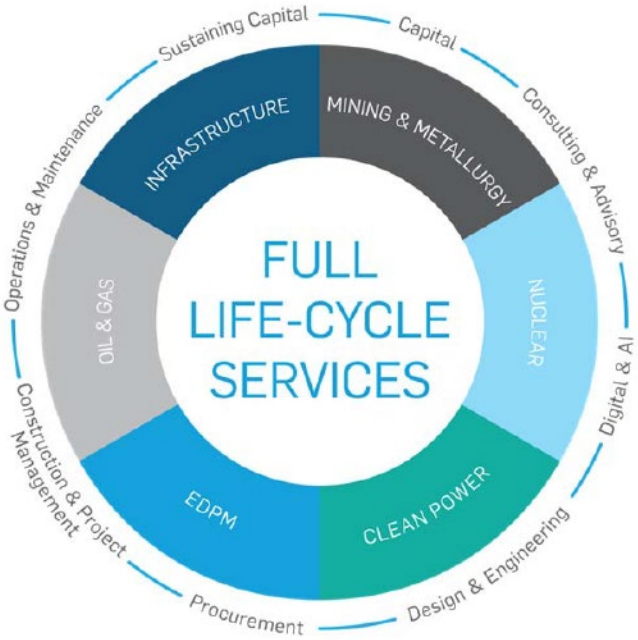
1 Overview of Our Business and Strategy

1.1 OUR BUSINESS

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

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

Our teams provide comprehensive end-to-end project solutions – including capital investment, consulting, design, engineering, construction, sustaining capital and operations and maintenance – to clients across oil and gas, mining and metallurgy, infrastructure, clean power, nuclear and EDPM (engineering, design and project management).



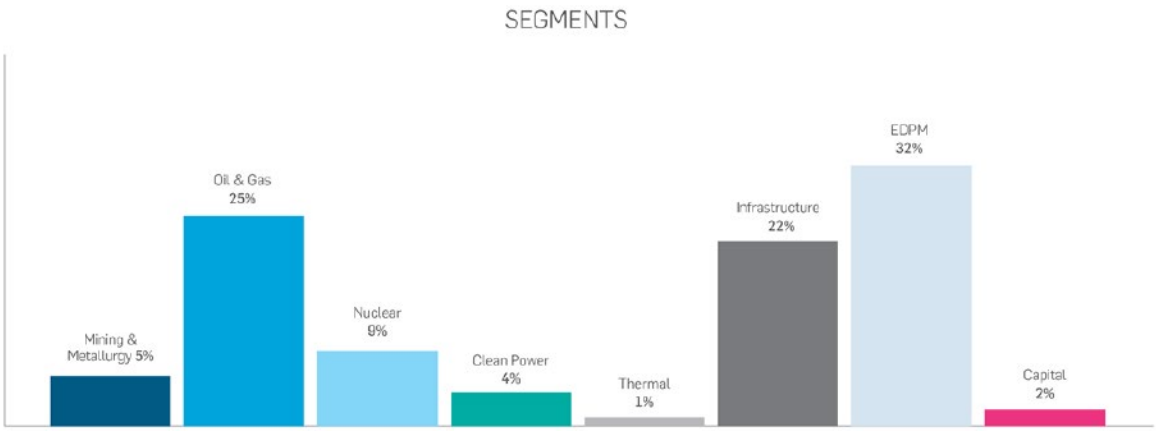
SNC-Lavalin maintains exceptionally high standards for health and safety, ethics and compliance and environmental protection, and is committed to delivering quality projects on budget and on schedule to the complete satisfaction of its clients.

In certain parts of this MD&A, activities from Engineering and Construction, including Operations and Maintenance services, are collectively referred to as "E&C" to distinguish them from "Capital" activities.

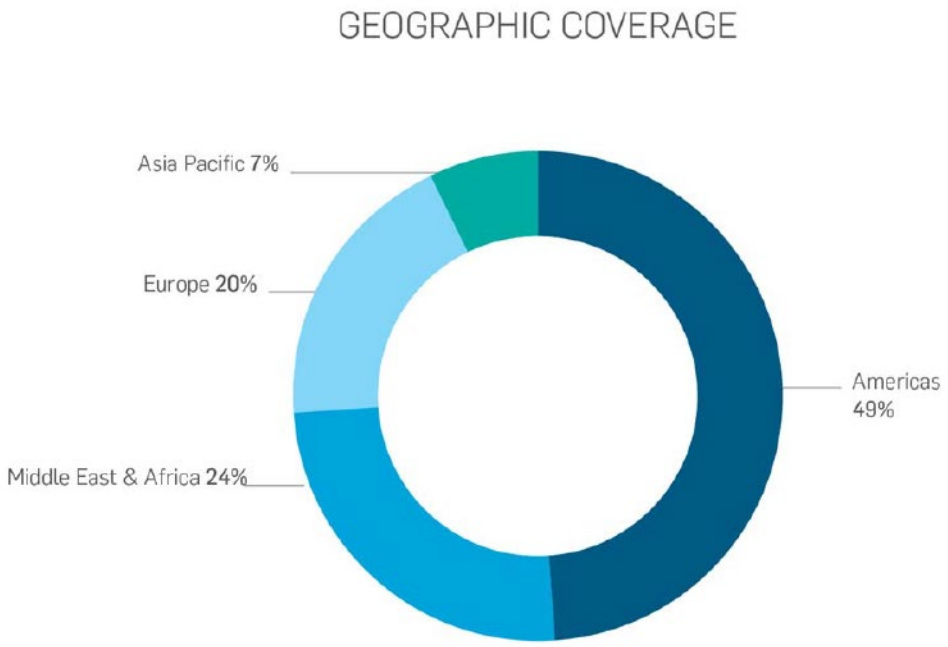
The **diversity of the Company's revenue base** and its capacity to operate in different industry segments and geographic areas are illustrated in the following 2018 revenue charts.

1.2 DIVERSITY OF THE COMPANY'S REVENUE BASE

Serving multiple industry **segments**...



...with good **geographic coverage** and Canada as its largest base



1.3 BUSINESS STRATEGY

In 2018, while we made strides in realizing our strategic objectives to become a premier global fully integrated professional services and project management company in both profitability and profit growth, our growth slowed due to unforeseen geopolitical events and encountered operations set-back in the Company's Mining & Metallurgy and Oil & Gas segments.

In 2019 we will be focusing on sustainable growth, project execution and cash generation. As part of a complete review of our capital allocation strategy, the Company is taking a series of immediate actions, which are aimed to strengthening the balance sheet, building additional flexibility and maximizing long-term shareholders return. As for the project execution, management will review and evaluate the Company's segments portfolio and geographic footprint. We also expect to review and further strengthen our execution and delivery capabilities, from the bid stage to project completion across all segments of the Company.

Furthermore, the unfortunate decision taken by the Director of the Public Prosecution Service of Canada ("PPSC") in October 2018 not to invite the Company into a remediation agreement negotiation has negatively impacted the confidence in the business with clients and partners on new work prospects. This will impact on how the company looks to the future from a strategic and operational standing, and it may lead to a review of options to maintain / maximize shareholder value.

POSITION FOR THE FUTURE

We will focus on organic growth in our chosen businesses, while continuing to focus on 1) progress in operational excellence, 2) building a client-centric organization, 3) developing a performance-driven culture, and 4) growing our business and delivering superior shareholder returns. As such, our current overall strategy is anchored on the following:

At SNC-Lavalin we are continuing to leverage our strengthened position in key sectors and geographic markets. Our expanded breadth of capabilities makes us one of the few fully integrated professional services and project management companies able to take on large, complex, multi-billion dollar projects from start to finish or to be able to offer tailored services.

In the infrastructure market, we will continue our emphasis on serving our key P3 and engineering markets in Canada and the U.K., expand our already strong engineering position in the US, and as well as growing globally our leading global footprint in rail and transit and other infrastructure engineering markets (including buildings, roads and airports). We will maintain our focus on engineering markets in the Middle East and Asia-Pacific. The additional competencies in engineering and digital coupled by the extensive geographic penetration of key core markets has allowed the 2017 Atkins acquisition to further consolidate and strengthen our existing P3 capability. Our Engineering Design Project Management segment will continue to build long-term trusted partnerships to create a world where lives are enriched through the implementation of innovative ideas.

In the oil & gas market, we will continue to apply commercial and technical advisory, turnkey modular solutions and field and technical support services to support international and national oil and gas companies by bringing their projects to market more efficiently. Our Oil & Gas segment will continue supporting its clients in its existing markets with a greater focus on North America and a continued focus on Asia Pacific. The Middle East will remain an important market for us, although we will be more selective in our project pursuits amid the continuing issues between the government of Canada and Saudi Arabia.

In the mining & metallurgy market, we will continue our services in sustaining capital, complementing traditional studies and expansionary capital projects, thus enhancing our ability to support clients across their project needs. We have decided to cease biding on lump-sum EPC contracts going forward.

In the nuclear market, we will continue growing by capitalizing on broadened capabilities in new build services, refurbishment, decommissioning and waste management, as well as a significantly enhanced U.S., U.K. and European presence and coordinated Asia-Pacific activities. In particular, we will leverage our Comprehensive Decommissioning International LLC (CDI) joint venture with Holtec, which has already won significant projects in the U.S. and will be used selectively for opportunities outside the US.

In clean power market, we have expanded our capabilities in transmission & distribution through the acquisition of Linxon Pvt Ltd ("Linxon"), our new subsidiary partly held by ABB, and will leverage these capabilities globally. We will also capitalize on growth opportunities in renewables, including offshore wind, and grow our services business in intelligent networks & cybersecurity, energy storage, and digital asset management.

We will continue to play a key role in selectively developing opportunities and growing our P3 footprint, particularly for large and complex projects in Canada, while judicially invest in projects and carefully manage our portfolio of assets in line with targeted returns.

SUPPORTING THE BUILDING BLOCKS OF OUR SUSTAINABLE AND PROFITABLE GROWTH

We continue to invest in reinforcing the building blocks of sustainable and profitable growth by promoting a performance-driven culture while maintaining world-class practices related to ethics, governance, health and safety, resource sharing, business de-risking and capital allocation.

In support of our performance-driven culture, we continue to improve collaboration across regions and business units to put clients at the centre of our organization and to bolster an enhanced customer experience across our project services/solutions and our offices worldwide.

A cornerstone of our sustainable growth strategy involves maintaining a steadfast commitment to world-class ethics, governance, health and safety and overall operational excellence. A focus on ethics and compliance, governance and health and safety remains at the heart of every decision. They are an integral part of SNC-Lavalin's culture, processes and project delivery methods, and they will continue to be the foundation of our operations and strategy. From an operational excellence standpoint, we continue to focus on efficient and effective resource sharing, rigorous risk mitigation and disciplined capital allocation.

MEETING THE DIGITAL FUTURE HEAD-ON

Looking ahead, we continue to believe we can best differentiate ourselves from the competition by enhancing our technology capability and implementation expertise. As such, we are driving an aggressive digital agenda to deliver an integrated and focused digital platform that enhances project delivery methods and expands our services offerings.

Digital technologies that enable more efficient ways of delivering our services, as well as developing new and innovative products, are key to unlocking new sources of value and growth. By combining new technological skills with our traditional engineering expertise, we are able to help clients develop digital solutions that improve their business performance. We already have a wealth of digital innovations – many of which have contributed to significant margin growth on projects, as well as capturing revenues from outside our traditional markets. While continuing to evolve new ideas in collaboration with our clients, we are increasing our focus on our digital footprint across our client delivery, positioning SNC-Lavalin at the forefront of digital engineering and innovation.

PROGRESS ON DELIVERING ON OUR GROWTH STRATEGY

Post a disappointing 2018, our focus in 2019 is on delivering the key elements of our strategy outlined above. The scorecard presented below summarizes our objectives, ongoing actions and some of our 2018 achievements.

1.4 DELIVERING ON OUR GROWTH STRATEGY – SCORECARD

BE RECOGNIZED AS A CLIENT-CENTRIC

DELIVERY-FOCUSED ORGANIZATION

STRONG,

PERFORMANCE-DRIVEN CULTURE

CONTINUOUS FOCUS ON

OPERATIONAL EXCELLENCE

	GOALS	EXECUTION
Achieved in 2018	What we did in 2018: > Completed the integration of Atkins' operations; > Integrated our nuclear operations into a single business unit, combining capabilities from SNC-Lavalin and Atkins; > Formed the CDI joint venture to pursue nuclear reactor decommissioning work in the U.S.; > Acquired Linxon for the execution of turnkey electrical AC substation projects; > Exited the thermal power business; > Developed an initial digitalization strategy to identify and leverage capabilities across the Company; > Transferred the investment in MHIG to SNCL IP Partnership; and > Completed the sale of the Astoria II investment.	Completed
What We Are Working On	Our ongoing projects: > Refocus our business strategies on markets and regions in alignment with the Company's expanded capabilities; > Continue our progress in operational excellence; > Generate organic growth by being shortlisted on several major projects and by winning major contracts across sectors and regions we are focused on; > Achieve revenue synergies with Atkins, as well as increase cross-selling opportunities across all sectors; > Repay debt and maximize cash flow efficiency to further strengthen our balance sheet; > Sale of a portion of the Company's interest in Highway 407 ETR; > Deliver an expanded integrated and focused innovation and technology agenda, including a digital roadmap; and > Implement further initiatives to decrease number of lost-time incidents in 2019, compared with 2018.	Underway
Where we are heading	Develop our new five-year plan: > Execution of the capital allocation strategy; > Review of markets, competitive dynamics, geopolitical evolution, capabilities stemming from integration of two transformational acquisitions as well as organizational review to respond to legal challenges; > Project execution improvement; > Operational excellence continuous improvement; > General and administrative expense efficiency; and > Driving organic growth by increasing the Company's share in nuclear through an expanded offering, capitalizing on infrastructure investments in Canada, the United Kingdom and the United States, and maximizing Atkins/SNC-Lavalin revenue synergies.	Planning

2 How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

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

E&C

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

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

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

- **Reimbursable and engineering service contracts:** Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap. Engineering service contracts include i) time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks, and ii) O&M contracts.
- **EPC Fixed-price contracts:** Under EPC fixed-price contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs.

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

CAPITAL

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

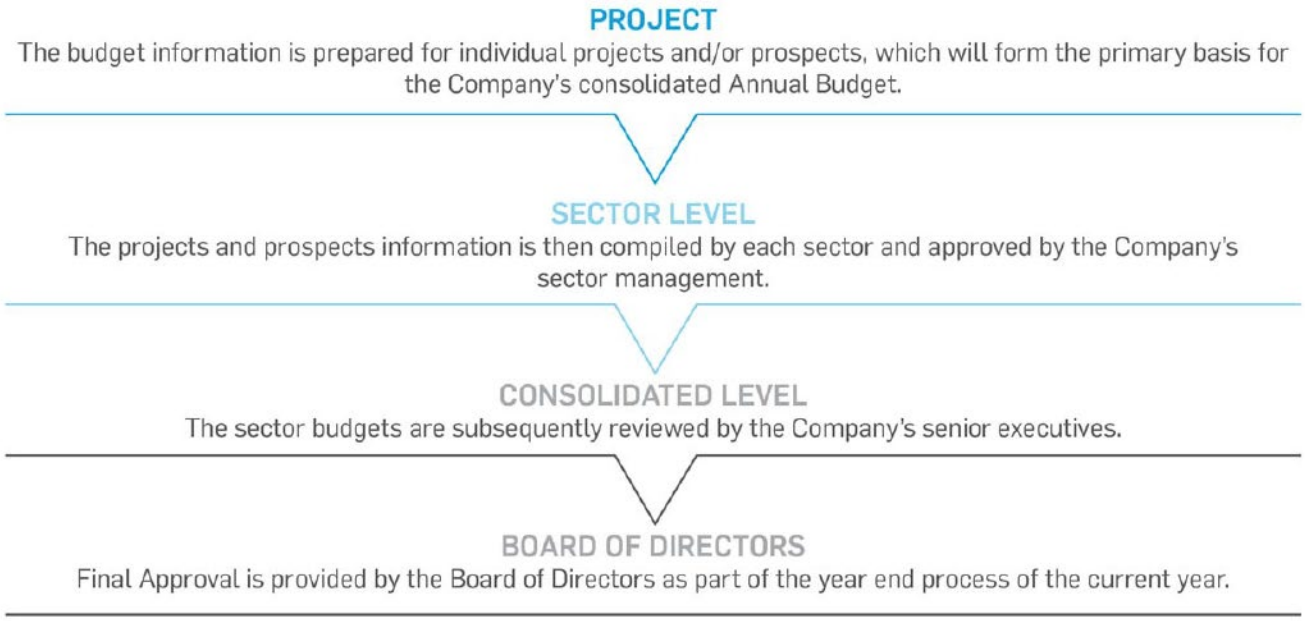
Capital's business model incorporates new project creation in the Company's E&C segments, as well as the Company's geographical regions. Furthermore, many countries are turning to the private sector to take ownership, finance, operate and maintain their assets, usually for a defined period of time.

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

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

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

The Company prepares a formal annual budget ("Annual Budget") in the fourth quarter of each year.



The Annual Budget is a key tool used by management to monitor the Company's performance and progress against key financial objectives in accordance with the Company's strategic plan. The Company updates its annual expected results in the first, second and third quarters ("Quarterly Forecasts"), which are also presented to the Board of Directors. In addition, the performance of projects (i.e. its estimated revenues and costs to complete) is reviewed by its respective project manager and, depending on the size and risk profile of the project, by, amongst others, key management personnel, including the divisional manager, the business unit executive vice-president, the sector president, the Chief Financial Officer ("CFO") and the Chief Executive Officer ("CEO").

The key elements taken into account when estimating revenues and gross margin for budget and forecast purposes from E&C activities are the following:

KEY ELEMENTS	IMPACT ON THE ANNUAL BUDGET
Backlog	Firm contracts used to estimate a portion of future revenues taking into account the execution and expected performance of each individual project.
Prospects list	Unsigned contracts that the Company is currently bidding on, and/or future projects on which it intends to bid. Management selects specific prospects, which are deemed representative of its upcoming activities, to include in the budget together with other sources of revenues such as recurring business from known clients and expected service orders under master service agreements.
Execution and expected performance	Revenues and costs (or execution) of projects are determined on an individual project basis for major projects or by groups of projects and take into consideration assumptions on risks and uncertainties that can have an impact on the progress and/or profitability of that project. This includes, but is not limited to, performance of the Company's employees and of subcontractors or equipment suppliers, as well as price and availability of labour, equipment and materials.

Regarding its **Capital** budget and forecast, the Company establishes the expected results based on assumptions specific to each investment.

One of the key management tools for monitoring the Company's performance is the monthly and quarterly evaluation and analysis of actual results compared with the Annual Budget or the Quarterly Forecasts, for revenues, gross margin and profitability. This enables management to analyze its performance and, if necessary, take remedial actions.

Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
Level of activity	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period.
Changes in the estimated costs to complete each individual project ("cost reforecasts")	Variation of the estimated costs to complete projects for fixed-price contracts result in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution.
Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables and contract assets may impact the financial results of the Company.
Changes in the results of its Capital investments	Variation in the financial results of each Capital investment accounted for under the consolidation or equity methods will impact the financial results of the Company. Additions to the Company's Capital investments portfolio, or divestitures from it, can also impact the Company's results.
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance that can be recurring or not.
Acquisition-related costs and integration costs	Business acquisitions might require the Company to incur significant acquisition-related costs and integration costs, which have an impact on actual and future results.
Restructuring costs and goodwill impairment	Changes made to the way the Company operates, closure of certain locations where it conducts business, modifications to its offerings and changes in market perspectives might result, amongst other factors, in restructuring costs and goodwill impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, as, amongst others, the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company as well as tax assessments made by authorities.
Finance expense	Variation in interest rates could have an impact on the Company's results, as some of its financing bears interest at a variable rate.
Foreign exchange	As the Company operates in many countries, foreign currency exchange rates can cause variances to estimates as the budgets and forecasts are prepared at specific rates. It should be noted that the Company has a foreign exchange hedging policy that limits the volatility in results caused by foreign exchange fluctuations.

3 2018 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE (%)
Income Statement			
Revenues	$ 10,084.0	$ 9,334.7	8.0%
Net income (loss) attributable to SNC-Lavalin shareholders	(1,316.9)	382.0	N/A
Adjusted net income attributable to SNC-Lavalin shareholders from E&C[1]	43.1	351.3	(87.7%)
Earnings (loss) per share diluted ("Diluted EPS") (in $)	(7.50)	2.34	N/A
Adjusted diluted EPS from E&C (in $)[1]	0.25	2.15	(88.3%)
EBIT[1]	(1,160.4)	603.4	N/A
EBITDA[1]	404.6	818.9	(50.6%)
Adjusted E&C EBITDA (% of revenues)[1]	3.9%	6.9%	
Financial Position & Cash Flows			
Cash and cash equivalents (at December 31)	$ 634.1	$ 706.5	(10.2%)
Net recourse debt (at December 31)[1]	(1,657.2)	(640.8)	N/A
Net cash used for operating activities	(303.5)	(235.9)	28.7%
Additional Indicator			
Revenue backlog (at December 31)[1]	$ 14,885.0	$ 10,406.4	43.0%

(1) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 14 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

- **Revenues in 2018 increased by 8.0%** compared with 2017, largely attributable to higher revenues in EDPM and Nuclear due to the incremental revenues from Atkins acquired in the third quarter of 2017, as well as higher revenues from Infrastructure and Mining & Metallurgy on certain major projects, partially offset by lower revenues in Oil & Gas, principally due to the completion or near completion of certain major projects, and Thermal Power since the Company has exited the thermal business in 2018.

- **Net loss attributable to SNC-Lavalin shareholders in 2018 was $1,316.9 million ($7.50 per diluted share),** compared with net income of $382.0 million ($2.34 per diluted share) in 2017. The variance is mainly attributable to the goodwill impairment of $1,240.4 million recognized in the fourth quarter of 2018. The remaining variance is due to lower Segment EBIT, the increase in amortization of intangible assets related to business combinations, the gain on disposal of the head office building in 2017 and the net expense in 2018 for the 2012 class action lawsuits settlement, partially offset by lower acquisition-related costs and integration costs in 2018.

  - The goodwill impairment relates to the Oil & Gas segment and reflects macro challenges as well as some Company specific headwinds, which are impacting its ability to grow. Inter-governmental relations between Canada and Saudi Arabia, together with unpredictable commodity prices and uncertain client investment plans, have led to deterioration in its near-term prospects.

- **The lower Segment EBIT reflects mainly a lower Segment EBIT from Mining & Metallurgy and Oil & Gas.**
  - The loss in Mining & Metallurgy is primarily due to the under-performance of a major EPC project mainly due to the fact that the Company did not reach the required level of agreement with the client in order to meet the IFRS 15 conditions for revenue recognition, as well as a substantial negative cost reforecast in the fourth quarter required to deliver this project to completion. Following further negotiations and discussions with the client, the parties have agreed to settle the dispute through an accelerated arbitration process, out of which the Company currently expects recoveries in the future. The forecasted loss of approximately $346 million on this project is mainly due to unexpected site conditions, greater than expected environmental and safety measures, and under-performance from sub-contractors. The Company will continue to work to complete the project, which is anticipated to be completed in the second quarter of 2019. The Company does not have any other Mining & Metallurgy projects that have similar characteristics.
  - The decrease in Oil & Gas is due to a lower level of activity from certain major projects completed or nearing completion, a decrease in the Americas driven by continued challenging market conditions and lower revenue recognition on some costs incurred on projects whereby the Company did not reach the required level of agreement with the clients in order to meet the IFRS 15 conditions for revenue recognition. The Oil & Gas Segment EBIT also included an unfavorable impact of $46.6 million in 2018 related to a preliminary decision of an arbitration process connected to a project in Australia. The Oil & Gas Segment EBIT included a net positive impact from settlements and reforecasts in both 2018 and 2017.

- **Adjusted net income attributable to SNC-Lavalin shareholders from E&C decreased to $43.1 million ($0.25 per diluted share)** compared with $351.3 million ($2.15 per diluted share) in 2017, primarily attributable to the loss from Mining & Metallurgy in 2018, the lower contribution from Oil & Gas and higher net financial expenses.

- **EBIT, EBITDA and Adjusted E&C EBITDA (% of revenues) have decreased in 2018** compared to 2017, mainly due to the factors described above.

- **Cash and cash equivalents decreased by $72.4 million in 2018** compared with 2017, mainly attributable to cash used for operating and investing activities, partly offset by cash generated from financing activities.

- **Net recourse debt as at December 31, 2018 was $1,657.2 million**, compared with $640.8 million as at December 31, 2017, mainly reflecting $500 million borrowings under the Term Loan used to repay $500 million of limited recourse debt, as well as additional recourse debt raised to finance cash used by operating activities.

- **Net cash used for operating activities increased by $67.6 million in 2018** compared with 2017, mainly attributable to a lower level of cash generated by operating activities before the net change in non-cash working capital items.

- **Revenue backlog was $14.9 billion as at December 31, 2018** compared with $10.4 billion as at December 31, 2017, reflecting an increase in Infrastructure, Clean Power and EDPM, partially offset by a decrease in Oil & Gas. The Company's contract bookings amounted to $10.4 billion in 2018, compared to $6.7 billion in 2017.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

APPOINTMENT OF CHAIRMAN

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

CLASS ACTION LAWSUITS SETTLEMENT AND MOTION

- On May 22, 2018, the Company reached a settlement agreement in relation to class actions in Quebec and Ontario filed in 2012 on behalf of security holders (collectively the "Actions"), with the Company agreeing to pay $88.0 million to the plaintiffs. The settlement has since been approved by the Ontario and Quebec courts.
- On February 6, 2019, a "Motion for authorization of a class action and for authorization to bring an action pursuant to section 225.4 of the Quebec securities act" (the "Class Action Motion") was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through January 27, 2019 (the "Class Period"), and held some or all of such shares as of the commencement of trading on January 28, 2019. SNC-Lavalin believes the claims outlined in the Class Action Motion are completely without merit.

COMPREHENSIVE DECOMMISSIONING INTERNATIONAL LLC (CDI)

- On July 18, 2018, SNC-Lavalin and Holtec International group announced a new US-based joint venture company named CDI. The joint company was established to bring the expertise of both companies with a goal of performing accelerated decommissioning of retired nuclear power plants using innovative technologies to cut the total time elapsed to release plant sites for unrestricted use to eight years or fewer.
- On July 31, 2018, SNC-Lavalin announced that CDI had been awarded a nuclear decommissioning contract of the Oyster Creek Nuclear Generating Station, worth hundreds of millions of dollars, by Holtec Decommissioning International. Under the contract, CDI will be responsible for decommissioning the plant beginning in 2019, pending transaction closure. This will include the demolition and cleanup of the site. CDI will seek to perform the decommissioning faster and more cost effectively than the original decommissioning plan proposed by Exelon Generation.
- On August 1, 2018, SNC-Lavalin announced that CDI is finalizing specific contract details with Holtec Decommissioning International to enter into two discrete multi-year nuclear decommissioning contracts, each worth hundreds of millions of dollars. This follows a Purchase and Sale agreement that Holtec International has signed with Entergy Corp. for the acquisition of the Entergy subsidiary that owns the nuclear power plants. Subject to finalizing the terms of decommissioning contracts, CDI will be responsible for decommissioning the Pilgrim Nuclear Power Stations and the Palisades Power Plant, beginning with Pilgrim in 2020. This will include the demolition and cleanup of the two plants and sites. Pilgrim's accelerated decommissioning by CDI is expected to be completed within eight years; decades earlier than if Entergy selects the maximum SAFSTOR option for the site.

ACQUISITION OF LINXON PVT LTD

- On September 1, 2018, SNC-Lavalin acquired from a subsidiary of ABB Ltd ("ABB") a 51% ownership interest in Linxon Pvt Ltd ("Linxon"), incorporated under the laws of England and Wales, for the execution of turnkey electrical substation projects. Turnkey solutions include project design, engineering, procurement, construction, management, commissioning and after-sales support. The primary reason for this business combination was to combine ABB's technology leadership with SNC-Lavalin's expertise in managing projects to deliver enhanced customer value.

UPDATE ON THE FEDERAL CHARGES BY THE PUBLIC PROSECUTION SERVICE OF CANADA (PPSC)

- In September 2018, amendments to the Criminal Code (Canada) came into effect introducing new provisions allowing the settlement of certain types of charges against a corporation (including certain charges related to the Corruption of Foreign Public Officials (Canada) Act, such as those of which the Company has been accused (the "Charges")) through a remediation agreement. The Company was advised by the Director of the Public Prosecution Service of Canada ("PPSC") in October 2018 that at this time it will not be invited by PPSC to negotiate a remediation agreement in relation to the Charges and in accordance with these new provisions.
- On October 19, 2018, the Company filed an application with the Federal Court of Canada for a judicial review of the decision of the Director of the PPSC. The Director of the PPSC in turn filed a motion with that court to strike out that application. A hearing of that motion to strike took place February 1, 2019; judgement of the court will follow in due course.
- The preliminary inquiry into the Charges against the Company commenced in the Court of Quebec on October 29, 2018. The purpose of the preliminary inquiry is to determine if there is sufficient evidence to set the matter down for a full trial. Final arguments are due to be completed before the court on April 1, 2019; judgement of the court will follow in due course. Depending on the outcome of the preliminary inquiry, the Company may seek a further review of the decision of the Court of Quebec. Subject to the outcome of the preliminary inquiry, and of any resulting review, a trial on the Charges may commence in 2019 or 2020.
- While the Company remains open and committed to the possibility of negotiating a remediation agreement with the office of the director of the PPSC, it also has defences to the Charges and will pursue those vigorously in the context of the preliminary inquiry, any resulting trial and any applicable appeals thereof.
- However, having regard to the uncertainty regarding a remediation agreement, in December 2018 the Board of directors of SNC-Lavalin established a special committee to consider options that would protect value for SNC-Lavalin stakeholders.

CAPITAL INVESTMENTS PORTFOLIO

SNCL IP Partnership

- On June 28, 2018, SNC-Lavalin announced that it has finalized the transfer of its investment in McGill Healthcare Infrastructure Group ("MHIG") and its holding company to SNC-Lavalin Infrastructure Partners LP (the "SNCL IP Partnership"). This transaction completes the transfer of SNC-Lavalin's interest in five mature Canadian P3 assets into the SNCL IP Partnership. This transaction resulted in a gain on disposal of $62.7 million ($58.4 million after taxes).
- The SNCL IP Partnership is SNC-Lavalin's infrastructure investment vehicle, which was established in 2017 to efficiently redeploy capital back into new development opportunities.

HIGHWAY 407 ETR

- In 2018, SNC-Lavalin engaged CIBC Capital Markets and RBC Capital Markets as its financial advisors to assist the Company with a potential sale of a portion of its investment in Highway 407 ETR, decreasing its 16.77% investment to further create shareholder value. The potential divestiture could be in the form of a direct sale or another type of transaction. Work on this potential transaction continues in 2019.

ASTORIA PROJECT PARTNERS II LLC

- On August 28, 2018, SNC-Lavalin announced an agreement to sell its remaining minority interest in Astoria Project Partners II LLC, the legal entity that owns and operates the Astoria II power plant in New York City. On October 24, 2018, SNC-Lavalin completed the sale of its ownership interest in Astoria Project Partners II LLC in exchange of total consideration received of US$41.4 million (CA$54.1 million), resulting in a gain on disposal of $4.8 million ($1.4 million after taxes).

CHANGES TO THE LEADERSHIP TEAM IN 2018

Effective January 1, 2018, the following changes took place in the Company's organizational structure:

- All Oil & Gas activities have been consolidated into one business led by Christian Brown. This combines the world-class capabilities from both SNC-Lavalin and Atkins, including Atkins' Offshore Upstream technology and capabilities, creating a highly compelling offering across the entire supply chain.

- The new EDPM activities were led by Nick Roberts, formerly the CEO of Atkins' U.K. and European business. Mr. Roberts oversees all infrastructure engineering and design services around the world, except for the Canadian market, which remained fully integrated within the Company's Infrastructure segment.

- The previous Power segment of SNC-Lavalin and the power element of Atkins' energy business created the foundation for two new segments in the newly integrated organization: Nuclear and Clean Power.

- Atkins' and SNC-Lavalin's nuclear businesses have been combined into a single Nuclear segment, under the leadership of Sandy Taylor, and leverages the unique skills of these respective teams, creating a market-leading capability in this fast-growing sector. The Company is now able to support clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

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

- Since the Company exited the thermal business in 2018 to minimize execution risk, the Thermal power results were disclosed as a distinct segment.

CHANGES TO THE LEADERSHIP TEAM IN 2019

- On January 22, 2019, the Company announced that Craig Muir will be succeeding Christian Brown who is stepping down from his role as President of the Oil & Gas business, effective April 2019. Craig Muir joins SNC-Lavalin from Petrofac where he is currently the group's Chief Commercial Officer and a member of their Executive Committee. He has over 30 years of experience in the offshore and onshore oil & gas industry working in many international locations.
- On January 28, 2019, the Company announced that Ian Edwards had been appointed Chief Operating Officer ("COO"), effective immediately. Mr. Edwards previously held the position of President of the Infrastructure business at the Company. Mr. Edwards will report to Neil Bruce, President and CEO and all the Company's business sectors will report to the COO. On an interim basis, Jonathan Wilkinson will replace Mr. Edwards as President, Infrastructure.

4 Financial Performance Analysis

4.1 SELECTED ANNUAL INFORMATION

The selected annual information presented in the table below has been derived from the Company's audited annual consolidated financial statements prepared in accordance with IFRS for each of the three most recently completed financial years, with the exception of the non-IFRS financial measures specifically identified in the "Additional selected financial information" section below.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT EARNINGS (LOSS) PER SHARE, ADJUSTED DILUTED EPS FROM E&C AND DIVIDENDS PER SHARE DECLARED TO SNC-LAVALIN SHAREHOLDERS)	2018	2017	2016
Revenues:			
From E&C	$ 9,819.3	$ 9,096.7	$ 8,223.1
From Capital	264.7	238.0	247.7
Total Revenue	$ 10,084.0	$ 9,334.7	$ 8,470.8
Net income (loss) attributable to SNC-Lavalin shareholders:			
From E&C	$ (1,563.0)	$ 176.0	$ 46.3
From Capital	246.1	206.0	209.2
Net income (loss) attributable to SNC-Lavalin shareholders	$ (1,316.9)	$ 382.0	$ 255.5
Earnings (loss) per share (in $):			
Basic	$ (7.50)	$ 2.35	$ 1.70
Diluted:			
From E&C	$ (8.90)	$ 1.08	$ 0.31
From Capital	1.40	1.26	1.39
Diluted earnings (loss) per share	$ (7.50)	$ 2.34	$ 1.70
Additional selected financial information:			
Backlog (at December 31)[1]	$ 14,885.0	$ 10,406.4	$ 10,677.4
Adjusted EBITDA from E&C[1]	$ 385.6	$ 629.0	$ 371.9
Total assets (at December 31)	$ 12,939.7	$ 13,762.5	$ 9,298.3
Non-current financial liabilities (at December 31)[2]	$ 2,551.9	$ 2,824.6	$ 850.0
Adjusted diluted EPS from E&C (in $)[1]	$ 0.25	$ 2.15	$ 1.51
Dividends per share declared to SNC-Lavalin shareholders (in $)	$ 0.961	$ 1.106	$ 1.053

(1) Non-IFRS financial measure. Please refer to Section 14 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

(2) Non-current financial liabilities include long-term debt (Recourse, Limited recourse and Non-recourse), part of the Non-current portion of provisions and Other non-current financial liabilities.

4.2 REVENUE ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017	2016
Revenues:			
From E&C	**$ 9,819.3**	$ 9,096.7	$ 8,223.1
From Capital	**264.7**	238.0	247.7
	$ 10,084.0	$ 9,334.7	$ 8,470.8

The Company analyses its revenue separately for E&C and for Capital. The analysis that follows is for 2018, 2017 and 2016.

E&C REVENUES

E&C revenues increased to $9.8 billion in 2018, compared with $9.1 billion in 2017, largely attributable to higher revenues in EDPM and Nuclear due to the incremental revenues from Atkins acquired in the third quarter of 2017, as well as higher revenues from Infrastructure and Mining & Metallurgy on certain major projects, partially offset by lower revenues in Oil & Gas, principally due to the completion or near completion of certain major projects, and Thermal Power since the Company exited the thermal business in 2018.

E&C revenues increased to $9.1 billion in 2017, compared with $8.2 billion in 2016, largely attributable to the incremental revenues from Atkins, as well as higher revenues from Mining & Metallurgy attributable to revenues generated by recent contracts awards, partially offset by lower revenues from Infrastructure, mainly due to the sale of the Company's non-core Real Estate Facilities Management business in Canada and of its local French operations in the fourth quarter of 2016, and a decrease in revenues from Oil & Gas, principally due to the completion or near completion of certain major projects.

REVENUES FROM CAPITAL INVESTMENTS

The relationship between revenues and EBIT for Capital investments is not meaningful, as a significant portion of the investments are accounted for under either the equity or cost methods, which do not reflect the line-by-line items of the individual Capital investment's financial results.

Revenues from Capital increased to $264.7 million in 2018, compared with $238.0 million in 2017, mainly due to an increase in dividends received from Highway 407 ETR and a higher level of activities on certain other Capital investments.

Revenues from Capital decreased to $238.0 million in 2017 compared with $247.7 million in 2016, mainly due to a lower level of activities on certain Capital investments and lower revenues from Capital investments partially disposed in 2017, partly offset by an increase in dividends received from Highway 407 ETR.

4.3 NET INCOME ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017	2016
Net income (loss) attributable to SNC-Lavalin shareholders:			
From E&C	$ (1,563.0)	$ 176.0	$ 46.3
From Capital	246.1	206.0	209.2
Net income (loss) attributable to SNC-Lavalin shareholders	**$ (1,316.9)**	$ 382.0	$ 255.5
Non-controlling interests	0.6	1.1	1.0
Net income (loss)	**$ (1,316.3)**	$ 383.2	$ 256.6

The Company analyses its net income separately for E&C and for Capital. The analysis that follows is for 2018, 2017 and 2016.

NET INCOME FROM E&C

Net loss attributable to SNC-Lavalin shareholders from E&C was $1,563.0 million in 2018, compared to a net income attributable to SNC-Lavalin shareholders from E&C of $176.0 million in 2017. The variance is mainly attributable to the goodwill impairment of $1,240.4 million recognized in the fourth quarter of 2018. The remaining variance is due to lower Segment EBIT, the increase in amortization of intangible assets related to business combinations, the gain on disposal of the head office building in 2017 and the net expense in 2018 for the 2012 class action lawsuits settlement, partially offset by lower acquisition-related costs and integration costs in 2018.

Net income attributable to SNC-Lavalin shareholders from E&C was $176.0 million in 2017, compared to $46.3 million in 2016, mainly reflecting the incremental contribution of Atkins and the gain of $115.1 million ($101.5 million after taxes) generated from the disposal of the head office building and a lower level of restructuring costs, partially offset by an increase in acquisition related costs and integration costs and in amortization of intangible assets related to business combinations and higher net financial expenses.

NET INCOME FROM CAPITAL INVESTMENTS

Net income attributable to SNC-Lavalin shareholders from Capital increased to $246.1 million in 2018, compared with $206.0 million in 2017, primarily due to the net gain on disposal of Capital investments of $59.8 million and an increased contribution from Highway 407 ETR, partially offset by a lower contribution from investments transferred to the SNCL IP Partnership in 2017.

Net income attributable to SNC-Lavalin shareholders from Capital amounted to $206.0 million in 2017, in line with 2016. The 2017 net income included a gain on partial disposal of SNC-Lavalin Infrastructure Partners LP and on the reduction of SNC-Lavalin's ownership interest from 60% to 50% in the joint venture Groupe infrastructure Santé McGill totalling $31.9 million compared with the $48.4 million net gain on disposals of the Company's investments in MML Holdings Malta Limited (formerly, SNC-Lavalin (Malta) Limited ("SNCL Malta")), Rayalseema Expressway Private Limited ("Rayalseema") and Société d'Exploitation de l'Aéroport de Mayotte S.A.S ("Mayotte Airport") in 2016. The net income from Capital investments in 2017 also includes a 6.9% increase in the dividends received from Highway 407 ETR, a lower contribution from certain Capital investments and from Capital investments partially disposed in 2017, compared with the previous year.

Additionally, certain significant items had an impact on net income attributable to SNC-Lavalin shareholders in 2018, 2017 and 2016, notably:

- **Acquisition-related and integration costs** totalling $54.9 million ($42.8 million after taxes) in 2018, compared with $124.3 million ($97.2 million after taxes) in 2017 and $4.4 million ($3.4 million after taxes) in 2016. These costs were mainly professional fees and other related costs that were incurred in connection with the acquisition of Atkins in 2017;

- **Restructuring costs** amounted to $68.6 million ($53.4 million after taxes) in 2018, compared with $26.4 million ($20.1 million after taxes) in 2017 and $115.4 million ($83.5 million after taxes) in 2016;

- **Net expense for the 2012 class action lawsuits settlement and related legal costs** of $89.4 million ($65.7 million after taxes) in 2018 related to the class actions in Quebec and Ontario filed in 2012, further explained in section 3.2;

- **Amortization of intangible assets related to business combinations** amounted to $206.5 million ($171.1 million after taxes) in 2018, compared with $138.9 million ($112.6 million after taxes) in 2017 and $68.8 million ($54.5 million after taxes) in 2016. These costs were related to the acquisition of Atkins in 2017 and the acquisition of Kentz in 2014;

- **Impact of U.S. corporate tax reform** resulting in an increase of income taxes expense of $6.0 million in 2018, compared with $42.5 million in 2017; and

- **Net financial expenses amounted to $167.4 million in 2018,** compared with $117.8 million in 2017 and $42.1 million in 2016, mainly due to the financing costs related to the acquisition of Atkins in 2017.

4.4 SEGMENT EBIT ANALYSIS

YEAR ENDED DECEMBER 31 (in millions CA$, except ratio in %)	2018	2017[1]
Total Segment EBIT:		
From E&C	$ 337.4	$ 653.5
From Capital	225.0	212.9
	$ 562.4	$ 866.4
Total Segment EBIT-to-revenue ratio (%):		
From E&C	3.4%	7.2%
From Capital	85.0%	89.4%
	5.6%	9.3%

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its financial results. Please refer to Section 13 for further details.

SEGMENT EBIT FROM E&C

E&C total segment EBIT in 2018 was $337.4 million, compared with $653.5 million in 2017. The variance is largely attributable to the loss in Mining & Metallurgy and a lower Segment EBIT in Oil & Gas, partially offset by the higher Segment EBIT in EDPM.

- The loss in Mining & Metallurgy is primarily due to the under-performance of a major EPC project mainly due to the fact that the Company did not reach the required level of agreement with the client in order to meet the IFRS 15 conditions for revenue recognition, as well as a substantial negative cost reforecast in the fourth quarter required to deliver this project to completion. Following further negotiations and discussions with the client, the parties have agreed to settle the dispute through an accelerated arbitration process, out of which the Company currently expects recoveries in the future. The forecasted loss of approximately $346 million on this project is mainly due to unexpected site conditions, greater than expected environmental and safety measures, and under-performance from sub-contractors. The Company will continue to work to complete the project, which is anticipated to be completed in the second quarter of 2019. The Company does not have any other Mining & Metallurgy projects that have similar characteristics.

- The decrease in Oil & Gas is due to a lower level of activity from certain major projects completed or nearing completion, a decrease in the Americas driven by continued challenging market conditions and lower revenue recognition on some costs incurred on projects whereby the Company did not reach the required level of agreement with the clients in order to meet the IFRS 15 conditions for revenue recognition. The Oil & Gas Segment EBIT also included an unfavorable impact of $46.6 million in 2018 related to a preliminary decision of an arbitration process connected to a project in Australia. The Oil & Gas Segment EBIT included a net positive impact from settlements and reforecasts in both 2018 and 2017.

- The increase in EDPM is largely attributable to the incremental contribution from Atkins and a higher profitability ratio.

SEGMENT EBIT CAPITAL INVESTMENTS

Segment EBIT from Capital increased to $225.0 million in 2018, compared with $212.9 million in 2017, mainly due to a higher contribution from Highway 407 ETR.

4.5 ADJUSTED NET INCOME FROM E&C AND ADJUSTED DILUTED EPS FROM E&C

Adjusted net income from E&C and **adjusted diluted EPS from E&C** are non-IFRS financial measures. Definitions of these financial measures are provided in Section 14.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2018		2017	
		PER DILUTED SHARE		PER DILUTED SHARE
Net income (loss)	$ (1,316.3)	N/A	$ 383.2	N/A
Less:				
Non-controlling interests	0.6	N/A	1.1	N/A
Net income attributable to SNC-Lavalin shareholders from Capital	246.1	$ 1.40	206.0	$ 1.26
Net income (loss) attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$ (1,563.0)	$ (8.90)	$ 176.0	$ 1.08
Adjustments (net of income taxes):				
Restructuring, right-sizing costs and other[1]	$ 58.7	$ 0.33	$ 25.4	$ 0.15
Acquisition-related costs and integration costs	42.8	0.24	97.2	0.60
Amortization of intangible assets related to business combinations	171.1	0.97	112.6	0.69
Impairment of goodwill	1,240.4	7.07	-	-
Net expense for the 2012 class action lawsuits settlement and related legal costs	65.7	0.37	-	-
Loss (gain) on disposals of E&C businesses	0.5	0.00	(0.9)	(0.01)
Impact of U.S. corporate tax reform	6.0	0.03	42.5	0.26
GMP equalization	20.8	0.12	-	-
Gain on disposal of the head office building	-	-	(101.5)	(0.62)
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$ 43.1	$ 0.25	$ 351.3	$ 2.15

(1) It should be noted that this adjustment includes a net amount of $6.9 million ($5.6 million after taxes) (2017: $5.1 million ($5.3 million after taxes)) which did not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

Adjusted net income attributable to SNC-Lavalin shareholders from E&C was $43.1 million ($0.25 per share on a diluted basis) in 2018, compared with $351.3 million ($2.15 per share on a diluted basis) for 2017, mainly reflecting a loss in Mining & Metallurgy and a lower contribution from Oil & Gas, combined with higher net financial expenses, largely attributable to the financing of the acquisition of Atkins, partially offset by lower income taxes and a higher contribution from EDPM.

For 2018, adjusted net income attributable to SNC-Lavalin shareholders from E&C included the following adjustments, for a net total of $1,606.1 million ($9.15 per diluted share) compared with $175.3 million ($1.07 per diluted share) in 2017:

- **Goodwill impairment of $1,240.4 million ($7.07 per diluted share)** related to the Oil & Gas segment recognized in the fourth quarter of 2018;
- **Amortization of intangible assets related to business combinations of $171.1 million ($0.97 per diluted share)**, compared with $112.6 million ($0.69 per diluted share) in 2017, an increase due to the acquisition of Atkins in the third quarter of 2017;
- **Restructuring, right-sizing costs and other costs of $58.7 million ($0.33 per diluted share),** compared with $25.4 million ($0.15 per diluted share) in 2017. These costs were mainly for severances;

- **Net expense for the 2012 class action lawsuits settlement and related legal costs of $65.7 million ($0.37 per diluted share)** related to the class actions in Quebec and Ontario filed in 2012, further explained in section 3.2;

- **Acquisition-related costs and integration costs of $42.8 million ($0.24 per diluted share),** compared with $97.2 million ($0.60 per diluted share). These costs were mainly professional fees and other related costs that were incurred in connection with the acquisition of Atkins in 2017;

- **Guaranteed Minimum Pension ("GMP") equalization costs of $20.8 million ($0.12 per diluted share)** recognized by the Company in 2018. This expense relates to the estimated cost to equalize GMP for past services in the U.K.

- **Impact of U.S. corporate tax reform resulting in an increase of income taxes expense of $6.0 million ($0.03 per diluted share) in 2018** and $42.5 million ($0.26 per diluted share) in 2017; and

- **A gain of $101.5 million ($0.62 per diluted share) on the disposal of the head office building in 2017**, further explained in Section 4.10.

4.6 EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

EBIT, EBITDA and **Adjusted EBITDA** are non-IFRS financial measures. Definitions of these financial measures are presented in Section 14.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income (loss)	$ (1,562.4)	$ 246.1	$ (1,316.3)	$ 177.1	$ 206.0	$ 383.2
Net financial expenses	156.0	11.5	167.4	107.8	10.0	117.8
Income taxes	(18.1)	6.6	11.5	88.9	13.5	102.4
EBIT	$ (1,424.5)	$ 264.1	$ (1,160.4)	$ 373.8	$ 229.6	$ 603.4
Amortization of intangible assets related to business combinations	$ 206.5	$ -	$ 206.5	$ 138.9	$ -	$ 138.9
Depreciation and amortization	118.1	-	118.1	76.7	-	76.7
Impairment of goodwill	1,240.4	-	1,240.4	-	-	-
EBITDA	$ 140.5	$ 264.1	$ 404.6	$ 589.4	$ 229.6	$ 818.9
(as % of Revenues)	1.4%	N/A	4.0%	6.5%	N/A	8.8%
Restructuring, right-sizing costs and other[1]	$ 75.2	$ 0.3	$ 75.5	$ 31.4	$ -	$ 31.4
Acquisition-related costs and integration costs	54.9	-	54.9	124.3	-	124.3
Net expense for the 2012 class action lawsuits settlement and related legal costs	89.4	-	89.4	-	-	-
GMP equalization	25.1	-	25.1	-	-	-
Loss (gain) on disposals of E&C businesses	0.5	-	0.5	(1.0)	-	(1.0)
Gain on disposals of Capital investments	-	(67.6)	(67.6)	-	(42.1)	(42.1)
Gain on disposal of the head office building	-	-	-	(115.1)	-	(115.1)
Adjusted EBITDA	$ 385.6	$ 196.8	$ 582.4	$ 629.0	$ 187.5	$ 816.5
(as % of Revenues)	3.9%	N/A	5.8%	6.9%	N/A	8.7%

(1) It should be noted that this adjustment includes a net amount of $6.9 million ($5.6 million after taxes) (2017: $5.1 million ($5.3 million after taxes)) which did not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

In 2018, EBIT from E&C was negative $1,424.5 million, compared with $373.8 million in 2017, mainly reflecting the goodwill impairment of $1,240.4 million related to the Oil & Gas segment, recognized in the fourth quarter of 2018, higher amortization of intangible assets related to business combinations and depreciation and amortization in 2018, compared with 2017 and lower segment EBIT, mainly in Mining & Metallurgy and Oil & Gas, partially offset by a higher contribution in EDPM. This resulted in an **EBITDA from E&C of $140.5 million in 2018**, compared with $589.4 million in 2017. EBITDA from E&C in 2018 included the net $89.4 million expense for the 2012 class action lawsuits settlement, the $25.1 million GMP equalization expense for past service costs, restructuring, right-sizing and other costs of $75.2 million, compared to $31.4 million in 2017 and acquisition-related costs and integration costs of $54.9 million in 2018, compared with $124.3 million in 2017. As such, the **2018 Adjusted E&C EBITDA totalled $385.6 million**, compared with $629.0 million in 2017, representing 3.9% of the revenues from E&C in 2018 (2017: 6.9%).

EBIT and EBITDA from Capital increased compared to 2017. EBIT and EBITDA were favorably impacted by the gain of $67.6 million from the disposal of Capital investments in 2018 and an increased contribution from Highway 407 ETR, partially offset by the $42.1 million gain in 2017, mainly from partial disposal of the SNCL IP Partnership, and a lower contribution from investments transferred to the SNCL IP Partnership.

4.7 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018			2017[1]		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	**$ 93.6**	**$ 27.7**	**$ 121.3**	$ 105.2	$ 25.4	$ 130.6

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its financial results. Please refer to Section 13 for further details.

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs. As such, this change resulted in a reclassification of $1,028.1 million from "Selling, general and administrative expenses" to "Direct cost of activities" for the year ended December 31, 2017.

Corporate selling, general and administrative expenses totalled $121.3 million in 2018 compared with $130.6 million in 2017, a decrease explained by a $16.2 million favorable impact from revised estimated on legacy sites environmental liabilities and other asset retirement obligations, the efficiencies obtained from the operational excellence program, the synergies obtained from the integration of Atkins and a decrease in the amount of certain benefits and incentives, partially offset by incremental costs from Atkins and the $25.1 million GMP equalization cost recognized by the Company in 2018 for past service cost.

4.8 RESTRUCTURING COSTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017
Restructuring costs	**$ 68.6**	$ 26.4

The Company has launched its "Operational Excellence" program in 2016, a program whose objective is to sustain a culture of continuous improvement. Operational Excellence is an approach that will make the Company more agile, customer-focused and successful. Operational Excellence is a long-term, structured approach that focuses on improving

every aspect of the business. Such efforts aimed at optimizing the Company's structure might result in a reduction of workforce.

In 2017 and 2018, the Company continued to implement measures aimed at improving its operations and efficiency, resulting in $68.6 million of restructuring costs in 2018, compared to $26.4 million in 2017.

The restructuring costs recognized in 2018 and 2017 were mainly for severances.

4.9 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2018		2017
Professional fees and other related costs	$	54.9	$	75.6
Remeasurement of a foreign exchange option		-		48.7
Acquisition-related costs and integration costs	$	54.9	$	124.3

In 2018, the Company incurred acquisition-related costs and integration costs totalling $54.9 million, compared with $124.3 million in 2017, a variance that was largely attributable to the remeasurement of a foreign exchange option that was entered into by the Company in 2017 to hedge the foreign currency exposure associated with the acquisition of Atkins, combined to lower fees incurred in connection with the integration of Atkins.

4.10 NET GAINS (LOSSES) ON DISPOSALS

E&C BUSINESSES

In 2018 and 2017, adjustments on consideration receivable (payable) related to certain disposals made in 2016 resulted in a loss of $0.5 million before and net of taxes and in a gain of $0.6 million before income taxes ($0.4 million net of taxes), respectively.

In 2017, SNC-Lavalin completed the sale of its ownership interest of 100% in Equinox CA Europe Ltd. ("Equinox"). The transaction resulted in a gain of $0.4 million ($0.4 million after taxes).

CAPITAL INVESTMENTS

In 2018, SNC-Lavalin announced that it has reached an agreement to sell its remaining minority interest in Astoria Project Partners II LLC, the legal entity that owns and operates the Astoria II power plant in New York City. On October 24, 2018, SNC-Lavalin completed the sale of its ownership interest in Astoria Project Partners II LLC in exchange of total consideration received of US$41.4 million (CA$54.1 million). The transaction resulted in a gain of $4.8 million ($1.4 million net of taxes) in 2018.

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

In 2017, the Company's subordinated loan receivable from MHIG of $109.3 million was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for a total cash consideration of $23.3 million. These transactions resulted in a net gain of $5.4 million ($5.4 million after taxes).

In 2017, SNC-Lavalin launched SNC-Lavalin Infrastructure Partners LP (the "Partnership") and entered into a strategic agreement with a Canadian subsidiary of BBGI. BBGI subscribed to units of the Partnership in an amount equal to 80% of the value of its assets, resulting in a gain on partial disposal of the Partnership of $36.7 million ($26.5 million after taxes).

HEAD OFFICE BUILDING

In 2017, SNC-Lavalin completed the sale of its Montreal head office building and the adjacent empty lot of land located on René-Lévesque Boulevard West for $173.3 million to GWL Realty Advisors on behalf of institutional clients. The gain on disposal of the head office building amounted to $115.1 million ($101.5 million after taxes). Concurrently, SNC-Lavalin entered into a 20-year lease for the building.

4.11 NET FINANCIAL EXPENSES

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	$ (7.9)	$ (4.4)	$ (12.3)	$ (10.9)	$ (10.4)	$ (21.3)
Interest on debt:						
Recourse	78.2	-	78.2	41.5	-	41.5
Limited recourse	85.2	-	85.2	49.0	-	49.0
Non-recourse	2.1	15.8	17.9	-	20.6	20.6
Net foreign exchange losses (gains)	0.2	-	0.2	16.3	(0.2)	16.0
Other	(1.8)	-	(1.8)	12.0	-	12.0
Net financial expenses	**$ 156.0**	**$ 11.5**	**$ 167.4**	$ 107.8	$ 10.0	$ 117.8

Net financial expenses from E&C increased in 2018 compared with 2017, mainly due to an increase in recourse debt and limited recourse debt, principally related to the financing of the acquisition of Atkins.

Net financial expenses from Capital increased in 2018 compared with 2017, primarily due to a decrease in interest expense on non-recourse debt following the transfer of investments to the SNCL IP Partnership, partially offset by a decrease in interest revenues resulting from the transfer of a Capital investment to the SNCL IP Partnership.

4.12 INCOME TAXES ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018			2017		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Earnings before income taxes	$ (1,580.5)	$ 252.6	$ (1,327.8)	$ 266.0	$ 219.5	$ 485.5
Income taxes	$ (18.1)	$ 6.6	$ (11.5)	$ 88.9	$ 13.5	$ 102.4
Effective income tax rate (%)	**1.2%**	**2.6%**	**0.9%**	33.4%	6.2%	21.1%

In 2018, the Company reported an income tax recovery of $11.5 million, compared to an income tax expense of $102.4 million in 2017.

The effective income tax recovery rate from E&C was lower than the Canadian statutory income tax rate of 26.7% in 2018, principally due to the impact of the non-tax deductible goodwill impairment, net losses that did not generate an

income tax benefit and by adjustments to deferred income taxes due to the US tax reform and the net reversal of previously recognized deferred tax assets. These impacts were partially offset by the geographic mix of earnings before income taxes as well as earnings not affected by tax and other permanent items. In 2017, the effective income tax rate from E&C was higher than the Canadian statutory income tax rate of 26.6%, reflecting mainly adjustments to deferred income taxes due to the US tax reform. Excluding these adjustments, the effective income tax rate would have been lower than the Canadian statutory income tax rate mainly due to the geographic mix of earnings before income taxes and by the non-taxable portion of the gain on the disposal of the head office building, partially offset by the non-deductible expenses and other permanent items.

The effective income tax rate from Capital investments decreased in 2018 compared with 2017. The effective income tax rate was lower than the Canadian statutory income tax rate of 26.7% in 2018, principally due to the non-taxable dividends received mainly from Highway 407 ETR and the non-taxable portion of the gain on disposal of MHIG to SNCL IP Partnership. In 2017, the effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.6%, principally due to non-taxable dividends received mainly from Highway 407 ETR and the non-taxable portion of the gain on disposal of the four investments to the SNCL IP Partnership.

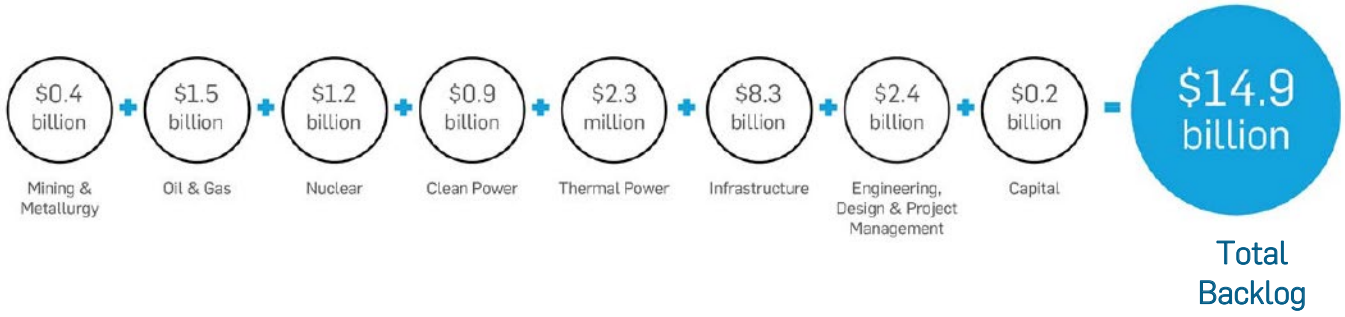
4.13 ACQUISITION OF NON-CONTROLLING INTEREST

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

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

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

5 Backlog (Remaining Performance Obligations)



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

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

The following table provides a breakdown of revenue backlog by segment and geographic area.

AT DECEMBER 31 (IN MILLIONS CA$)	2018	2017
BY SEGMENT		
Mining & Metallurgy	$ 395.9	$ 618.5
Oil & Gas	1,511.4	2,226.1
Nuclear	1,202.9	1,398.5
Clean Power	900.1	258.7
Thermal Power	2.3	56.0
Infrastructure	8,322.8	3,907.0
EDPM	2,394.2	1,941.6
Capital[1]	155.4	-
Total	**$ 14,885.0**	$ 10,406.4
From Canada	$ 8,560.4	$ 4,648.1
Outside Canada	6,324.6	5,758.3
Total	**$ 14,885.0**	$ 10,406.4

(1) Backlog from Capital represents the amount that will be recognized as revenue from contracts with customers in the Capital segment from a concession agreement.

The Company's revenue backlog increased at December 31, 2018 compared with 2017, mainly reflecting an increase in Infrastructure, Clean Power and EDPM, partly offset by a decrease in Oil & Gas. Contract bookings amounted to $10.4 billion in 2018, with $3.6 billion in EDPM, $3.1 billion in Infrastructure, $2.3 billion in Oil & Gas, $0.8 billion in Nuclear and $0.4 billion in Clean Power. Thermal Power backlog mainly decreased since the Company exited the thermal business in 2018.

Backlog from Canada increased in 2018, reflecting an increase mostly in Infrastructure explained mainly by the inclusion of the full term of its O&M signed long-term contracts as explained above, as well as the award in 2018 of the new contracts related to the Réseau express métropolitain ("REM") .

Backlog from Outside Canada increased in 2018, principally due to an increase in Infrastructure explained mainly by the inclusion of the full term of its O&M signed long-term contracts as explained above, the incremental backlog from Linxon in Clean Power and an increase in EDPM, partially offset by a decrease in Oil & Gas, partly due to the exclusion of anticipated volume of work on certain contracts as explained above, and Mining and Metallurgy.

BACKLOG RECONCILIATION

In the following section, the Company presents its "booking-to-revenue ratio", a non-IFRS measure, which corresponds to the contract bookings divided by the revenues for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in Section 2.2, which can be a significant portion of the budgeted and/or forecasted revenues.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$ EXCEPT FOR BOOKING-TO-REVENUE RATIO)		2018	2017
Opening backlog		$ 10,406.4	$ 10,677.4
IFRS 15 opening balance adjustment		3,390.5	-
Plus:	Contract bookings during the year	10,362.4	6,653.1
	Backlog from business combinations	526.1	2,172.7
Less:	Revenues recognized during the year	9,800.4	9,096.7
Ending backlog[1]		**$ 14,885.0**	$ 10,406.4
Booking-to-revenue ratio[1]		**1.06**	0.73

(1) Non-IFRS financial measures. Please refer to Section 14 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

MAJOR CONTRACT AWARDS

In 2018, the Company was awarded several contracts in North America, Africa and the U.K. The increase in the Infrastructure segment is mainly due to the inclusion of the full term of its O&M signed long-term contracts, as explained above, and the new contracts related to the Réseau express métropolitain ("REM") awarded in 2018. In the Oil & Gas segment, the Company was awarded contracts in the Middle East. The increase in Clean Power is mainly derived from Linxon's opening backlog of $0.5 billion.

In 2017, a major contract award in the Mining & Metallurgy segment was a project for the construction of an ammonia plant in the Middle East. In the Infrastructure segment, the Company was awarded contracts to build Phase 2 of a mass transit system project in Central Canada and the construction of a concrete gravity structure for a fixed drilling platform in Eastern Canada. In the Nuclear segment, the Company was awarded a contract extension for a nuclear generating station in Argentina.

BACKLOG BY TYPES OF CONTRACTS

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

	REIMBURSABLE & ENGINEERING SERVICE CONTRACTS	EPC FIXED-PRICE CONTRACTS
BY SEGMENT		
Mining & Metallurgy	15%	85%
Oil & Gas	73%	27%
Nuclear	96%	4%
Clean Power	9%	91%
Thermal Power	79%	21%
Infrastructure	71%	29%
EDPM	100%	0%
Capital [1]	100%	0%

(1) Backlog from Capital represents the amount that will be recognized as revenue from contracts with customers in the Capital segment from a concession agreement.

The amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2018, on all contracts with customers, is expected to be recognized in revenues as follows: 2019 – $5.8 billion, 2020 – $2.3 billion, 2021 – $1.2 billion, and thereafter – $5.6 billion. It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

6 Geographic Breakdown of Revenues by Category of Activity

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018			
	E&C	CAPITAL	TOTAL	%
Americas:				
Canada	$ 2,711.4	$ 251.2	$ 2,962.6	29%
United States	1,663.6	1.9	1,665.6	17%
Latin America	302.4	-	302.4	3%
Middle East and Africa:				
Saudi Arabia	1,020.7	-	1,020.7	10%
Other Middle East countries	962.5	-	962.5	9%
Africa	457.6	11.5	469.1	5%
Asia Pacific:				
Australia	511.3	-	511.3	5%
Other	227.6	-	227.6	2%
Europe:				
United Kingdom	1,658.4	-	1,658.4	17%
Other	303.8	-	303.8	3%
Total	**$ 9,819.3**	**$ 264.7**	**$ 10,084.0**	**100%**

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017[1]			
	E&C	CAPITAL	TOTAL	%
Americas:				
Canada	$ 2,706.0	$ 232.7	$ 2,938.7	31%
United States	1,550.8	2.6	1,553.4	17%
Latin America	341.6	-	341.6	4%
Middle East and Africa:				
Saudi Arabia	992.9	-	992.9	11%
Other Middle East countries	638.8	-	638.8	7%
Africa	450.8	2.6	453.5	5%
Asia Pacific:				
Australia	1,173.5	-	1,173.5	13%
Other	152.4	-	152.4	1%
Europe:				
United Kingdom	885.1	-	885.1	9%
Other	204.8	-	204.8	2%
Total	$ 9,096.7	$ 238.0	$ 9,334.7	100%

(1) Comparative figures have been restated to reflect a change made to the Company's reporting of its geographic breakdown since the United Kingdom became more significant following Atkins Acquisition.

AMERICAS:

- **Revenues in Canada in 2018** were in line with 2017, mainly due to an increase in Infrastructure, mostly offset by a decrease in Clean Power and Oil & Gas.
- **Revenues in the United States in 2018** were in line with 2017, reflecting the incremental activities of Atkins in EDPM and an increase in Nuclear, mostly offset by a decrease in Thermal Power, due to the completion or near completion of certain major projects, and Oil & Gas.
- **Revenues in Latin America decreased in 2018** compared with the previous year, principally reflecting a decrease in Oil & Gas and Nuclear, partially offset by an increase in Mining & Metallurgy.

MIDDLE EAST AND AFRICA:

- **Revenues in Saudi Arabia in 2018** were in line with 2017, primarily due to the incremental activities of Atkins in EDPM, mostly offset by a decrease in Mining & Metallurgy.
- **Revenues in other Middle East countries increased in 2018** compared with 2017, mainly attributable to the incremental activities of Atkins in EDPM and an increase in Mining & Metallurgy, Clean Power and Infrastructure.
- **Revenues in Africa in 2018** were in line with 2017, primarily due to an increase in Oil & Gas and Capital, mostly offset by a decrease in Infrastructure, Clean Power and Thermal Power.

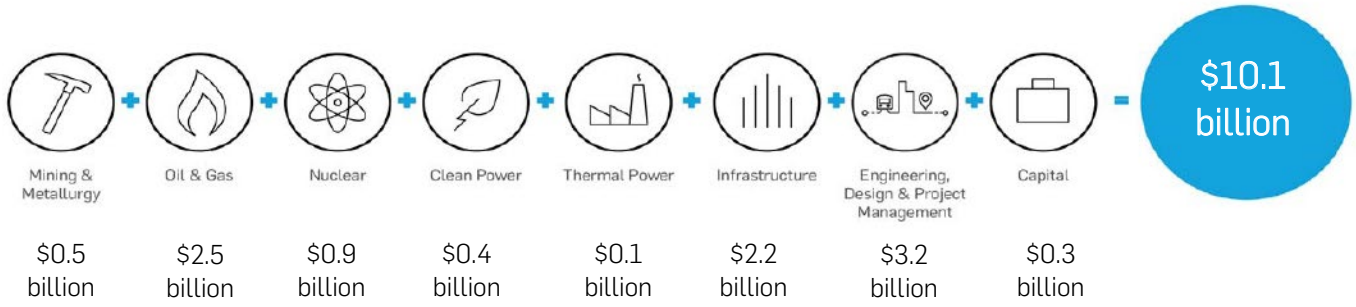
ASIA PACIFIC:

- **Revenues in Australia decreased in 2018** compared with the previous year, mainly attributable to a decrease in Oil & Gas due to completion or near completion of certain major projects in 2018, partially offset by an increase in Clean Power and EDPM.
- **Revenues in other countries, increased in 2018** compared with the previous year, mainly reflecting the incremental activities of Atkins in EDPM.

EUROPE:

- **Revenues in the United Kingdom, increased in 2018** compared with the previous year, mainly due to the incremental activities of Atkins in EDPM and an increase in Nuclear.
- **Revenues in other countries increased in 2018** compared with 2017, mainly due to the incremental activities of Atkins in EDPM.

7 Segmented Information



As previously mentioned, the Company's results are analyzed by segment, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. Effective January 1, 2018, the Company's new organizational structure described at Section 2 resulted in a change to the Company's reportable segments, which are: i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Nuclear**; iv) **Clean Power**; v) **Infrastructure**; vi) **Engineering, Design and Project Management**; and vii) **Capital**. The thermal power operations will also be disclosed separately until completion of the remaining fixed price EPC projects.

The Company evaluates segment performance, using Segment EBIT, which is a non-IFRS financial measure defined in Section 14. Effective January 1, 2018, the Company changed the definition of segment EBIT, its measure of profit or loss for its reportable segments, to reflect a change made to its internal reporting. As such, Segment EBIT now includes an additional allocation of certain corporate selling, general and administrative expenses, whereas in the past it only included corporate selling, general and administrative expenses that were directly related to projects or segments. The additional costs that are being allocated to the Segment EBIT are mainly related to information technology and to employee benefits and incentives. These are allocated on a per employee basis for the information technology costs and on an employee compensation basis for the benefits and incentives. The Company believes that such allocation improves the measure of profitability of its reportable segments by better reflecting the overall costs incurred to support its operations. In addition, the Company introduced the measure of Total Segment EBIT, which represents the sum of all Segment EBIT and non-controlling interests before income taxes. Such measure of Total Segment EBIT is now aligned with the presentation adopted in the Company's statement of income and corresponds to the Company's revenues less direct costs of activities, as further explained in Section 13.

The Company generally derives its revenues from reimbursable and engineering service contracts (2018: 74%; 2017: 72%) and EPC fixed-price contracts (2018: 26%; 2017: 28%).The following discussion reviews the Company's segment revenues and Segment EBIT.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	$ 475.4	$ (345.6)	$ -	$ (345.6)
Oil & Gas	2,526.0	96.7	-	96.7
Nuclear	932.6	146.2	-	146.2
Clean Power	377.2	17.2	-	17.2
Thermal Power	66.4	(29.5)	-	(29.5)
Infrastructure	2,226.8	107.2	-	107.2
EDPM	3,215.0	345.4	-	345.4
Total E&C segments	$ 9,819.3	$ 337.7	$ -	$ 337.7
Capital	264.7	-	225.0	225.0
Reversal of non-controlling interest before income taxes included above		(0.3)		(0.3)
Total revenues and Segment EBIT	$ 10,084.0	$ 337.4	$ 225.0	$ 562.4
Less:				
Corporate selling, general and administrative expenses		$ (93.6)	$ (27.7)	$ (121.3)
Impairment losses arising from expected credit losses		(1.3)	-	(1.3)
Acquisition-related costs and integration costs		(54.9)	-	(54.9)
Amortization of intangible assets related to business combinations		(206.5)	-	(206.5)
Gain on disposals/partial disposals of Capital investments		-	67.6	67.6
Loss from disposals of E&C businesses		(0.5)	-	(0.5)
Net expense for the 2012 class action lawsuits settlement and related legal costs		(89.4)	-	(89.4)
Loss arising on financial assets (liabilities) at fair value through profit or loss		(6.9)	(0.5)	(7.4)
Restructuring costs		(68.3)	(0.3)	(68.6)
Impairment of goodwill		(1,240.4)	-	(1,240.4)
EBIT		$ (1,424.5)	$ 264.1	$ (1,160.4)

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2017[1]			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	$ 432.8	$ 15.9	$ -	$ 15.9
Oil & Gas	3,449.1	235.6	-	235.6
Nuclear	765.4	136.2	-	136.2
Clean Power	456.7	58.2	-	58.2
Thermal Power	332.0	(107.0)	-	(107.0)
Infrastructure	1,968.7	128.6	-	128.6
EDPM	1,691.9	184.9	-	184.9
Total E&C segments	$ 9,096.7	$ 652.4	$ -	$ 652.4
Capital	238.0	-	212.9	212.9
Reversal of non-controlling interest before income taxes included above		1.1		1.1
Total revenues and Segment EBIT	$ 9,334.7	$ 653.5	$ 212.9	$ 866.4
Less:				
Corporate selling, general and administrative expenses		$ (105.2)	$ (25.4)	$ (130.6)
Acquisition-related costs and integration costs		(124.3)	-	(124.3)
Amortization of intangible assets related to business combinations		(138.9)	-	(138.9)
Gain on disposals/partial disposals of Capital investments		-	42.1	42.1
Gain on disposals of E&C businesses		1.0	-	1.0
Restructuring costs		(26.4)	-	(26.4)
Loss arising on financial assets (liabilities) at fair value through profit or loss		(1.0)	-	(1.0)
Gain on disposal of the head office building		115.1	-	115.1
EBIT		$ 373.8	$ 229.6	603.4

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

7.1 MINING & METALLURGY

Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects. However, as announced by the Company in February 2019, Mining & Metallurgy will cease to bid on EPC fixed-price contracts going forward. The Mining & Metallurgy segment derives its revenues from reimbursable and engineering service contracts (2018: 32%, 2017: 47%) and EPC fixed-price contracts (2018: 68%, 2017: 53%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2018		2017[1]	CHANGE (%)
Revenues from Mining & Metallurgy	$	475.4	$	432.8	9.8%
Segment EBIT from Mining & Metallurgy	$	(345.6)	$	15.9	N/A
Segment EBIT over revenues from Mining & Metallurgy (%)		(72.7%)		3.7%	
Backlog at year end	$	395.9	$	618.5	(36.0%)

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

Mining & Metallurgy revenues increased to $475.4 million in 2018 compared with $432.8 million in 2017. The variance was mainly attributable to revenues generated by certain major contracts, namely the engineering and construction of sulphuric acid plants in Chile and an anhydrous liquid ammonia plant in the Sultanate of Oman, partially offset by a lower level of activity due to the near completion of certain major projects, notably a sulphur dioxide mitigation project in Russia and sulphuric acid plants in the Middle East.

The major revenue contributors in 2018 included work on sulphuric acid plants in Chile and an anhydrous liquid ammonia plant in Oman.

Segment EBIT from Mining & Metallurgy was negative $345.6 million in 2018 compared with a positive Segment EBIT of $15.9 million in 2017, primarily due to the under-performance of a major EPC project mainly due to the fact that the Company did not reach the required level of agreement with the client in order to meet the IFRS 15 conditions for revenue recognition, as well as a substantial negative cost reforecast in the fourth quarter required to deliver this project to completion. Following further negotiations and discussions with the client, the parties have agreed to settle the dispute through an accelerated arbitration process, out of which the Company currently expects recoveries in the future. The forecasted loss of approximately $346 million on this project is mainly due to unexpected site conditions, greater than expected environmental and safety measures, and under-performance from sub-contractors. The Company will continue to work to complete the project, which is anticipated to be completed in the second quarter of 2019. The Company does not have any other Mining & Metallurgy projects that have similar characteristics.

7.2 OIL & GAS

Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle, from front-end evaluation through decommissioning (operational and capital expenditures). The Oil & Gas segment derives its revenues from reimbursable and engineering service contracts (2018: 72%, 2017: 76%) and EPC fixed-price contracts (2018: 28%, 2017: 24%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017[1]	CHANGE (%)
Revenues from Oil & Gas	**$ 2,526.0**	$ 3,449.1	(26.8%)
Segment EBIT from Oil & Gas	**$ 96.7**	$ 235.6	(58.9%)
Segment EBIT over revenues from Oil & Gas (%)	**3.8%**	6.8%	
Backlog at year end	**$ 1,511.4**	$ 2,226.1	(32.1%)

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

Oil & Gas revenues were $2,526.0 million in 2018 compared with $3,449.1 million in the previous year, mainly attributable to lower levels of activity from certain major projects completed or nearing completion, most notably the Liquefied Natural Gas ("LNG") projects in Australia. Inter-governmental relations between Canada and Saudi Arabia, together with unpredictable commodity prices and uncertain client investment plans, have led to deterioration in near-term prospects.

The major revenue contributors in 2018 included LNG projects in Australia, unconventional gas facilities in the Middle East work on oil and gas infrastructure and processing facilities across the globe, production and processing solutions in the Americas, as well as revenue derived from book and burn service contracts.

Segment EBIT from Oil & Gas was $96.7 million in 2018, compared with $235.6 million in 2017, primarily due to a lower level of activity from certain major projects completed or nearing completion, a decrease in the Americas driven by continued challenging market conditions and lower revenue recognition on some costs incurred on projects whereby the Company did not reach the required level of agreement with the clients in order to meet the IFRS 15 conditions for revenue recognition. The Oil & Gas Segment EBIT also included an unfavorable impact of $46.6 million in 2018 related to a preliminary decision of an arbitration process connected to a project in Australia. The Oil & Gas Segment EBIT included a net positive impact from settlements and reforecasts in both 2018 and 2017.

7.3 NUCLEAR

Nuclear supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. 35 % of Nuclear revenues relates to decontamination, decommissioning and waste management.The Nuclear segment derives its revenues from reimbursable and engineering service contracts, (2018: 99%, 2017: 95%) and EPC fixed-price contracts, (2018: 1%, 2017: 5%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017[1]	CHANGE (%)
Revenues from Nuclear	**$ 932.6**	$ 765.4	21.8%
Segment EBIT from Nuclear	**$ 146.2**	$ 136.2	7.3%
Segment EBIT over revenues from Nuclear (%)	**15.7%**	17.8%	
Backlog at year end	**$ 1,202.9**	$ 1,398.5	(14.0%)

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

Nuclear revenues increased to $932.6 million in 2018 compared with $765.4 million in 2017, largely attributable to the incremental revenues from Atkins, which was acquired in the third quarter of 2017, partially offset by a lower level of activity on certain major projects.

The major revenue contributors in 2018 included projects related to nuclear generating stations in Canada and various projects from Atkins.

In 2018, Segment EBIT from Nuclear increased to $146.2 million compared with $136.2 million in 2017, mainly attributable to the incremental full year contribution of Atkins Nuclear, while the Nuclear Segment EBIT was positively impacted in 2017 by a favourable reforecast on a major project in Latin America.

7.4 CLEAN POWER

Clean Power combines the Company's established leadership in hydro, transmission and distribution and extensive renewable energy capabilities, including in energy storage, providing fully integrated life-of-asset services capabilities. The Clean Power segment derives its revenues from both reimbursable and engineering service contracts (2018: 33%; 2017: 43%) and EPC fixed-price contracts (2018: 67%; 2017: 57%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017[1]	CHANGE (%)
Revenues from Clean Power	**$ 377.2**	$ 456.7	(17.4%)
Segment EBIT from Clean Power	**$ 17.2**	$ 58.2	(70.5%)
Segment EBIT over revenues from Clean Power (%)	**4.6%**	12.8%	
Backlog at year end	**$ 900.1**	$ 258.7	247.9%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

Clean Power revenues were $377.2 million in 2018 compared with $456.7 million in 2017, due to the near completion of major projects, partially offset by the incremental revenues from projects in Linxon, a new subsidiary acquired on September 1, 2018.

The major revenue contributor in 2018 was a project related to a generating station in Canada.

In 2018, Segment EBIT from Clean Power decreased to $17.2 million compared with $58.2 million in 2017, mainly attributable to a lower level of activity due to the reason stated above, and a decrease in the profitability ratio, mainly due to a favorable outcome from certain major projects in 2017.

7.5 THERMAL POWER

Thermal Power includes projects in thermal power generation, a market that the Company has exited in 2018. The Thermal Power segment derives its revenues from both reimbursable and engineering service contracts (2018: 30%; 2017: 11%) and EPC fixed-price contracts (2018: 70%; 2017: 89%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2018		2017[1]	CHANGE (%)
Revenues from Thermal Power	**$**	**66.4**	$	332.0	(80.0%)
Segment EBIT from Thermal Power	**$**	**(29.5)**	$	(107.0)	(72.4%)
Segment EBIT over revenues from Thermal Power (%)		**(44.4%)**		(32.2%)	
Backlog at year end	**$**	**2.3**	$	56.0	(95.9%)

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

Thermal Power revenues were $66.4 million in 2018, compared with $332.0 million in 2017, largely attributable to the near completion or completion of gas-fired combined-cycle power plant projects in the United States.

In 2018, Segment EBIT from Thermal Power totalled negative $29.5 million, compared with negative $107.0 million in 2017, reflecting mainly unfavorable reforecasts in both periods, mostly on the Company's last EPC fixed-price contract. The power plant that is the subject of that contract is in commercial operation and the Company is completing the remaining work and finalizing outstanding commercial discussions.

7.6 INFRASTRUCTURE

Infrastructure provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects. The Infrastructure segment derives its revenues from both reimbursable and engineering service contracts (2018: 47%; 2017: 55%) and EPC fixed-price contracts (2018: 53%; 2017: 45%).

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017[1]	CHANGE (%)
Revenues from Infrastructure	**$ 2,226.8**	$ 1,968.7	13.1%
Segment EBIT from Infrastructure	**$ 107.2**	$ 128.6	(16.6%)
Segment EBIT over revenues from Infrastructure (%)	**4.8%**	6.5%	
Backlog at year end	**$ 8,322.8**	$ 3,907.0	113.3%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

Revenues from Infrastructure increased to $2,226.8 million in 2018 compared with $1,968.7 million in 2017, mainly due to an increase in revenues from certain major projects, most notably, mass transit systems in Central and Eastern Canada and a concrete gravity structure for a fixed drilling platform in Eastern Canada, partially offset by a lower level of activity due to the completion or near completion of certain major projects.

The major revenue contributors in 2018 included multiple projects for mass transit systems and general infrastructure projects in Central and Eastern Canada, as well as the construction of a new bridge corridor in Eastern Canada and O&M projects in North Africa.

Segment EBIT from Infrastructure decreased to $107.2 million in 2018 compared with $128.6 million in 2017, as the increased level of activity was more than offset by a lower profitability ratio. In 2017, the Infrastructure segment EBIT included a net positive impact of $55.6 million due to favourable outcomes, as well as cost reforecasts on certain major projects mainly in Canada.

7.7 ENGINEERING, DESIGN AND PROJECT MANAGEMENT (EDPM)

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

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017[1]	CHANGE (%)
Revenues from EDPM	$ 3,215.0	$ 1,691.9	90.0%
Segment EBIT from EDPM	$ 345.4	$ 184.9	86.8%
Segment EBIT over revenues from EDPM (%)	10.7%	10.9%	
Backlog at year end	$ 2,394.2	$ 1,941.6	23.3%

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

Revenues from EDPM increased to $3,215.0 million in 2018, compared with $1,691.9 million the previous year, reflecting a full year of Atkins in 2018, which includes Faithful & Gould and Acuity, while only a partial year in 2017 as the acquisition was in the third quarter of 2017.

The majority of EDPM's revenues were generated from its operations in the U.K. and Europe, U.S., and the Middle East.

Segment EBIT increased to $345.4 million, compared with $184.9 million in 2017, mainly attributable to the incremental contribution from Atkins. The largest contributions are attributable to operations in the U.K. and Europe and North America, comprising a large number of relatively short term consulting and design projects, with limited procurement or construction risks.

7.8 CAPITAL

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

It is the Company's view that the aggregate fair value of its Capital investments is much higher than their net book value of $369.1 million as at December 31, 2018. Highway 407 ETR represents the most significant portion of the total fair value of the Company's Capital investments portfolio.

SNC-Lavalin owns a 16.77% ownership interest in 407 International Inc. ("Highway 407 ETR"). 407 ETR Concession Company Limited ("407 ETR"), which is a wholly-owned subsidiary of Highway 407 ETR, operates, maintains and manages Highway 407 ETR, which is a 108-km all-electronic toll highway in the Greater Toronto Area ("GTA") with a 99-year concession agreement that expires in 2098.

Capital investments net book value, as at December 31, 2018 and 2017, can be summarized as follows:

AT DECEMBER 31 (IN MILLIONS CA$)	NET BOOK VALUE			
		2018		2017
Highway 407 ETR [1]	**$**	**-**	$	-
Others		**369.1**		316.2
Total	**$**	**369.1**	$	316.2

(1) The net book value is $nil as the Company had previously stopped recognizing its share of the losses of Highway 407 ETR when the recognition of such losses resulted in a negative balance for the Company's investment in Highway 407 ETR.

In this section, the Company provides additional information on Highway 407 ETR due to the significance that this Capital investment may have on the Company's value and net income.

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

The Company's investments are accounted for by either the cost, equity or consolidation methods depending on whether SNC-Lavalin exercises, or not, significant influence, joint control or control. The revenues included in the Company's consolidated income statement are influenced by the consolidation method applied to a Capital investment, as described below:

ACCOUNTING METHODS FOR THE COMPANY'S INVESTMENTS IN 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 investment or **dividends** from its Capital investments for which the carrying amount is $nil, which are recognized when the Company's right to receive payment has been established
Cost method	**Dividends and distributions** from the Capital investments

In evaluating the performance of the segment, the relationship between revenues and EBIT is not meaningful, as a significant portion of the investments are accounted for by the cost and equity methods, which do not reflect the line by line items of the individual Capital investment's financial results.

REVENUES, SEGMENT EBIT AND DIVIDENDS OF THE CAPITAL SEGMENT

For the year ended December 31, 2018, the Capital Segment EBIT increased to $225.0 million, compared with $212.9 million in 2017. EBIT from Highway 407 ETR, which corresponds to the dividends declared and paid to SNC-Lavalin (see explanations below), increased by 8.9% to $154.3 million in 2018.

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)		2018		2017[1]
Revenues from Capital	**$**	**264.7**	$	238.0
Segment EBIT from Capital investments:				
From Highway 407 ETR	**$**	**154.3**	$	141.7
From other Capital investments[2]		**70.7**		71.2
Segment EBIT from Capital	**$**	**225.0**	$	212.9
Dividends and distributions received by SNC-Lavalin from Capital investments accounted for by the equity method:				
From Highway 407 ETR	**$**	**154.3**	$	141.7
From other Capital investments		**16.2**		15.2
Total	**$**	**170.5**	$	156.9

(1) Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 13 for further details.

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

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 a Capital investment 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 $154.3 million in 2018 (2017: $141.7 million) and did not recognize its share of Highway 407 ETR's net income of $90.4 million (2017: $78.9 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was $nil at December 31, 2018 and December 31, 2017. 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 $642.0 million as at December 31, 2018 (2017: $577.9 million).

Revenues from Capital increased to $264.7 million in 2018 compared with $238.0 million in 2017, mainly due to an increased contribution from Highway 407 ETR and a higher level of activities on certain other Capital investments.

Segment EBIT from Capital increased to $225.0 million in 2018 compared with $212.9 million in 2017, mainly due to an increased contribution from Highway 407 ETR.

CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2018:

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP ("407 EDGGP")	50%	Equity	Yes	2012	2045	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
INPOWER BC GENERAL PARTNERSHIP ("INPOWER BC")	100%	Consolidation	Yes	2014	2033	Under construction	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility, in Canada.
RIDEAU TRANSIT GROUP PARTNERSHIP ("RIDEAU")	40%	Equity	Yes	2013	2043	Under construction	Designs, builds, finances and, once construction is completed, will maintain the Confederation Line, City of Ottawa's light rail transit system.
CARLYLE GLOBAL INFRASTRUCTURE OPPORTUNITY FUND L.P.	8.1%	Cost	N/A	2018	N/A	N/A	Holding investments in infrastructure projects related to energy, power and natural resources.
407 INTERNATIONAL INC. ("HIGHWAY 407 ETR")	16.77%	Equity	No	1999	2098	In operation	Operates, maintains and manages Highway 407 ETR, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.

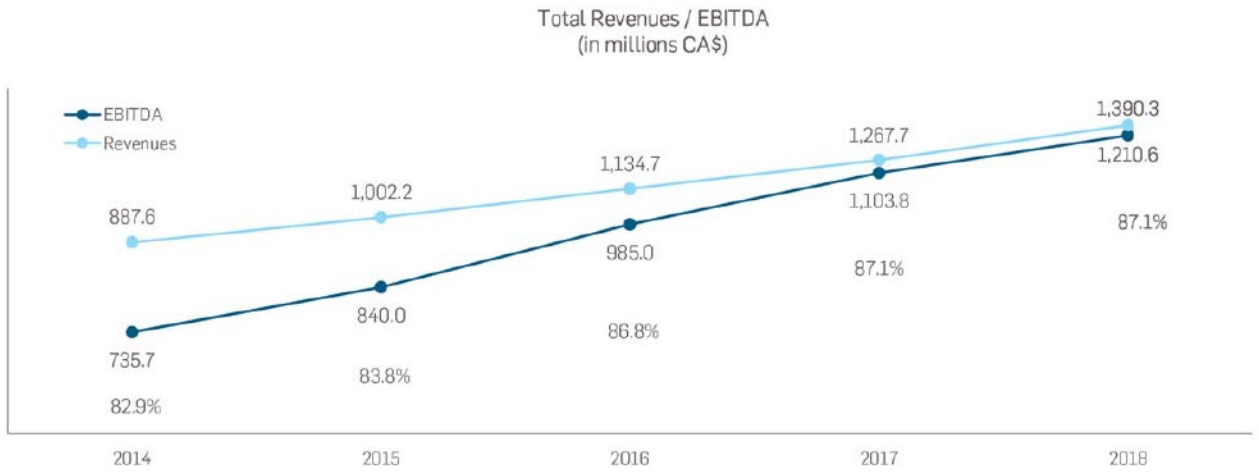
NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m^3/day seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
SHARIKET KAHRABA HADJRET EN NOUSS S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227-MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
TC DÔME S.A.S. ("TC DÔME")	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3-km electric cog railway in France.
HIGHWAY CONCESSIONS ONE PRIVATE LIMITED	10%	Cost	N/A	2012	N/A	N/A	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India.
SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")	50%	Equity	Yes	2015	2049	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the New Champlain Bridge Corridor project.
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINTON CROSSTOWN")	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.
SNC-LAVALIN INFRASTRUCTURE PARTNERS LP ("PARTNERSHIP")	20%	Equity	No	2017	N/A	N/A	Holds the participations in Rainbow Hospital Partnership, Chinook Roads Partnership, InTransit BC Limited Partnership, Okanagan Lake Concession Limited Partnership and MHIG.

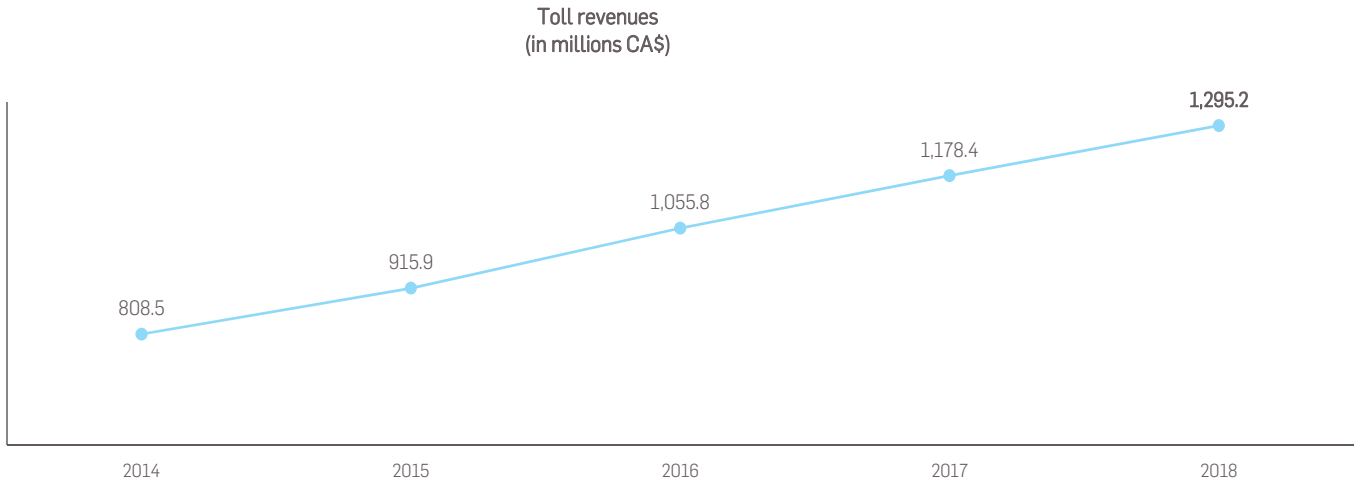
N/A: not applicable

HIGHWAY 407 ETR

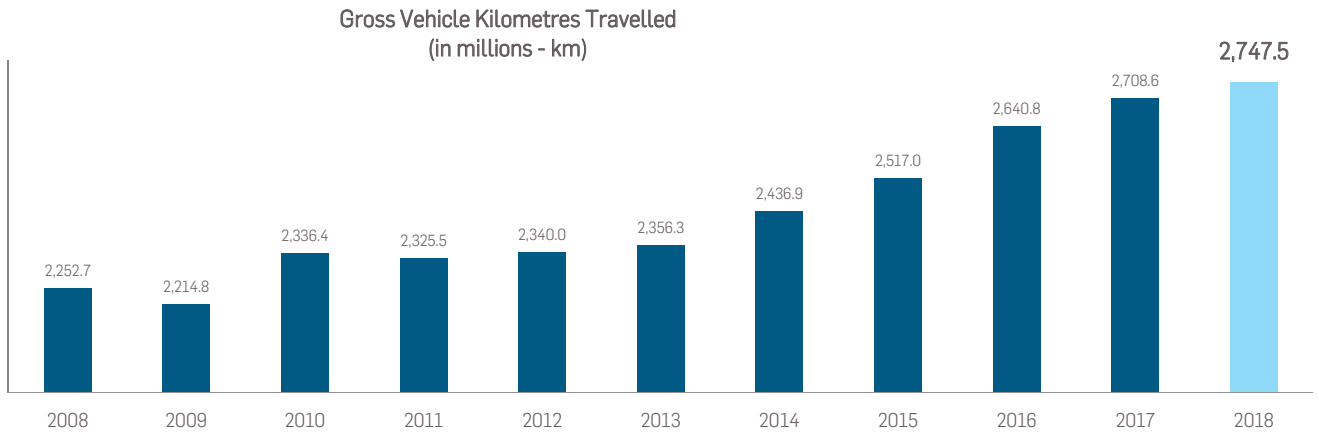
The following information is intended to provide the reader with a general understanding of the operations and key metrics of Highway 407 ETR. As 407 International Inc. issues public debt, 407 International Inc. financial statements, MD&A and other relevant financial materials can be found on **www.sedar.com**, which is the website maintained by the Canadian Securities regulators. The following section is only intended to provide the reader with a general understanding of the operations and key metrics of this Capital investment, for full financial disclosure, the reader should refer to 407 International Inc. official documents.

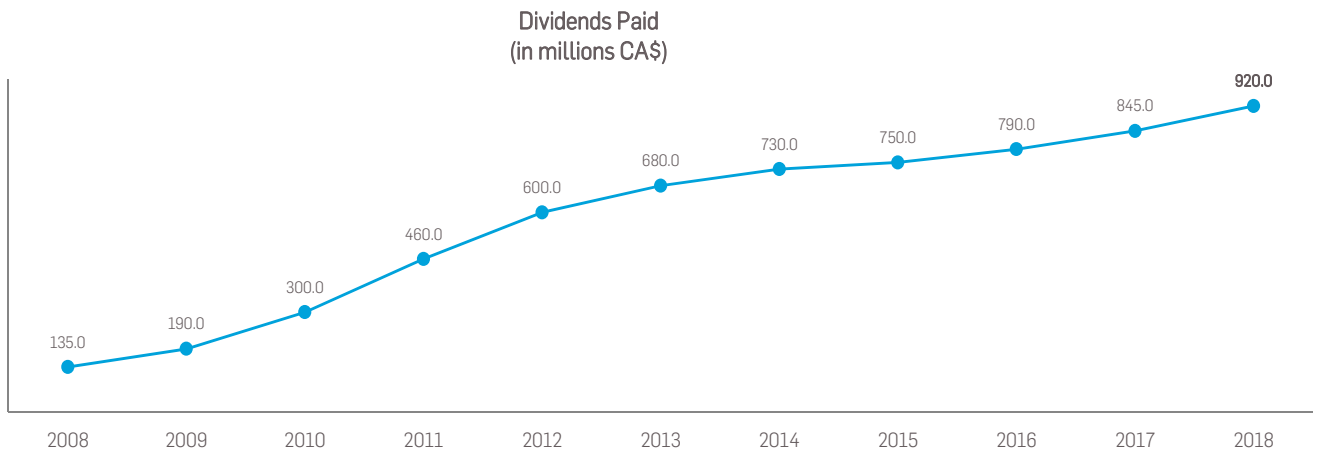
407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS



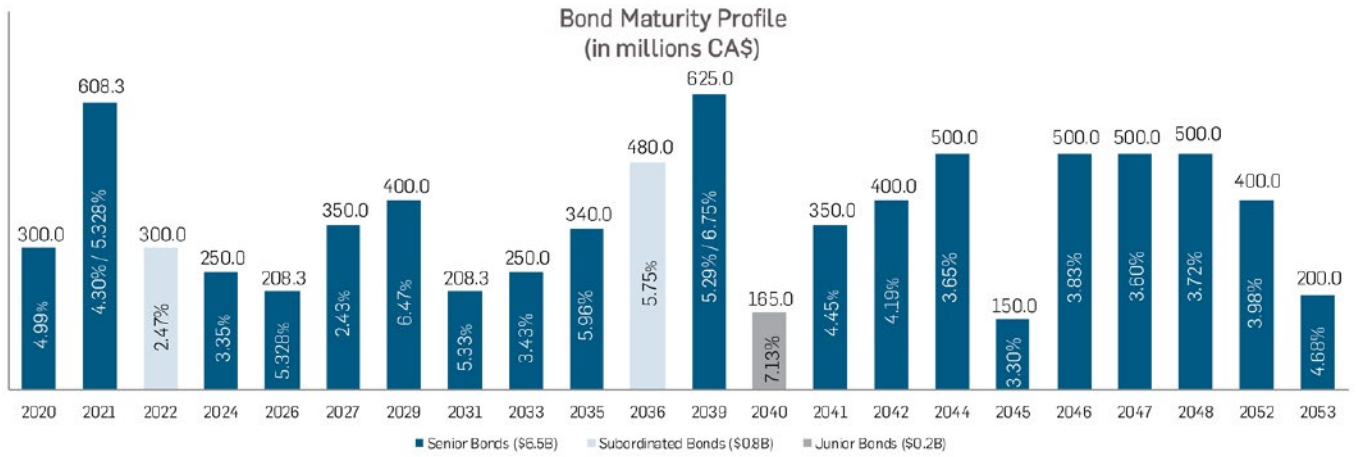


407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS





407 INTERNATIONAL INC. BOND MATURITY PROFILE



407 International Inc.'s acquisition of 407 ETR in May 1999 was, and the development of Highway 407 ETR is, partially financed with debt. In conjunction with its financial advisors, 407 International Inc. developed a financing plan referred as the "Capital Markets Platform". This financing plan encompasses an ongoing program capable of accomodating a variety of corporate debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly issued and privately placed debt securities, commercial paper, medium-term notes, interest rate and currency swaps and other hedging instruments. Standard & Poor's Ratings Services ("S&P") has assigned "A", "A-" and "BBB" ratings to 407 International Inc.'s Senior Debt, Junior Debt and Subordinated Debt, respectively. DBRS Limited ("DBRS") has assigned "A", "A-low" and "BBB" ratings to 407 International Inc.'s Senior Debt, Junior Debt and Subordinated Debt, respectively.

407 INTERNATIONAL INC. FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE (%)
Revenues	$ 1,390.3	$ 1,267.7	9.7%
Operating expenses	179.7	163.9	9.6%
EBITDA	1,210.6	1,103.8	9.7%
EBITDA as a percentage of revenues	87.1%	87.1%	N/A
Depreciation and amortization	107.3	105.8	1.4%
Interest and other expenses	370.3	358.4	3.3%
Deferred income tax expense	14.2	13.9	2.2%
Current income tax expense	179.8	155.6	15.6%
Net income	$ 539.0	$ 470.1	14.7%
Dividends paid	$ 920.0	$ 845.0	8.9%

The Company's investment in Highway 407 ETR is accounted for by the equity method, however for 2017 and 2018, the Company recognized in its income statement its share of the dividends from Highway 407 ETR instead of its share of Highway 407 ETR's net income because the carrying amount of its investment was $nil at the end of each of these years. The dividends received by SNC-Lavalin are not taxable.

407 INTERNATIONAL INC. TRAFFIC RESULTS

YEAR ENDED DECEMBER 31 (EXCEPT TRANSPONDERS IN CIRCULATION)	2018	2017	CHANGE (%)
Traffic/Trips (in millions)	126.6	125.7	0.7%
Average Workday Number of Trips (in thousands)	415.4	413.4	0.5%
Vehicle Kilometres Travelled ("VKT", in millions)	2,747.5	2,708.6	1.4%
Average Trip Length ("ATL", in kilometres)	21.7	21.5	0.7%
Unbillable traffic (percent)	2.4	2.3	4.4%
Transponder Penetration rate (percent)	82.1	82.1	-
Transponders in Circulation at December 31	1,525,396	1,434,485	6.3%

407 International Inc. is owned by Cintra Global S.E., a wholly-owned subsidiary of Ferrovial, S.A. (43.23%), by indirectly owned subsidiaries of Canada Pension Plan Investment Board (40.00%), and by SNC-Lavalin (16.77%). 407 International Inc., through its wholly-owned subsidiary, 407 ETR, operates, maintains and owns the right to toll an all-electronic, open-access toll highway which is situated just north of Toronto.

Based on Government of Ontario reports, the population of the Greater Toronto Area ("GTA") exceeds seven million and is projected to exceed nine million by the year 2031. Future growth in the GTA is expected to continue further north, north-west and north-east in areas proximate to the highway corridor. What makes Highway 407 ETR particularly attractive is that unlike many other toll roads, Highway 407 ETR is an "urban highway", i.e. the majority of users make it an integral part of their daily routine, providing stable and recurring revenues. Another attractive factor is that the GTA road network is already congested and this situation will only worsen over time. Highway 401, QEW and several other main arteries are already running at full capacity. The Province has few alternatives to add capacity on the existing road network and is limited to iniating minor projects that provide little relief. Highway 407 ETR is therefore a convenient alternative in the region, and a growing capacity to provide further congestion relief. What also differentiates Highway 407 ETR from most private toll highways in the world is that the concession agreement provides the operator of the highway flexibility in setting toll rates. No approval is required from the Province of Ontario before increasing rates, however the concession needs to ensure traffic volume remain above certain thresholds. Failing to do so obliges the concession to pay a financial penalty to the Province of Ontario, which the concession does not expect to be material. The concession continues to improve the highway through construction projects designed to improve traffic flow and customer convenience. The concession is investing in widening bridge structures and adding new lanes to the highway to increase capacity and improve traffic flow.

DISPOSALS OF CAPITAL INVESTMENTS IN 2018

SNCL IP Partnership

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

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

Highway 407 ETR

In 2018, SNC-Lavalin engaged CIBC Capital Markets and RBC Capital Markets as its financial advisors to assist the Company with a potential sale of a portion of its investment in Highway 407 ETR, decreasing its 16.77% investment to further create shareholder value. The potential divestiture could be in the form of a direct sale or another type of transaction.

Astoria Project Partners II LLC

On August 28, 2018, SNC-Lavalin announced that it has reached an agreement to sell its remaining minority interest in Astoria Project Partners II LLC, the legal entity that owns and operates the Astoria II power plant in New York City. As at September 30, 2018, the interest in Astoria Project Partners II LLC, for which the net book value was $54.3 million was classified as held for sale. On October 24, 2018, SNC-Lavalin completed the sale of its ownership interest in Astoria Project Partners II LLC in exchange of total consideration received of US$41.4 million (CA$54.1 million).

ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

The Company provides additional financial information on its Capital investments to allow the reader to have a better understanding of the financial position, results of operations and cash flows for E&C activities and Capital investments. As such, the following information on the Company's Capital investments is included in the Company's 2018 audited annual consolidated financial statements:

Consolidated statement of financial position and related notes	The net book value of Capital investments accounted for by the equity and cost methods, distinctively. Non-recourse debt from Capital investments controlled by the Company.
Consolidated statement of cash flows and related notes	For Capital investments controlled by the Company: Repayment and increase of non-recourse debt from Capital investments.
Other notes to the audited annual consolidated financial statements	Net income attributable to SNC-Lavalin shareholders from Capital investments. Certain other notes provide information regarding Capital investments separately from E&C.

8 Fourth Quarter Results

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE (%)
Income Statement			
Revenues	$ 2,562.5	$ 2,917.8	(12.2%)
Net income (loss) attributable to SNC-Lavalin shareholders			
From E&C	(1,654.3)	14.3	N/A
From Capital	55.6	38.1	45.9%
Net income (loss) attributable to SNC-Lavalin shareholders	$ (1,598.7)	$ 52.4	N/A
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from E&C[1]	$ (284.1)	$ 137.8	(306.2%)
Earnings (loss) per share diluted ("Diluted EPS") (in $)	(9.11)	0.30	N/A
Adjusted diluted EPS from E&C (in $)[1]	(1.62)	0.78	(307.7%)
EBIT[1]	(1,584.7)	159.8	N/A
EBITDA[1]	(256.6)	258.9	(199.1%)
Adjusted E&C EBITDA (% of revenues)[1]	(8.2%)	8.6%	

(1) Non-IFRS financial measure. Please refer to Section 14 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

- **Revenues totalled $2,562.5 million in the fourth quarter of 2018,** compared with $2,917.8 million in the fourth quarter of 2017, mainly reflecting lower revenues in Oil & Gas, principally due to the completion or near completion of certain major projects; and Thermal Power, since the Company has exited the Thermal business in 2018, partially offset by higher revenues in Infrastructure from certain major projects.

- **For the fourth quarter of 2018, net loss attributable to SNC-Lavalin shareholders was $1,598.7 million ($9.11 per diluted share),** compared with a net income attributable to SNC-Lavalin shareholders of $52.4 million ($0.30 per diluted share) for the comparable quarter in 2017, reflecting mainly the impairment of goodwill of $1,240.4 million recognized in the fourth quarter of 2018, combined with a lower Segment EBIT and higher restructuring costs, partially offset by lower amortization of intangible assets related to business combinations, lower acquisition-related costs and integration costs and the gain on disposal/partial disposal of Capital investments in 2018.

- **For the fourth quarter of 2018, adjusted net loss attributable to SNC-Lavalin shareholders from E&C was $284.1 million ($1.62 per diluted share),** compared with a net income attributable to SNC-Lavalin shareholders from E&C of $137.8 million ($0.78 per diluted share) for the comparable quarter in 2017. This variance was mainly due to a negative total Segment EBIT and higher corporate selling and general and administrative expenses in 2018, compared to the fourth quarter of 2017, partially offset by lower income taxes and net financial expenses.

- **EBIT, EBITDA and Adjusted E&C EBITDA (% of revenues) have decreased in 2018** compared to 2017, mainly due to the factors described above.

AS AT (IN MILLIONS CA$)	DECEMBER 31, 2018	SEPTEMBER 30, 2018	CHANGE (%)
Financial Position & Cash Flows			
Cash and cash equivalents	$ 634.1	$ 735.9	(13.8%)
Additional Indicator			
Revenue backlog	$ 14,885.0	$ 15,156.0	(1.8%)

- **At the end of December 2018, the Company's cash and cash equivalents amounted to $0.6 billion**, compared with $0.7 billion at the end of September 2018. The decrease is mainly attributable to cash used for operating activities.

- **Revenue backlog was $14.9 billion as at December 31, 2018,** compared with $15.2 billion as at September 30, 2018, mostly reflecting a decrease in Infrastructure. The Company's contract bookings during the quarter amounted to $2.2 billion.

The following table summarizes the Company's revenues and Segment EBIT and reconciles the Segment EBIT to the Company's EBIT for the fourth quarters ended December 31, 2018 and 2017.

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS CA$)	2018				2017			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	$ 42.4	$ (349.3)	$ -	$ (349.3)	$ 129.6	$ 3.5	$ -	$ 3.5
Oil & Gas	563.1	(23.2)	-	(23.2)	912.9	98.4	-	98.4
Nuclear	251.7	39.2	-	39.2	236.7	30.8	-	30.8
Clean Power	135.2	0.9	-	0.9	94.3	5.4	-	5.4
Thermal Power	2.7	(1.2)	-	(1.2)	64.0	(42.4)	-	(42.4)
Infrastructure	655.0	40.1	-	40.1	536.5	32.0	-	32.0
EDPM	835.4	93.2	-	93.2	893.7	118.8	-	118.8
Total E&C segments	$ 2,485.4	$ (200.3)	$ -	$ (200.3)	$ 2,867.7	$ 246.4	$ -	$ 246.4
Capital	77.1		62.6	62.6	50.1		41.8	41.8
Reversal of non-controlling interest before income taxes included above	-	(1.7)	-	(1.7)	-	0.1	-	0.1
Total revenues and Segment EBIT	$ 2,562.5	$ (201.9)	$ 62.6	$ (139.3)	$ 2,917.8	$ 246.5	$ 41.8	$ 298.3
Less:								
Corporate selling, general and administrative expenses		$ (61.0)	$ (7.6)	$ (68.6)		$ (25.2)	$ (4.8)	$ (30.0)
Acquisition-related costs and integration costs		(20.8)	-	(20.8)		(25.4)	-	(25.4)
Amortization of intangible assets related to business combinations		(51.6)	-	(51.6)		(73.8)	-	(73.8)
Gain on disposals of Capital investments		-	4.8	4.8		-	-	-
Loss from disposals of E&C businesses		(0.2)	-	(0.2)		-	-	-
Net expense for the 2012 class action lawsuits settlement expense and related legal costs		(1.4)	-	(1.4)		-	-	-
Restructuring costs		(63.8)	(0.3)	(64.1)		0.4	-	0.4
Impairment of goodwill		(1,240.4)	-	(1,240.4)		-	-	-
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(3.0)	-	(3.0)		0.3	-	0.3
EBIT		$ (1,644.2)	$ 59.6	$ (1,584.7)		$ 122.9	$ 36.9	$ 159.8

E&C total segment EBIT in the fourth quarter of 2018 was negative $200.3 million, compared with $246.4 million in the fourth quarter of 2017. The variance is largely attributable to the losses in Mining & Metallurgy and Oil & Gas and a lower EBIT in EDPM, partially offset by a lower loss in Thermal power.

- The loss in Mining & Metallurgy is mainly due to the under-performance of a major EPC project mainly due to the fact that the Company did not reach the required level of agreement with the client in order to meet the IFRS 15 conditions for revenue recognition, as well as a substantial negative cost reforecast in the fourth quarter required to deliver this project to completion. Following further negotiations and discussions with the client, the parties have agreed to settle the dispute through an accelerated arbitration process, out of which the Company currently expects recoveries in the future. The forecasted loss of approximately $346 million on this project is mainly due to unexpected site conditions, greater than expected environmental and safety measures, and under-performance from sub-contractors. The Company will continue to work to complete the project, which is anticipated to be completed in the second quarter of 2019. The Company does not have any other Mining & Metallurgy projects that have similar characteristics.

- The decrease in Oil & Gas is mainly due to a lower level of activity from certain major projects completed or nearing completion, a decrease in the Americas driven by continued challenging market conditions and lower revenue recognition on some costs incurred on projects whereby the Company did not reach the required level of agreement with the clients in order to meet the IFRS 15 conditions for revenue recognition. The Oil & Gas Segment EBIT also included an unfavorable impact of $46.6 million in 2018 related to a preliminary decision of an arbitration process connected to a project in Australia. The Oil & Gas Segment EBIT included a net positive impact from settlements and reforecasts in both 2018 and 2017.

- The decrease in loss in Thermal is mainly due to unfavorable reforecasts in both periods, mostly on the Company's last EPC fixed-price contract. The power plant that is the subject of that contract is in commercial operation and the Company is completing the remaining work and finalizing outstanding commercial discussions.

Segment EBIT from Capital increased to $62.6 million in the fourth quarter of 2018, compared with $41.8 million in the corresponding period of 2017, mainly due to higher contribution from certain Capital investments and the higher contribution from Highway 407 ETR.

Additionally, certain significant items also had an impact on the net income attributable to SNC-Lavalin shareholders in the fourth quarter of 2018 and 2017, mainly:

- **Goodwill impairment of $1,240.4 million recognized in the fourth quarter of 2018** related to the Oil & Gas segment and reflects macro challenges as well as some Company specific headwinds, which are impacting its ability to grow. Inter-governmental relations between Canada and Saudi Arabia, together with unpredictable commodity prices and uncertain client investment plans, have led to deterioration in its near-term prospects.

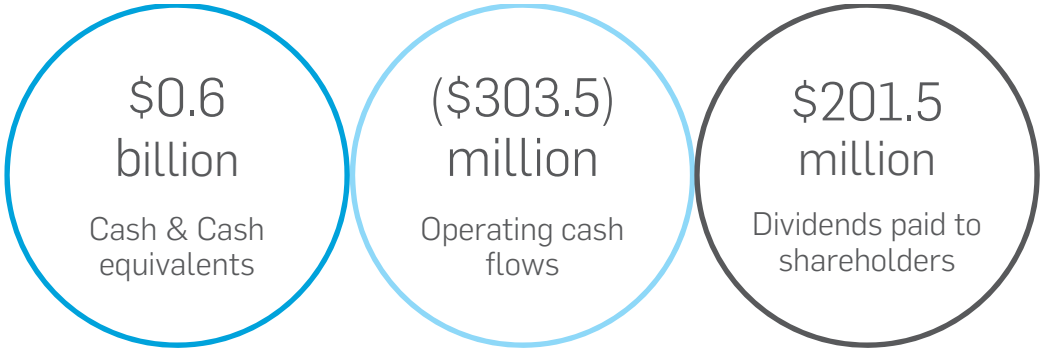
- **$64.1 million ($48.8 million after taxes) of restructuring costs in the fourth quarter of 2018**, compared with a net reversal of restructuring costs of $0.4 million ($1.3 million after taxes) in the corresponding period of 2017;

- **$51.6 million ($42.9 million after taxes) of amortization of intangible assets related to business combinations**, compared with $73.8 million ($61.3 million after taxes) in the corresponding quarter of 2017.

- **$20.8 million ($16.1 million after taxes) of acquisition-related costs and integration costs in the fourth quarter of 2018**, compared with $25.4 million ($21.6 million after taxes) in the same period last year, mainly due to costs incurred in connection with the integration of Atkins; and

- **GMP equalization costs of $25.1 million ($20.8 million after taxes)** recognized by the Company in 2018. This expense, included in Corporate selling, general and administrative expenses, relates to the estimated cost to equalize GMP for past services in the U.K.

9 Liquidity and Capital Resources



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

- A **cash flow** analysis, providing details on how the Company generated and used its cash and cash equivalents;
- A discussion on the Company's **capital structure management** and its **capital resources**;
- A description of the Company's **debt and financing agreements** and its **capital management indicators**;
- An update on the Company's **credit ratings**;
- A review of the Company's **contractual obligations** and **derivative financial instruments**, which provides additional information for a better understanding of the Company's financial situation; and
- The presentation of the Company's **dividends declared** over the past three years and its **normal course issuer bid**.

9.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$)	2018	2017
Cash flows generated from (used for):		
Operating activities	$ (303.5)	$ (235.9)
Investing activities	(45.4)	(3,063.8)
Financing activities	269.7	2,953.4
Increase (decrease) in exchange differences on translating cash and cash equivalents held in foreign operations	6.7	(2.7)
Net decrease in cash and cash equivalents	(72.5)	(348.9)
Cash and cash equivalents at beginning of year	706.6	1,055.5
Cash and cash equivalents at end of year	$ 634.1	$ 706.6

Cash and cash equivalents decreased by $72.5 million in 2018, compared with a decrease of $348.9 million in 2017, as discussed further below.

OPERATING ACTIVITIES

Net cash used for operating activities totalled $303.5 million in 2018, compared with $235.9 million in 2017, a variance reconciled as follows:

(IN MILLIONS CA$)	
Net cash used from operating activities for the year ended December 31, 2017	$ (235.9)
Changes between the year ended December 31, 2017 and 2018:	
Decrease in net income	(1,699.4)
Decrease in income taxes paid	8.7
Increase in interest paid (from E&C and from Capital investments)	(49.2)
Increase in depreciation of property and equipment and amortization of other non-current assets	109.0
Decrease in income taxes recognized in net income	(113.9)
Increase in net financial expenses recognized in net income	49.6
Increase in the gain on disposal/partial disposals of Capital investments	(25.5)
Remeasurement of a foreign exchange option in 2017	(48.7)
Increase in restructuring costs recognized in net income	42.2
Decrease in restructuring costs paid	63.8
Gain on disposal of the head office building in 2017	115.1
Net change in provisions related to forecasted losses on certain contracts	75.5
Impairment of goodwill in 2018	1,240.4
Other items	29.4
Changes in the net cash generated/used by operating activities before net change in non-cash working capital items	$ (203.0)
Decrease in cash used by the changes in non-cash working capital items	$ 135.4
Net cash used for operating activities for the year ended December 31, 2018	$ (303.5)

- **Net cash generated from operating activities before net change in non-cash working capital items totalled $202.2 million in 2018**, compared with $405.2 million in 2017, a variance mainly explained by the elements in the table above. It should be noted that the net income (loss) of both periods included certain major items that did not have an impact on the Company's operating cash flows, such as the goodwill impairment in 2018, the gain on disposal of the head office building in 2017 and the depreciation and amortization in both years.

- As detailed in Note 30B to the Company's 2018 audited annual consolidated financial statements, **changes in non-cash working capital items used net cash of $505.7 million in 2018**, compared with $641.1 million in 2017. This difference reflected mainly an increase in contract assets on certain major projects and a decrease in other current non-financial liabilities, partly offset by an increase in contract liabilities.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to $45.4 million in 2018, compared with $3,063.8 million in 2017, a variance reconciled as follows:

(IN MILLIONS CA$)		
Net cash used for investing activities for the year ended December 31, 2017	$	(3,063.8)
Changes between the year ended December 31, 2017 and 2018:		
Decrease in acquisitions of property and equipment		(28.1)
Proceeds from disposal of the head office building in 2017		(173.3)
Costs associated to a foreign exchange option, net of recovery in 2017		48.7
Net cash used for acquisition of businesses		3,196.2
Change in restricted cash position		(22.9)
Lower increase in receivables under service concession arrangements, net of recovery		43.9
Decrease in short-term and long-term investments		(77.6)
Net cash inflow in 2018 on disposal of a Capital investment accounted for by the cost method		51.3
Higher net cash inflow on disposals of Capital investments accounted for by the equity method		68.9
Lower net cash inflow on disposals of E&C businesses and of Capital investments accounted for by the consolidation method		(67.9)
Other items		20.9
Net cash used for investing activities for the year ended December 31, 2018	$	(45.4)

- The changes in cash flows related to investing activities between 2017 and 2018 were primarily explained by the elements in the table above, most notably by the variance of net cash used for acquisition of businesses, notably Linxon in 2018 and Atkins and DTS in 2017, and by the proceeds of $173.3 million received from the sale of the Company's head office building in 2017;

- In 2018, there was a net cash inflow of $92.2 million on a disposal of a Capital investment, reflecting the transfer of the investment in MHIG and its holding company to the SNCL IP Partnership. In 2017, the Company received a $23.3 million cash consideration in reduction of the subordinated loan receivable from MHIG. This variance of $68.9 million is included in the table above. Both transactions are described in Note 5A to the Company's 2018 audited annual consolidated financial statements;

- In 2018, the Company completed the sale of its ownership in Astoria Project Partners II LLC. This resulted in a cash inflow on disposals of Capital investments accounted for by the cost method of $51.3 million. This transaction is described in Note 5A to the Company's 2018 audited annual consolidated financial statements;

- In 2017, the Company entered into a foreign exchange option to hedge the foreign exchange exposure related to the acquisition of Atkins. This foreign exchange option was settled during the second quarter of 2017, resulting in a cost, net of recovery, of $48.7 million;

- In 2017, the net cash inflow on disposals of E&C businesses and of Capital investments accounted for by the consolidation method was $67.9 million.

  - This included a net cash outflow of $21.9 million related to the disposal of Equinox, mainly reflecting cash held by Equinox upon disposal. This transaction is described in Note 7 to the Company's 2018 audited annual consolidated financial statements; and

  - A net cash inflow of $89.9 million from BBGI's subscription to units of the SNCL IP Partnership in 2017, in an amount equal to 80% of the value of the following four assets: Okanagan, InTransit, Chinook and Rainbow, to the SNCL IP Partnership. This transaction is described in Note 5A to the Company's 2018 audited annual consolidated financial statements.

FINANCING ACTIVITIES

Net cash generated from financing activities totaled $269.7 million in 2018, compared with $2,953.4 million in 2017, a variance reconciled as follows:

(IN MILLIONS CA$)

Net cash generated for financing activities for the year ended December 31, 2017	$	2,953.4
Changes between the year ended December 31, 2017 and 2018:		
Lower increase in recourse debt		(72.8)
Decrease in payments for recourse debt issue costs		4.4
Decrease in repayment of recourse debt		453.2
Issuance of limited recourse debt in 2017		(1,500.0)
Decrease in payment for limited recourse debt issue costs in 2017		26.6
Repayment of limited recourse debt in 2018		(500.0)
Increase in non-recourse debt		(87.9)
Increase in dividends paid to SNC-Lavalin shareholders		(23.6)
Proceeds from shares issued in exchange of subscription receipts in 2017		(1,220.8)
Amount paid for acquisition of non-controlling interest in 2017		59.5
Other items		1.9
Net cash generated from financing activities for the year ended December 31, 2018	$	269.7

- The changes in cash flows related to financing activities between 2017 and 2018 were primarily explained by the elements in the table above. Notably, the following transactions on recourse debt, limited recourse and non-recourse debt took place during 2018:

  - The Company issued new unsecured debentures of $525 million aggregate principal amount, and used the proceeds to repay tranches 2 and 3 of its Term Facility in full, for approximately $397 million, and to repay certain indebtedness outstanding under its Revolving Facility;

- The Company amended and restated in its entirety its Credit Agreement and borrowed $500 million on a new 5-year non-revolving term loan (the "Term Loan") made available under such Credit Agreement. The net proceeds from the issuance of the Term Loan were used by the Company to repay tranche B of its CDPQ Loan, a limited recourse debt;
- The Company issued new unsecured debentures of $150 million aggregate principal amount and used the net proceeds to repay certain outstanding indebtedness and for general corporate purposes;
- The Company issued $43 million of non-recourse new senior secured notes. The net proceeds are used by a subsidiary of the Company to finance certain long-term assets associated to a Build-Own-Operate contract; and
- The Company was granted a non-recourse unsecured loan by the holder of the non-controlling interest of 49% in Linxon in the principal amount of $12.2 million.

› In 2017, the financing related to the acquisition of Atkins included limited recourse debt of $1,500 million as well as proceeds amounting to $1,220.8 million from shares issued in exchange of subscription receipts;

› In addition, during 2018 and 2017, the Company borrowed and repaid certain amounts under its Revolving Facility as part of its financing of net cash used for operating activities;

› The Company also provides reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the year ended December 31, 2018 and 2017 in Note 30 of its 2018 audited annual consolidated financial statements;

› In 2017, SNC-Lavalin acquired the non-controlling interest of Saudi Arabia Kentz Co. LLC for total cash consideration of US$45.8 million (CA$59.5 million). This transaction is described in Note 26 to the Company's 2018 audited annual consolidated financial statements; and

› Dividends paid to SNC-Lavalin shareholders increased by $23.6 million in 2018, totalling $201.5 million compared with $177.9 million in 2017, mainly reflecting an increase in dividends paid per share. The increase in dividends reflects dividends paid of $1.148 per share in 2018 compared with $1.092 per share for 2017.

9.2 CAPITAL STRUCTURE MANAGEMENT

The Company's sources of funds stem primarily from its operating cash flows from E&C projects and Capital investments, the divestiture of matured Capital investments and non-core assets, the issuance of debt and the additional financial leverage available through its credit facility. The Company's funds are mainly used to meet working capital requirements and sustain capital expenditures on projects, make equity investments that drive E&C revenues, pay dividends to shareholders and complete M&A activities.

SNC-Lavalin's key objectives for its capital allocation framework are:

› To drive organic and inorganic E&C growth;

› Optimize its balance sheet while safeguarding the Company's investment grade rating; and

› Return capital to shareholders.

In order to meet its objectives, the Company has undertaken a number of significant actions over the course of 2018. SNC-Lavalin completed the acquisition of Linxon in September 2018, which has improved its business mix and driven inorganic growth in E&C. Furthermore, the Company has monetized certain of its Capital investments through the transfer of its investment in MHIG to the SNCL IP Partnership and the disposal of its remaining interest in Astoria II. The Company has added leverage to its capital structure while maintaining its investment grade rating and has complied with all of its bank covenants as at December 31, 2018.

9.3 CAPITAL RESOURCES

AT DECEMBER 31 (IN MILLIONS CA$)		2018		2017
Cash and cash equivalents	$	634.1	$	706.5
Unused portion of committed revolving credit facilities[(1)(2)]		2,051.4		2,349.2
Available short-term capital resources	**$**	**2,685.4**	$	3,055.8

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

As at December 31, 2018, the Company has a committed revolving facility of $2,600 million (December 31, 2017: $2,750 million), of which $2,051.4 million was unused as at December 31, 2018 (December 31, 2017: 2,349.2 million), and uncommitted credit facilities by way of bilateral letters of credit. The decrease in cash and cash equivalents as at December 31, 2018 compared with the previous year is explained in Section 9.1.

While liquidity remains subject to numerous risks and limitations, including but not limited to the risks described under Section 15 "Risks and Uncertainties" and in this section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations over the foreseeable future. Due to the nature of the Company's activities and the fact that its operations are conducted through multiple entities and joint operations on an international level, 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 and may transfer cash balances between subsidiaries, joint arrangements or investees or use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

9.4 DEBT AND FINANCING AGREEMENTS

NON-RECOURSE AND LIMITED RECOURSE DEBT

The Company does not consider non-recourse and limited recourse debt when monitoring its capital because such debt results from the consolidation of certain Capital investments or holding entities held by the Company. As such, 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 investment in Capital investments they finance. The Company's investments and underlying assets in its Capital investments accounted for by the consolidation or equity methods may be at risk, however, if such investments or holding entities were unable to repay their long-term debt.

9.5 CAPITAL MANAGEMENT INDICATORS

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

NET RECOURSE DEBT

Net recourse debt (or Cash net of recourse debt) is a non-IFRS financial measure. A definition of this financial measure is provided in Section 14.

AT DECEMBER 31 (IN MILLIONS OF CA$)	2018	2017	2016
Cash and cash equivalents	$ 634.1	$ 706.5	$ 1,055.5
Less:			
Cash and cash equivalents of Capital investments accounted for by the consolidation method[1]	3.3	1.8	11.3
Recourse debt:			
Revolving facility	466.9	318.8	-
Term Loan	498.8		
Series 2 Debentures	149.9	-	-
Series 3 Debentures	174.5	-	-
Series 4 Debentures	199.1	-	-
Series 5 Debentures	149.9	-	-
Term facility	-	378.4	-
2019 Debentures	349.9	349.6	349.4
2020 Debentures	299.0	298.8	-
Cash net of recourse debt (Net recourse debt)	**$ (1,657.2)**	$ (640.8)	$ 694.9

(1) As at December 31, 2018, cash and cash equivalents of Capital investments accounted for by the consolidation method exclude the cash and cash equivalents of the Company's Capital investments in Rainbow and Okanagan, which have been transferred into the SNCL IP Partnership.

› **Net recourse debt as at December 31, 2018 was $1,657.2 million**, compared with $640.8 million as at December 31, 2017, mainly reflecting $500 million recourse borrowings under the Term Loan which was used to repay $500 million of limited recourse debt, as well as additional recourse debt raised to finance cash used by operating activities as explained in Section 9.1.

NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO

The net recourse debt to adjusted EBITDA ratio, a non-IFRS financial measure, compares the net recourse debt, as calculated above, to the adjusted EBITDA less the interest on the limited recourse debt. Refer to Section 14 for further information on non-IFRS financial measures. Net recourse debt to adjusted EBITDA ratio is a measure of the Company's leverage and of its financial capabilities.

AT DECEMBER 31 (IN MILLIONS CA$, EXCEPT NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO)		2018
Net recourse debt[1]	$	1,657.2
Trailing 12-month ("TTM") adjusted EBITDA[1]	$	582.4
Less: Interest on limited recourse debt (TTM)		85.2
Adjusted EBITDA, less interest on limited recourse debt (TTM)[2]	$	497.2
Net recourse debt to adjusted EBITDA ratio		**3.3**

(1) Net recourse debt and Adjusted EBITDA are non-IFRS financial measures or additional IFRS measures. Please refer to Section 14 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS.

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

As at December 31, 2018, the Company's net recourse debt was $1,657.2 million and its net recourse debt to adjusted EBITDA ratio was 3.3x.

It should be noted that this ratio does not represent the calculation that is performed to assess compliance with the Company's bank covenants under its Revolving Facility agreement.

On February 1, 2019, the Company amended its Credit Agreement, modifying the definition of EBITDA to provide that losses related to EPC contracts in Mining & Metallurgy be considered as non-recurring items, up to an amount of $310 million. The Credit Agreement was also amended to provide that the net recourse debt to EBITDA ratio calculation be temporary increased to 4x.

As at December 31, 2018, the net recourse debt to EBITDA ratio in accordance with the terms of the Company's Credit Agreement as amended, was 2.9x.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 14. **ROASE was -27.9% for 2018**, compared with 9.5% for 2017 and 7.1% for 2016.

9.6 CREDIT RATING

On April 21, 2017, Standard & Poor's ("S&P") affirmed its BBB long-term corporate credit rating on SNC-Lavalin with a stable outlook, after the Company announced its plan to acquire Atkins. On April 21, 2017 and November 21, 2017, S&P affirmed its BBB issue-level rating on the Company's $350 million senior unsecured notes due in 2019. On November 21, 2017, S&P affirmed its BBB issue-level rating on the Company's $300 million senior unsecured notes due in 2020. On March 1, 2018, S&P affirmed its BBB issue-level rating on the Company's $150 million senior unsecured notes due in 2019, on the Company's $175 million senior unsecured notes due in 2021 and on the Company's $200 million senior unsecured notes due in 2023. On May 14, 2018, S&P affirmed the Company's rating at BBB. On June 5, 2018, S&P assigned an issue credit rating of BBB on the Company's $150 million senior unsecured notes due in 2019.

On February 12, 2019, S&P downgraded the Company's rating to BBB- from BBB but revised its outlook to stable from negative on expectation of higher than estimated leverage. S&P expects the Company's earnings and cash flow to be lower than its previous estimates over the next couple of years. S&P now expects the Company to generate an adjusted debt-to-EBITDA ratio in the low-4x in 2019 and the low-3x area in 2020. S&P considers that the Canada-Saudi Arabia diplomatic tension has weakened the Company's competitive position in the Middle East and will likely affect a meaningful share of the Company's future growth. The BBB- rating incorporates S&P's view of the Company's well-diversified revenue and cash flow geography, customer, services and end markets, which somewhat offsets the significant operating risks within the Company's industry.

On April 21, 2017, DBRS Limited ("DBRS") placed the BBB Issuer Rating and BBB Senior Debentures rating of SNC-Lavalin Under Review with Developing Implications following the announcement that SNC-Lavalin planned to acquire Atkins. On July 7, 2017, September 29, 2017, November 21, 2017, March 1, 2018 and on May 1, 2018, DBRS issued a rating report that confirmed the rating of the Company and its senior debenture rating at "BBB" with stable trend.

On February 15, 2019, DBRS issued a rating report placing the Company under review with negative implications. This is largely based on growing concerns regarding risk management and project control issues following the Company's announcement of a considerable project loss within the Mining and Metallurgy division. It is DBRS's opinion that the amendment to the Company's financial covenants is inconsistent with similarly rated companies. DBRS indicates that the Company's liquidity remains positive, with availability under its credit facility and access to saleable assets.

9.7 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

CONTRACTUAL OBLIGATIONS

In the normal course of business, SNC-Lavalin has various contractual obligations. The following table provides a summary of SNC-Lavalin's future contractual commitments specifically related to short-term debt and long-term debt repayments, commitments to invest in Capital investments and rental obligations:

(IN MILLIONS CA$)	2019	2020-2021	2022-2023	THEREAFTER	TOTAL
Short-term debt and long-term debt repayments:					
Recourse	$ 1,124.6	$ 475.0	$ 700.0	$ -	$ 2,299.6
Limited recourse	-	-	-	1,000.0	1,000.0
Non-recourse	62.2	49.0	64.8	237.9	413.8
Commitments to invest in Capital investments	108.3	-	-	-	108.3
Rental obligations under operating lease arrangements	147.4	230.0	145.7	317.4	840.4
Total	**$ 1,442.5**	**$ 754.0**	**$ 910.5**	**$ 1,555.3**	**$ 4,662.1**

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 22D to the Company's 2018 audited annual consolidated financial statements. The commitments to invest in Capital investments result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to the Company's 2018 audited annual consolidated financial statements. The commitments to invest in Capital investments are recognized for investments accounted for by the equity or cost methods and are related to Rideau, SSL and Eglinton Crosstown in 2018 and 2017, as well as Carlyle in 2018. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 36 to the Company's 2018 audited annual consolidated financial statements.

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, 2018, the accounting conditions required to recognize a liability of US$7.5 million (approximately CA$10.3 million) in relation to this agreement have been met (2017: $nil).

FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 32 to the Company's 2018 audited annual consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS
SNC-Lavalin enters or may enter into derivative financial instruments, namely: › Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates; › Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements; and › Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company's share price. Refer to Note 32 to the Company's 2018 audited annual consolidated financial statements for further details.
All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

The Company does not hold or issue any derivative instruments for speculative purposes, but rather for hedging purposes only. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures.

9.8 DIVIDENDS DECLARED

The Board of Directors has decided to decrease the quarterly cash dividend payable to shareholders from $0.287 per share to $0.10 per share for the fourth quarter of 2018, resulting in total cash dividends declared of $0,961 per share relating to 2018.

The table below summarizes the dividends declared for each of the past three years:

YEAR ENDED DECEMBER 31 (IN CA$)	2018	2017	2016
Dividends per share declared to SNC-Lavalin shareholders [1]	**$ 0.961**	$ 1.106	$ 1.053
Dividend increase (decrease) (%)	**(13%)**	5%	4%

(1) The dividends declared are classified in the period for which the financial results are publicly announced, notwithstanding the declaration or payment date.

Total cash dividends paid in 2018 were $201.5 million compared with $177.9 million in 2017. The Company has paid quarterly dividends for 29 consecutive years. The Board of Directors of the Company determines the dividend policy.

9.9 NORMAL COURSE ISSUER BID

On May 31, 2018, SNC-Lavalin announced that its Board of Directors had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2018. In the notice, the Company stated that a maximum of 1,500,000 Common Shares, representing less than 1% of the issued and outstanding Common Shares as of May 23, 2018, may be purchased for cancellation. Purchases may commence on June 6, 2018 and will terminate no later than June 5, 2019, and are to be made through the facilities of the Toronto Stock Exchange and/or alternative trading systems, in accordance with the Toronto Stock Exchange's policy on normal course issuer bids, or otherwise as may be permitted by applicable securities laws and regulations. The price the Company will pay for any Common Shares will be the market price at the time of acquisition, plus brokerage fees, for purchases effected through the facilities of the Toronto Stock Exchange or alternative trading platforms.

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

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

10 Financial Position

10.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

AT DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE ($)	EXPLANATIONS
Current Assets				
Cash and cash equivalents	$ 634.1	$ 706.5	$ (72.4)	See discussion in Section 9.1.
Restricted cash	12.7	20.9	(8.2)	Decrease in restricted cash mainly from a certain Capital investment.
Trade receivables	1,503.8	1,445.9	58.0	Increase was mainly due to variation on multiple projects.
Contract assets	1,751.1	-	1,751.1	Increase is due to the adoption of the new revenue recognition standard, (IFRS 15) as of January 1, 2018, using the modified retrospective approach.
Contracts in progress	-	1,329.9	(1,329.9)	Decrease is due to the adoption of the new revenue recognition standard, (IFRS 15) as of January 1, 2018, using the modified retrospective approach.
Inventories	104.2	110.2	(6.0)	Variation mainly due to a decrease in raw materials and work in progress, partially offset by an increase in finished goods.
Other current financial assets	247.3	442.5	(195.2)	Decrease is mainly due to the presentation of retentions on client contracts as part of contract assets or contract liabilities, as applicable, upon adoption of IFRS 15 as of January 1, 2018.
Other current non-financial assets	404.8	450.9	(46.1)	Increase is due to an increase in taxes receivable and prepaid expenses.
Assets held for sale	-	108.0	(108.0)	In 2017, assets held for sale mainly related to MHIG.
Total current assets	$ 4,658.0	$ 4,614.8	$ 43.2	
Property and equipment	$ 482.6	$ 414.1	$ 68.5	Increase mainly due to new assets under construction, most notably compression stations, and leasehold improvements, partially offset by depreciation expense and disposals.
Capital investments accounted for by the equity method	357.2	296.7	60.6	Increase is due to income exceeding dividends received in 2018, revaluation gain and foreign exchange currency translation.
Capital investments accounted for by the cost method	10.7	55.6	(45.0)	Decrease mainly due to the sale of Astoria Project Partners II LLC, partially offset by an investment in the Carlyle Infrastructure Opportunity Fund L.P.
Goodwill	5,369.7	6,323.4	(953.7)	Decrease is mainly due to the impairment of goodwill related to the Oil & Gas segment, as well as foreign currency translation.
Intangible assets related to business combinations	920.6	1,089.8	(169.3)	Decrease is primarily due to the amortization expense of 2018.
Deferred income tax asset	652.2	545.6	106.6	Increase is mainly due to unused tax losses.
Non-current portion of receivables under service concession arrangements	327.3	273.3	54.0	Increase is due to an increase in financial assets related to InPower BC.

ASSETS (CONTINUED)

AT DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE ($)	EXPLANATIONS
Other non-current financial assets	30.0	44.3	(14.3)	Decrease is mainly due to the change in the mark-to-market loss of certain financial instruments.
Other non-current non-financial assets	131.4	104.8	26.6	Increase is mainly due to certain E&C investments accounted for by the equity method.
Total assets	$ 12,939.7	$ 13,762.5	$ (822.8)	

LIABILITIES

AT DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE ($)	EXPLANATIONS
Current Liabilities				
Trade payables	$ 2,352.9	$ 2,176.9	$ 176.0	Increase is principally attributable to multiple projects.
Contract liabilities	973.0	-	973.0	Increase is due to the adoption of the new revenue recognition standard, (IFRS 15) as of January 1, 2018, using the modified retrospective approach.
Downpayments on contracts	-	149.4	(149.4)	Decrease is due to the adoption of the new revenue recognition standard, (IFRS 15) as of January 1, 2018, using the modified retrospective approach.
Deferred revenues	-	758.4	(758.4)	Decrease is due to the adoption of the new revenue recognition standard, (IFRS 15) as of January 1, 2018, using the modified retrospective approach.
Other current financial liabilities	298.7	264.7	34.0	Variation is due to increase in derivative financial instruments, commitments to invest and other, mostly offset by a decrease in retentions on supplier contracts and the consideration paid in 2018 related to the sale of E&C operations.
Other current non-financial liabilities	424.9	584.1	(159.2)	Variance mainly reflects decrease in share unit plan liabilities., partially offset by an increase in income taxes payable.
Current portion of provisions	381.8	174.5	207.3	Increase is mainly due to a higher restructuring provision and a higher level of provision for forecasted losses on certain projects.
Short-term debt and current portion of long-term debt:				
Recourse	1,116.6	318.8	797.8	Increase is mainly due to the higher balance due under the revolving facility, as well as the maturity of certain debt instruments scheduled for 2019.
Non-recourse	60.2	15.6	44.6	Refer to note 22C to the 2018 audited annual consolidated financial statements of the Company for details.
Liabilities of disposal group classified as held for sale	-	60.4	(60.4)	Relates to MHIG in 2017.
Total current liabilities	$ 5,608.1	$ 4,502.9	$ 1,105.2	

LIABILITIES (CONTINUED)

AT DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE ($)	EXPLANATIONS
Long-term debt:				
Recourse	$ 1,171.4	$ 1,026.8	$ 144.7	Increase is mainly due to $500 million recourse borrowings under the Term Loan, as well as additional debt raised to finance cash used by operating activities as explained in Section 9.1, partially offset by the maturity of certain debt instruments scheduled for 2019.
Limited recourse	980.3	1,475.2	(494.9)	Decrease is due to repayment of Tranche B in 2018 of the CDPQ Loan which was used to finance the acquisition of Atkins.
Non-recourse	339.5	297.4	42.1	Increase is mostly due to new senior secured notes used by a subsidiary of the Company to finance certain long-term assets associated to a Build-Own operate contract.
Other non-current financial liabilities	53.5	15.4	38.1	N/A
Non-current portion of provisions	706.4	791.1	(84.7)	Refer to Note 23 to the 2018 audited annual consolidated financial statements of the Company for details.
Other non-current non-financial liabilities	61.5	53.4	8.1	N/A
Deferred income tax liability	363.1	377.2	(14.1)	N/A
Total liabilities	$ 9,283.8	$ 8,539.3	$ 744.5	

EQUITY

AT DECEMBER 31 (IN MILLIONS CA$)	2018	2017	CHANGE ($)	EXPLANATIONS
Share capital	$ 1,805.1	$ 1,801.7	$ 3.3	Increase was principally due to the issuance of shares under the stock option plans.
Retained earnings	1,346.6	3,145.4	(1,798.8)	The decrease was mainly attributable to the 2018 results, transitional adjustments on adoption of new accounting standards and dividends paid.
Other components of equity	499.2	278.0	221.2	The increase was largely due to exchange differences on translating foreign operations.
Equity attributable to SNC-Lavalin shareholders	$ 3,650.9	$ 5,225.1	$ (1,574.2)	
Non-controlling interests	5.0	(1.9)	6.9	N/A
Total Equity	$ 3,655.9	$ 5,223.2	$ (1,567.4)	

WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS CA$, EXCEPT CURRENT RATIO)	2018	2017	CHANGE	EXPLANATIONS
Working Capital[1]	$ (950.1)	$ 111.9	$ (1,062.0)	Decrease is mainly due to the increase of current liabilities, reflecting an increased level of short-term recourse debt and of the current portion of recourse debt with some debt instruments maturing in 2019, as well as an increase in accounts payable on multiple projects.
Current Ratio[1]	0.83	1.02	(0.19)	

(1) Additional IFRS financial measures. Please refer to Section 14 for further information on these financial measures.

11 Related Party Transactions

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

For the year ended December 31, 2018 and 2017, SNC-Lavalin recognized the following transactions with its related parties:

YEARS ENDED DECEMBER 31	2018	2017
E&C revenue from contracts with investments accounted for by the equity method	$ 1,102,920	$ 1,098,337
Income from Capital investments accounted for by the equity method	204,087	184,819
Dividends and distributions received from Capital investments accounted for by the equity method	170,540	156,876
Income from E&C investments accounted for by the equity method	37,277	14,911
Dividends and distributions received from E&C investments accounted for by the equity method	$ 7,919	$ 22,088

As at December 31, 2018 and 2017, SNC-Lavalin has the following balances with its related parties:

AT DECEMBER 31	2018	2017
Trade receivables from investments accounted for by the equity method	$ 117,359	$ 77,550
Other current financial assets receivable from investments accounted for by the equity method	131,694	103,560
Remaining commitment to invest in Capital investments accounted for by the equity method	$ 108,312	$ 98,050

In 2018, SNC-Lavalin transferred its investment in MHIG and its holding company to an investment accounted for by the equity method, namely the SNCL IP Partnership, which resulted in a gain on disposal of $62.7 million before income taxes ($58.4 million after income taxes).

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

12 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the Company's 2018 audited annual consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities 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.

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 are described in detail in Note 3 to the Company's 2018 audited annual consolidated financial statements.

13 Accounting Policies and Changes

13.1 CHANGE IN SEGMENT DISCLOSURES & INCOME STATEMENT PRESENTATION

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs. As such, this change resulted in a reclassification of $1,028.1 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the year ended December 31, 2017.

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

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

In addition, concurrent to the adoption of IFRS 9, *Financial Instruments*, on January 1, 2018, the Company presents "Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss" separately in its income statement. This change resulted in a reclassification of a loss of $1.0 million for the year ended December 31, 2017 related to derivative financial instruments used by the Company to limit its exposure to the variability of its share unit plans' liabilities from "Corporate selling, general and administrative expenses" to "Gain (loss) arising on financial assets at fair value through profit or loss".

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

13.2 STANDARDS, AMENDMENTS AND INTERPRETATION ADOPTED IN 2018

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

- IFRS 9, *Financial Instruments*, ("IFRS 9") covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for the recognition of expected credit losses; and iii) the new hedge accounting model.

- IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes previous revenue recognition guidance including IAS 18, Revenue, IAS 11, *Construction Contracts*, and related Interpretations.

- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.

- Amendments to IFRS 2, *Share-based Payment*, ("IFRS 2") provide requirements on the accounting for: i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and iii) a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled.

- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

- *Transfers of Investment Property* (Amendments to IAS 40, *Investment Property*) state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

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

ADOPTION OF IFRS 9

Transition

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

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

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

Main changes

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

Classification and measurement of financial assets and financial liabilities

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

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

[1] FVTPL: Fair value through profit or loss
FVTOCI: Fair value through other comprehensive income

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

B. Relates to Astoria Project Partners II LLC, a Capital investment accounted for by the cost method. Under IFRS 9, since the contractual terms of this investment do not give rise, on specified dates, to cash flows that are solely payments of principal and interest and the Company did not make an irrevocable election to measure this investment at FVTOCI, the Company classified this investment in the FVTPL measurement category. As at January 1, 2018, the cumulative gain of $8.9 million net of taxes related to this available-for-sale financial asset included in the "Other components of equity" was reclassified to the Company's opening retained earnings (see Note 25 to the Company's 2018 audited annual consolidated financial statements.

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

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

[2] FVTPL: Fair value through profit or loss

[3] Presented as part of "Contract assets/Contract liabilities" in 2018

New impairment model

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

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

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

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

The following table presents the reconciliation of the ending allowance as at December 31, 2017 to the opening loss allowance determined in accordance with IFRS 9 at the date of initial application for trade receivables and contract assets:

Allowance as at December 31, 2017	$	171,970
Additional loss allowance recognized on January 1, 2018		5,515
Impairment allowance under IFRS 9 as at January 1, 2018	**$**	**177,485**

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

Hedge accounting

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

ADOPTION OF IFRS 15 AND AMENDMENTS TO IFRS 15

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

Transition

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

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

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

Change orders and claims

Change orders and claims, referred to as contract modifications, were previously recognized as per guidance provided in IAS 11, *Construction Contracts,* ("IAS 11"). Under such guidance, revenue could be recognized on contract modifications only when certain conditions were met, including the fact that it was **probable** the customer will approve the modification and the amount of revenue arising from such contract modifications. IFRS 15 also provides guidance on the recognition of revenue from contract modifications, but such guidance is based, among other factors, on the fact that the contract

modification is approved and it is **highly probable** that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, some revenue recognized under IAS 11 was reversed as at January 1, 2018, resulting in an approximate $210 million adjustment to equity on that date. Revenue from these contract modifications will be recognized when, and if, IFRS 15 guidance is met.

Measure of anticipated revenues and determination of progress

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

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

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

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

Presentation

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

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

Procedures and controls

The Company has updated and implemented revised procedures and controls in order to meet the requirements of IFRS 15, notably the recording of the transition adjustment, the change in presentation, as well as additional disclosures provided in the Company's 2018 audited annual consolidated financial statements.

2018 impacts of adopting IFRS 15

Since the Company elected to adopt IFRS 15 using the modified retrospective method, the following tables summarize the impacts of adopting IFRS 15 on the Company's consolidated statement of financial position as at December 31, 2018, its consolidated income statement and its consolidated statement of comprehensive income for the year ended December 31, 2018 for each of the line items affected. There was no material impact on the Company's consolidated statement of cash flows for the year ended December 31, 2018.

Impact on the consolidated statement of financial position

DECEMBER 31, 2018 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	AS REPORTED	ADJUSTMENTS	AMOUNTS WITHOUT ADOPTION OF IFRS 15
ASSETS				
Contract assets	(a)	$ 1,751,068	$ (1,751,068)	$ —
Contracts in progress	(a)	—	1,874,215	1,874,215
Other current financial assets	(a)	247,291	232,242	479,533
Deferred income tax asset	(b)	652,155	(28,797)	623,358
Others		10,289,178	—	10,289,178
Total assets		**$ 12,939,692**	**$ 326,592**	**$ 13,266,284**
LIABILITIES				
Contract liabilities	(a)	$ 972,959	$ (972,959)	$ —
Downpayments on contracts	(a)	—	340,255	340,255
Deferred revenues	(a)	—	817,375	817,375
Provisions	(a)	1,088,234	(733)	1,087,501
Deferred income tax liability	(b)	363,087	(209)	362,878
Others		6,859,547	—	6,859,547
Total liabilities		**9,283,827**	**183,729**	**9,467,556**
EQUITY				
Share capital		1,805,080	—	1,805,080
Retained earnings		1,346,624	144,726	1,491,350
Other components of equity		499,199	(1,863)	497,336
Non-controlling interests		4,962	—	4,962
Total equity		**3,655,865**	**142,863**	**3,798,728**
Total liabilities and equity		**$ 12,939,692**	**$ 326,592**	**$ 13,266,284**

Impact on the consolidated income statement and the consolidated statement of other comprehensive income

YEAR ENDED DECEMBER 31, 2018 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	AS REPORTED	ADJUSTMENTS	AMOUNTS WITHOUT ADOPTION OF IFRS 15
Revenues	(c)	$ 10,084,006	$ (204,289)	$ 9,879,717
Direct cost of activities	(d)	(9,521,611)	(6,021)	(9,527,632)
Impairment loss arising from expected credit losses	(e)	(1,349)	–	(1,349)
Income taxes	(b)	11,545	21,210	32,755
Impairment of goodwill		(1,240,415)	–	(1,240,415)
Others		(648,471)	–	(648,471)
Net loss		**$ (1,316,295)**	**$ (189,100)**	**$ (1,505,395)**
Total comprehensive loss		**$ (1,052,605)**	**$ (176,641)**	**$ (1,229,246)**

a) Under IAS 11, contract-related assets and liabilities were accounted for in separate accounts on the Company's statement of financial position, namely contracts in progress, downpayments on contracts and certain other balances included in other current financial assets and other current financial liabilities. As such, no amount would have been reported as contract assets and contract liabilities under IAS 11.

b) The deferred income tax impact of the changes between IFRS 15 and IAS 11 is presented as a change in income tax expense, as well as a change in either deferred income tax asset or deferred income tax liabilities, as applicable.

c) Revenues reported under IAS 11 would have been different from revenues reported under IFRS 15 based on mainly three differences:

- Revenue from certain unsigned change orders and claims recognized under IAS 11 was reversed as at January 1, 2018 given the higher level of probability required by IFRS 15 that such revenue will be realized by the Company once the related uncertainty is subsequently resolved. While the Company recognized a portion of such revenue in 2018 under IFRS 15 upon reaching the required level of probability, revenue from some other change orders and claims was not recognized under IFRS 15 in 2018 because it was not meeting the adequate level of probability, but could have been recognized under IAS 11.
- Revenue from certain contracts recognized under IAS 11 was reversed as at January 1, 2018 due to the need to obtain formal purchase orders or work orders prior to including anticipated revenue in the amount of transaction price under IFRS 15. While the Company recognized a portion of such revenue in 2018 after obtaining formal purchase orders or work orders, such revenue would not have been recognized again in 2018 under IAS 11.
- Revenue being recognized over time has been adjusted to consider the way revenue was determined when using the stage of completion method under IAS 11, which was different than under IFRS 15 for certain items, such as for assurance-type warranty costs and certain other project costs that are not contributing to the transfer of control of the goods or services to the customer.

d) The change in direct costs of activities reflects mainly the treatment of assurance-type warranty costs on projects for which revenue is recognized over time. Such costs are recognized as a provision under IFRS 15, while they were recognized as incurred under IAS 11.

e) The amount of impairment loss arising from expected credit losses is derived, in part, from the unreserved balance of trade receivables and contract assets. While the amount of trade receivables remained the same under IFRS 15 and IAS 11, the amount of contract asset did not exist under IAS 11 and, as such, the calculations was based on the amount of contracts in progress and certain other current financial assets for the purpose of comparing IFRS 15 and IAS 11.

ADOPTION OF AMENDMENTS TO IFRS 2

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

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

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

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

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

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

13.3 STANDARD, INTERPRETATION AND AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following standard has been issued and will be applied by the Company for its annual periods beginning on January 1, 2019 and thereafter:

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

The following amendments to standards and interpretation have been issued and will be applied by the Company for its annual periods beginning on January 1, 2019 and thereafter:

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

- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.

- Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

- IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments,* sets out how to determine the accounting for tax positions when there is uncertainty over the income tax treatment. The interpretation requires an entity to: i) determine whether uncertain tax positions are assessed separately or as a group; and ii) assess whether it is probable that a tax authority will accept an uncertain tax treatment as filed, or proposed to be filed, by an entity in its tax filings.

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2020 and thereafter, with an earlier application permitted:

- Amendments to IFRS 3, *Business Combinations,* improve the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

- *Definition of Material* (Amendments to IAS 1, *Presentation of Financial Statements,* ["IAS 1"] and to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ["IAS 8"]) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS

Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

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

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 16

IFRS 16 introduces a single lease accounting model for lessees which will result in the recognition of a right-of-use asset, as well as a lease liability reflecting the present value of future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expenses that were recognized under IAS 17.

IFRS 16 can be applied using one of the following two methods: i) retrospectively to each prior reporting period presented applying IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; or ii) retrospectively with the cumulative effect of initially applying IFRS 16 recognized in retained earnings at the date of initial application (the "Modified Retrospective Method"). The Company has elected to apply IFRS 16 using the Modified Retrospective Method. Under this method, the lessee can elect, on a lease-by-lease basis, to measure the right-of-use asset based on two methodologies. The first methodology consists of recognizing a right-of-use asset at a value equal to the lease liability, adjusted for the amount of prepaid or accrued lease payments, at the date of transition. The second methodology consists of measuring the right-of-use asset at the date of transition as if IFRS 16 had been applied since the commencement date of the lease, but discounted using a rate at the date of initial application. In any event, the cumulative effect of initially applying IFRS 16, if any, will be recognized in retained earnings at January 1, 2019.

The implementation of IFRS 16 allows for certain optional practical expedients and optional exemptions at the date of initial application, such as the main options summarized in the following table:

OPTIONAL PRACTICAL EXPEDIENT OR EXEMPTION	BASIS FOR APPLICATION	COMPANY'S ELECTION AT THE DATE OF INITIAL APPLI
No reassessment on whether a contract is, or contains, a lease, based on current standards	All leases	Will use such practical expedient
Use of the same discount rate for a portfolio of leases with similar characteristics	By portfolio of leases	Will use such practical expedient when possible
Use of onerous lease provision instead of impairment review on the right-of-use asset	Lease by lease	Will apply to all leases when possible
Exemption from recognizing a right-of-use asset and a lease liability when the lease term ends within 12 months of the date of initial application	Lease by lease	Will apply to most leases of equipment Will not apply to most of office real estate leases
Exemption from recognizing a right-of-use asset and a lease liability when the underlying asset is of low value	Lease by lease	Will not recognize a right-of-use asset and a lease liability when the underlying asset is of low value
Exemption from recognizing a right-of-use asset and a lease liability when the lease is short term	By class of underlying asset	Will apply to all leases, except for office real estate leases
Exclude initial direct costs from the measurement of the right-of-use asset on transition, when such asset is not deemed to be equal to the lease liability at the date of initial application	Lease by lease	Will apply to all leases for which the right-of-use asset is not deemed equal to the lease liability at the date of initial application
Use of hindsight for lease terms for the measurement of the right-of-use asset on transition, when such asset is not deemed to be equal to the lease liability at the date of initial application	Lease by lease	Will apply to all leases for which the right-of-use asset is not deemed equal to the lease liability at the date of initial application

The adoption of IFRS 16 requires the exercise of judgment and the use of assumptions, such as determining if an option to renew or terminate a lease is reasonably certain, determining the discount rate or determining if a lease modification should be accounted as a new lease or not.

The Company expects that the adoption of IFRS 16 will result in a material increase to its assets and liabilities through the recognition of right-of-use assets and lease liabilities. At this stage of the implementation of IFRS 16, the Company is still quantifying the impact on its assets and estimates that the increase of liabilities should represent approximately $0.6 billion, excluding any potential tax impact. Such impact on the Company's liabilities is, however, subject to change by the time implementation is completed.

While the quantification of the impact is still to be finalized, the implementation of changes to certain processes and certain internal controls, as well as the implementation of a new lease management and accounting system, are substantially completed.

14 Non-IFRS Financial Measures and Additional IFRS Measures

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

Performance

Adjusted diluted earnings per share from E&C ("Adjusted diluted EPS from E&C") is defined as adjusted net income from E&C, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to Section 4.5 for the reconciliation of adjusted diluted EPS from E&C to net income as determined under IFRS.

Adjusted EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes charges related to restructuring, right-sizing and other, the acquisition-related costs and integration costs, the net expense for the 2012 class action lawsuits settlement, the GMP equalization expense, as well as the gains (losses) on disposals of E&C businesses, Capital investments and the head office building. Refer to Section 4.6 for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

Adjusted net income from E&C is defined as net income attributable to SNC-Lavalin shareholders from E&C, excluding charges related to restructuring, right-sizing and other, acquisition-related costs and integration costs, as well as amortization of intangible assets related to business combinations, impairment of goodwill, the net expense for the 2012 class action lawsuits settlement, the GMP equalization expense, the gains (losses) on disposals of E&C businesses and the head office building, and also the impact of U.S corporate tax reform. Adjusted net income from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to Section 4.5 for the reconciliation of adjusted net income from E&C to net income as determined under IFRS.

Booking-to-revenue ratio corresponds to contract bookings divided by the revenues, for a given period. This measure provides a basis for assessing the renewal of business.

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

EBIT is an indicator of the entity's capacity to generate earnings from operations before taking into account management's financing decisions. Accordingly, EBIT is defined as earnings before net financial expenses (income) and income taxes. Refer to Section 4.6 for a reconciliation of EBIT to net income as determined under IFRS.

EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization. Refer to Section 4.6 for a reconciliation of EBITDA to net income as determined under IFRS.

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

Backlog was a non-IFRS measure used until December 31, 2017. It was a forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that were considered firm. Management could be required to make estimates regarding the revenue to be generated for long-term firm reimbursable contracts. In order to provide information that is comparable to the backlog of other categories of activity, the Company limited the O&M activities backlog, which can cover a period of up to 40 years, to the earlier of: i)the contract term awarded; and ii) the next five years. Starting January 1, 2018, backlog is an IFRS measure corresponding to remaining performance obligations, in accordance with IFRS 15.

Segment EBIT consists of revenues less i) direct cost of activities, ii) directly related selling, general and administrative expenses, iii) corporate selling, general and administrative expenses that are allocated to segments; and iv) non-controlling interests before taxes. Expenses that are not allocated to the Company's segments include: certain corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, gain (loss) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, impairment of goodwill, acquisition-related costs and integration costs, and amortization of intangible assets related to business combinations, the net expense for the 2012 class action lawsuits settlement, the GMP equalization expense, as well as gains (losses) on disposals of E&C businesses, Capital investments and the head office building. See reconciliation of Segment EBIT to the most directly comparable IFRS measure in Sections 7 and 4.6.

Liquidity

Net recourse debt (or Cash net of recourse debt) corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt. Refer to Section 9.5 for a reconciliation of net recourse debt (or cash net of recourse debt) to cash and cash equivalents as determined under IFRS.

Net recourse debt to adjusted EBITDA ratio is defined as net recourse debt, as defined above, divided by the trailing 12-month adjusted EBITDA less interest on limited recourse debt. The net debt to adjusted EBITDA ratio is a measure of the Company's leverage and financial capabilities. Refer to Section 9.5 for a reconciliation of net recourse debt to recourse debt as determined under IFRS and to Section 4.6 for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

Working capital corresponds to the amount of the Company's total current assets minus its total current liabilities and the Current ratio corresponds to the Company's total current assets divided by its total current liabilities.

15 Risks and Uncertainties

15.1 PRINCIPAL RISKS AND UNCERTAINTIES

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

RISKS RELATED TO LITIGATION, REGULATORY MATTERS AND INVESTIGATIONS

Outcome of pending and future claims and litigations

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

The Company was subject to class actions in Quebec and Ontario commenced in 2012 on behalf of security holders (collectively, the "Actions"). The Actions were brought pursuant to the secondary market civil liability provisions in the various Canadian provincial and territorial securities statutes. The Actions alleged that various of the Company's public disclosure documents issued between November 2009 and November 2011 included misrepresentations. The Actions sought damages, on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012, based on the decline in market value of SNC-Lavalin shares following the Company's February 28, 2012 news release and other public announcements.

On May 22, 2018, the Company reached an agreement to settle the Actions, with the Company agreeing to pay $88.0 million to the plaintiffs. The settlement has since been approved by the Ontario and Quebec courts.

On February 6, 2019, a "Motion for authorization of a class action and for authorization to bring an action pursuant to section 225.4 of the Quebec securities act" (the "Class Action Motion") was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through January 27, 2019 (the "Class Period"), and held some or all of such shares as of the commencement of trading on January 28, 2019.

The Class Action Motion alleges that certain documents filed by SNC-Lavalin and oral statements made by its Chief Executive Officer during the Class Period contained misrepresentations by failing to timely disclose material risks to SNC-Lavalin arising from the Mining & Metallurgy and Oil & Gas segments, which misrepresentations would have been corrected by way of SNC-Lavalin's January 28, 2019 press release.

The Class Action Motion seeks leave from the Superior Court to bring a statutory misrepresentation claim under Quebec's Securities Act. The proposed action claims damages and seeks the condemnation of the Defendants to pay the class members an unspecified amount for compensatory damages with interest and additional indemnity as well as full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution.

SNC–Lavalin believes the claims outlined in the Class Action Motion are completely without merit. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Class Action Motion 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. SNC-Lavalin has directors' and officers' liability insurance insuring individuals against liability for acts or omissions in their capacity as directors and officers, and the Company itself has coverage for such a claim. The amount of coverage under the directors' and officers' policy is limited and such coverage may be less than any amounts the Company is required or determines to pay in connection with the Class Action Motion. If the Company is required or determines to pay an amount in connection with the Class Action Motion, such amount could have a material adverse impact on SNC-Lavalin's liquidity and financial results.

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the then-known defendants, on an in solidum basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). The appeal hearing started in October 2017 and was completed in the week of April 30th, 2018. A decision from the Quebec Court of Appeal is expected in 2019.

In addition to the appeal of the decision, a recourse in warranty was filed against another party seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. This recourse, which is scheduled for trial beginning March 2019, 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 also expects some insurance coverage for Wave 2 claims. In addition, SNC-Lavalin has undertaken warranty recourse against another party with respect to Wave 2 claims.

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

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

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

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

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

In February 2012, the Board of Directors initiated an independent investigation (the "Independent Review"), led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements) to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by law enforcement and securities regulatory authorities remain ongoing in connection with this information, which are described in greater detail below.

Charges and RCMP investigations

On February 19, 2015, the Royal Canadian Mounted Police (the "RCMP") and the Public Prosecution Service of Canada ("PPSC") laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under Section 380 of the Criminal Code (Canada) (the "Criminal Code") and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA"), (the "Charges"). These Charges follow the RCMP's formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of

these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the Regulations Implementing the United Nations Resolutions on Libya in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The 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.

In September 2018, amendments to the Criminal Code came into effect introducing new provisions allowing the settlement of certain types of charges against a corporation (including certain charges related to the CFPOA, such as those of which the Company has been accused) through a remediation agreement. The Company was advised by the Director of the PPSC in October 2018 that at this time it will not be invited by PPSC to negotiate a remediation agreement in relation to the Charges and in accordance with these new provisions.

On October 19, 2018 the Company filed an application with the Federal Court of Canada for a judicial review of the decision of the Director of the PPSC. The Director of the PPSC in turn filed a motion with that court to strike out that application. A hearing of that motion to strike took place February 1, 2019; judgement of the court will follow in due course.

The preliminary inquiry into the Charges against the Company commenced in the Court of Quebec on October 29, 2018. The purpose of the preliminary inquiry is to determine if there is sufficient evidence to set the matter down for a full trial. Final arguments are due to be completed before the court on April 1, 2019; judgement of the court will follow in due course. Depending on the outcome of the preliminary inquiry, the Company may seek a further review of the decision of the Court of Quebec. Subject to the outcome of the preliminary inquiry, and of any resulting review, a trial on the Charges may commence in 2019 or 2020.

While the Company remains open and committed to the possibility of negotiating a remediation agreement with the office of the Director of the PPSC, it also has defences to the Charges and will pursue those vigorously in the context of the preliminary inquiry, any resulting trial and any applicable appeals thereof.

However, having regard to the uncertainty regarding a remediation agreement, in December 2018 the Board of directors of SNC-Lavalin established a special committee to consider options that would protect value for SNC-Lavalin stakeholders.

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) would likely have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

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

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

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

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

World Bank Settlement

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

African Development Bank Settlement

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

Canada's Integrity Regime

The Canadian government announced the Integrity Regime for procurement and real property transactions on July 3, 2015. The scope of offences which may cause a supplier to be deemed ineligible to carry on business with the federal government are broad and encompass offences under the Criminal Code, the Competition Act, and the CFPOA, among others. Some of the offences qualifying for ineligibility include bribery, fraud, money laundering, falsification of books and

documents, extortion, and offences related to drug trafficking. A determination of ineligibility to participate in federal government procurement projects may apply for 10 years for listed offences. However, the Integrity Regime permits the ineligibility period to be reduced by up to five years if a supplier can establish that it has cooperated with law enforcement authorities or addressed the causes of misconduct. The Canadian government is currently considering further revisions to the Integrity Regime.

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

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

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

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

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aïssa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec. On July 10, 2018, Mr. Ben Aïssa pleaded guilty to the charge of using a forged document in exchange for other charges being dropped, and was accordingly sentenced to 51 months incarceration. On November 26 2018, another accused, Yanai Elbaz, also registered a guilty plea on certain offenses and was accordingly sentenced to 39 months incarceration, while another accused, Yohann Elbaz, was acquitted. On February 1, 2019, the last remaining accused, former SNC-Lavalin CEO Pierre Duhaime, plead guilty to one count of complicity in the breach of trust by Yanai Elbaz; accordingly Duhaime was sentenced to 20 months of house arrest (during first 7 of which he will not be authorized to leave house), 240 hours of community service, a $200,000 fine payable to an organization supporting victims of criminal acts plus 1 year of probation during which he is forbidden to serve as corporate director.

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

The Company is currently unable to determine when any of the above investigations will be completed or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations

broadened. 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 and/or would materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

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

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

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

Further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations

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

In addition, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of the Company's employees, agents or partners could have a significant negative impact on SNC-Lavalin's business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal control over financial reporting, environmental laws and any other applicable laws or regulations. For example, the CFPOA and similar anti-bribery laws in other jurisdictions generally

prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, SNC-Lavalin provides services that may be highly sensitive or that could relate to critical national security matters; if a security breach were to occur, the Company's ability to procure future government contracts could be severely limited.

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

Reputation of the Company

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

Fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently

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

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

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

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

Contract awards and timing

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

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

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

ongoing contract is cancelled, the Company could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing the Company's operational efficiency, margins and profits.

Remaining performance obligations

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

Being a provider of services to government agencies

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting. SNC-Lavalin's failure to comply with the terms of one or more government contracts or government statutes and regulations could result in the Company's contracts with government agencies being terminated or the Company being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties and the risk of public scrutiny of the Company's performance, and potential harm to its reputation, each of which could have a material adverse effect on SNC-Lavalin's business. Other remedies that the Company's government clients may seek for improper activities or performance issues include sanctions such as forfeiture of profits and suspension of payments. In addition, virtually all of the Company's contracts with governments contain "termination for convenience" provisions, as described in the risk factor above entitled "Remaining performance obligations".

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

International operations

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

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

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

In addition, the Company's activities outside Canada expose SNC-Lavalin to foreign currency exchange risks, which could adversely impact its operating results. The Company is particularly vulnerable to fluctuations in British pounds, in U.S. dollars and in currencies pegged to U.S. dollars. While SNC-Lavalin has a hedging strategy in place to mitigate

some of the effects of certain foreign currency exposures, there can be no assurance that such hedging strategy will be effective. Furthermore, the volatility of the Company's financial results and cash flows could increase if certain countries no longer peg their currencies to the U.S. dollar. The Company does not have hedging strategies in place with respect to all currencies in which it does business. The Company's hedging strategy includes the use of forward foreign exchange contracts, which also contain an inherent credit risk related to default on obligations by the counterparties to such contracts.

Brexit

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". Brexit could result in increased geopolitical and economic risks, currency exchange fluctuations, and could cause disruptions to and create uncertainty surrounding our businesses, including affecting our relationships with existing and future customers, suppliers and employees, which could in turn have an adverse effect on our financial results and operations. There could also be greater restrictions on imports and exports between the U.K. and E.U. countries and could also result in increased regulatory complexities. These changes may adversely affect our operations and financial results.

Ownership interests in Capital investments

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

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

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

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

Dependence on third parties

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

Joint ventures and partnerships

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

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

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

Competition

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

Professional liability or liability for faulty services.

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

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

Monetary damages and penalties in connection with professional and engineering reports and opinions

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

Insurance coverage

As part of SNC-Lavalin's business operations, the Company maintains insurance coverage. There can be no assurance that the Company has in place sufficient insurance coverage to satisfy its needs, or that it will be able to secure all necessary or sufficient insurance coverage in the future. The Company's insurance is purchased from a number of third-

party insurers, often in layered insurance arrangements. If any of its third-party insurers fail, refuse to renew or revoke coverage or otherwise cannot satisfy their insurance requirements to SNC-Lavalin, then the Company's overall risk exposure and operational expenses could be increased and its business operations could be interrupted.

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

Health & Safety

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

Qualified personnel

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

Work stoppages, union negotiations and other labour matters

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

Information systems and data

The integrity, reliability and security of information in all forms are critical to the Company's daily and strategic operations.

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

disruptions. If the Company is unable to protect its information systems, they could be interrupted or delayed. The Company's information systems and operations could also be interrupted or damaged by natural disasters, failures, acts of war, terrorism or cyber-attacks, among others.

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

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

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

Acquisitions or other investments

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

Divestitures and the sale of significant assets

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

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

Liquidity and financial position

The Company relies both on its cash, its credit facility, as well as the capital market to provide some of its capital requirements and it is, in certain instances, required to obtain bank guarantees as a means to secure its various contractual obligations. Significant instability or disruptions of the capital markets or a deterioration in or weakening of its financial position due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the cost of one or more of these financing sources, including credit facilities, the issuance of long-term debt, or the availability of letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate cash balance and generate sufficient cash flow from operations in an amount to

enable itself to fund its operations and liquidity needs, service its debt and/or maintain its ability to obtain and secure bank guarantees.

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

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

Indebtedness

The Company had approximately $3.7 billion of consolidated indebtedness as at December 31, 2018, including recourse, limited recourse and non-recourse debt.

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

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

- it may have a negative effect on the current credit ratings of the Company's rated long-term debt;
- it may limit the Company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes on commercially reasonable terms, if at all;
- most of the Company's borrowings are at variable rates of interest and expose the Company to the risk of increased interest rates;
- it may limit the Company's ability to adjust to changing market conditions and place the Company at a competitive disadvantage (including if the Company's investment grade credit rating is negatively affected) compared to its competitors that have less debt or greater financial resources;
- it may limit the Company's ability to declare and pay dividends on its Common Shares;
- the Company may be vulnerable in a downturn in general economic conditions; and
- the Company may be unable to make capital expenditures that are important to its growth and strategies.

The credit facilities and instruments governing the Company's consolidated debt contain certain financial covenants requiring the Company, on a consolidated basis, to satisfy net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratios. Such credit facilities and instruments also contain covenants restricting the Company's ability to incur liens on its assets, incur additional debt or effect dispositions of assets or fundamental changes in its business, pay dividends and make certain other disbursements, or use the proceeds from the sale of assets and capital stock of subsidiaries. These covenants limit the Company's discretion and financial flexibility in the operation of its business. Under the terms of these credit facilities and instruments, the Company and its subsidiaries are permitted

to incur additional debt in certain circumstances. However, doing so could increase the risks described above. In addition, if the Company or its subsidiaries incur additional debt in the future, the Company may be subject to additional covenants, which may be more restrictive than those that it is subject to now.

A breach of any of these agreements or the Company's, as the case may be, inability to comply with these covenants could, if not cured or waived, result in an acceleration of the Company's consolidated debt or a cross-default under certain of its debt. If the Company's indebtedness is accelerated, the Company may not be able to service its indebtedness, or borrow sufficient funds to refinance its indebtedness.

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

Security under the SNC-Lavalin Highway Holdings Loan

SNC-Lavalin Highway Holdings Inc. (the "Borrower"), an indirect wholly-owned subsidiary of the Company, has a loan agreement with CDPQ Revenu Fixe Inc. (the "Lender"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (the "Caisse"), establishing a limited recourse loan (the "CDPQ Loan" and such agreement being the "SNC-Lavalin Highway Holdings Loan Agreement").

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

Dependence on subsidiaries to help repay indebtedness

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

The Company's subsidiaries are separate and distinct legal entities and have significant liabilities. The ability of these entities to pay dividends or make other loans, advances or payments to the Company will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing debt including, for example, the financial covenants applicable to the Borrower under the SNC-Lavalin Highway Holdings Loan Agreement that the Company's consolidated net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio not exceed a certain limit. In addition, certain other deeds and agreements governing certain subsidiaries of the Company contain restrictions on the payment of dividends and distributions, as well as specified liquidity covenants.

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

Dividends

The declaration and payment of dividends on Common Shares are at the discretion of the board of directors of the Company. The cash available for dividends is a function of numerous factors, including the Company's financial performance, the impact of interest rates, debt covenants and obligations, working capital requirements and future capital requirements. In addition, the Company's ability to pay dividends depends upon the payment of dividends by certain of the Company's subsidiaries or the repayment of funds to the Company by its subsidiaries. The Company's subsidiaries, in turn, may be restricted from paying dividends, making repayments or making other distributions to the Company for financial, regulatory, legal or other reasons. To the extent the Company's subsidiaries are not able to pay dividends or repay funds to the Company, it may adversely affect the Company's ability to pay dividends on common shares.

Post-Employment Benefit Obligations, Including Pension-Related Obligations

The Company operates certain defined benefits plans and provides other post-employment benefits. More specifically, Atkins operates two significant defined benefit plans, namely the Atkins Pension Plan and the Railways Pension Scheme, with combined net significant retirement benefit liabilities. The majority of Atkins' post-employment benefits obligations

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

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

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

Working capital requirements

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

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

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

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

Collection from customers

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

Impairement of goodwill and other assets

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

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

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

GLOBAL / MACROECONOMIC RISKS

Global economic conditions

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

favourable terms or at all. These disruptions could materially impact the Company's remaining performance obligations, revenues and net income.

Fluctuations in commodity prices

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

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework

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

Environmental laws and regulations

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

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

16 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. See also Section 15 "Risks and Uncertainties – Risks Related to Litigation, Regulatory Matters and Investigations", 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.

WS Atkins & Partners Overseas, a subsidiary of the Company, has received a claim letter from a former customer and its insurers seeking damages on account of the alleged refurbishment costs and loss of income arising from a fire at the customer's building. WS Atkins & Partners Overseas was involved in the hotel's design and construction supervision and the claim revolves around alleged negligence in the specification of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building.

A subsidiary of SNC-Lavalin, and a customer, have each sought the appointment of an arbitrator to adjudicate certain mutual claims related to an on-going project in the Mining & Metallurgy segment. SNC-Lavalin claims from the client certain amounts due under or in connection with the project contract. The client has counter-claimed, alleging that SNC-Lavalin is in default under the project contracts and seeking damages. The same subsidiary of SNC-Lavalin is in an arbitration process with a key sub-contractor in relation to the same project, which dispute involves claims and counter-claims.

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

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.

17 Controls and Procedures

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

17.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures, and its internal control over financial reporting, in each case as at December 31, 2018.

Based on these evaluations, the CEO and the CFO have concluded that, as at December 31, 2018, the Company did not maintain effective controls over the reporting of forecasted costs and revenues of a major project in the Mining & Metallurgy segment. Specifically, the Company's controls over the reporting of estimated costs and related assessment of variable consideration were not operating effectively because project management did not appropriately consider the terms and conditions of the project contract and their impact on the overall project forecast. Additionally, the CEO and the CFO noted that there was no compensating control that detected the control deficiencies on a timely basis. The control deficiencies did not result in any material adjustment to the 2017 annual or 2018 interim consolidated financial statements. However, in light of the overall magnitude of the project these control deficiencies could have resulted in a misstatement to the estimated costs to complete this contract and its related variable considerations resulting in a material misstatement to the interim financial statements that would not be prevented or detected. Accordingly, management determined that these control deficiencies constitutes a "material weakness" (as that term is defined in NI 52-109) relating to the operational effectiveness of the Company's internal control over financial reporting as at December 31, 2018.

Furthermore, in light of the substantial overlap in the definitions of disclosure controls and procedures and internal control over financial reporting contained in NI 52-109, the CEO and the CFO have also concluded that this material weakness in the Company's internal control over financial reporting also represented a weakness relating to the operation of the Company's disclosure controls and procedures that was significant and existing as at December 31, 2018, such that there was a reasonable possibility that the Company would not disclose material information required to be disclosed under applicable securities legislation within the time periods specified in such legislation. Accordingly, management could not conclude that the Company'sdisclosure controls and procedures were effective as at December 31, 2018.

Remedial Measures

The control deficiencies described above were detected in the fourth quarter of 2018. Management immediately implemented a detailed review of all costs incurred to date and the estimate of costs to complete, as well as, a review of contractual terms and conditions. Additional project management personnel were assigned to the project from other E&C sectors as these operating units have more experience working on lump-sum turnkey projects, and specialists in negotiating client / subcontractor settlements were added to the project team. As previously announced, the Mining & Metallurgy segment will cease to bid on EPC fixed-price contracts going forward.

The Company has assigned the highest priority to the remediation of this material weakness and is working together with the audit committee to resolve the issue. Management believes that its consolidated financial statements contained herein contain its best estimates of the project's final estimated costs and revenues and that the appropriate compensating controls have been implemented at the particular site to ensure forecasted costs and revenues are adequately controlled and communicated on a timely basis. However, management believes more time must pass to adequately evidence that the controls and procedures at this project are operating as intended. If these actions are not successful in addressing this material weakness, the Company's ability to report its financial results on a timely and accurate basis may be adversely affected.

17.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, other than changes resulting from the remedial measures described above and changes resulting from the acquisition of Linxon described below.

The Company acquired Linxon in September 2018. As a result, management's assessment and conclusion on the design of disclosure controls and procedures, and internal control over financial reporting, excludes the controls, policies and procedures of Linxon. Linxon represents 0.6% of revenues, nil% of net income attributable to SNC-Lavalin shareholders and 1.1 % of total assets of the consolidated figures reported in audited consolidated financial statements for year ended December 31, 2018. Note 6 to the audited consolidated financial statements for the year ended December 31, 2018 presents information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about the acquisition.

18 Quarterly Information

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, EXCEPT PER SHARE AMOUNTS)	2018					2017				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues :										
From E&C	2,367.2	2,469.9	2,496.8	2,485.4	9,819.3	1,788.3	1,868.2	2,572.5	2,867.7	9,096.7
From Capital	64.2	57.2	66.2	77.1	264.7	60.9	66.7	60.3	50.1	238.0
	2,431.4	2,527.1	2,563.0	2,562.5	10,084.0	1,849.3	1,934.9	2,632.7	2,917.8	9,334.7
EBIT	129.8	109.1	185.4	(1,584.7)	(1,160.4)	117.1	145.3	181.3	159.8	603.4
Net financial expenses	42.0	37.1	44.0	44.3	167.4	13.2	13.4	40.9	50.4	117.8
Earnings (loss) before income taxes	87.7	72.0	141.4	(1,629.0)	(1,327.8)	103.9	131.9	140.4	109.4	485.5
Income taxes	9.5	(11.2)	20.4	(30.2)	(11.5)	8.8	(2.5)	39.2	56.9	102.4
Net income (loss)	78.3	83.2	121.0	(1,598.8)	(1,316.3)	95.1	134.4	101.2	52.5	383.2
Net income (loss) attributable to:										
SNC-Lavalin shareholders	78.1	83.0	120.7	(1,598.7)	(1,316.9)	89.7	136.4	103.6	52.4	382.0
Non-controlling interests	0.2	0.2	0.2	0.0	0.6	5.4	(2.0)	(2.4)	0.1	1.1
Net income (loss)	78.3	83.2	121.0	(1,598.8)	(1,316.3)	95.1	134.4	101.2	52.5	383.2
Basic earnings (loss) per share ($)	0.44	0.47	0.69	(9.11)	(7.50)	0.60	0.91	0.59	0.30	2.35
Diluted earnings (loss) per share($):										
From E&C	0.18	(0.10)	0.44	(9.42)	(8.90)	0.30	0.58	0.17	0.08	1.08
From Capital	0.26	0.56	0.25	0.32	1.40	0.30	0.33	0.42	0.22	1.26
Diluted earnings (loss) per share ($)	0.44	0.47	0.69	(9.11)	(7.50)	0.60	0.91	0.59	0.30	2.34
Dividend declared per share ($)	0.287	0.287	0.287	0.100	0.961	0.27:	0.273	0.273	0.287	1,106
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	31.5	(16.8)	76.6	(1,654.3)	(1,563.0)	45.3	87.4	29.0	14.3	176.0
Net income attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407 ETR	38.0	38.0	39.3	39.2	154.3	34.8	34.8	36.1	36.0	141.7
From other Capital investments	8.6	61.9	4.9	16.4	91.8	9.6	14.2	38.5	2.1	65.2
Net income (loss) attributable to SNC-Lavalin shareholders	78.1	83.0	120.7	(1,598.7)	(1,316.9)	89.7	136.4	103.6	52.4	382.0

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 and Chief Financial Officer are responsible for having established and maintaining disclosure controls and procedures and internal controls over financial reporting. A material weakness relating to the operating effectiveness of the Company's internal control over financial reporting was identified and it was determined that the Company's disclosure controls and procedures and internal control over financial reporting was not effective as at December 31, 2018, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has identified and, in certain instances, begun to implement a number of measures to address the material weakness and continues to strengthen the Company's internal control over financial reporting, as more fully described in the "Controls and Procedures" section of the 2018 Management's Discussion and Analysis. However, such measures may not be effective and the Company could face additional risks and/or unknown losses. Management excluded from its assessment the internal control over financial reporting at Linxon Pvt Ltd ("Linxon"), which was acquired on September 1, 2018, and whose revenues, net loss attributable to SNC-Lavalin shareholders and total assets constitute approximately 0.6%, nil% and 1.1% of respective balances in the consolidated financial statements as at and for the year ended December 31, 2018.

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

FEBRUARY 21, 2019
MONTREAL, CANADA

Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

Opinion

We have audited the consolidated financial statements of SNC-Lavalin Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

/s/ Deloitte LLP (1)

FEBRUARY 21, 2019
MONTREAL, QUEBEC

(1) CPA auditor, CA, public accountancy permit No. A124341

Consolidated Statements of Financial Position

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	DECEMBER 31 2018	DECEMBER 31 2017
ASSETS			
Current assets			
Cash and cash equivalents	8	**$ 634,084**	$ 706,531
Restricted cash	8	**12,722**	20,932
Trade receivables	9A, 10B	**1,503,824**	1,445,859
Contract assets	9B, 10B	**1,751,068**	–
Contracts in progress	2B	**–**	1,329,861
Inventories	11	**104,205**	110,237
Other current financial assets	12	**247,291**	442,500
Other current non-financial assets	13	**404,819**	450,877
Assets of disposal group classified as held for sale and assets held for sale	40	**–**	107,994
Total current assets		**4,658,013**	4,614,791
Property and equipment	14	**482,619**	414,138
Capital investments accounted for by the equity method	5	**357,249**	296,664
Capital investments accounted for by the cost method	5	**10,663**	55,614
Goodwill	16	**5,369,723**	6,323,440
Intangible assets related to business combinations	17	**920,586**	1,089,837
Deferred income tax asset	31A	**652,155**	545,551
Non-current portion of receivables under service concession arrangements		**327,299**	273,340
Other non-current financial assets	18	**30,023**	44,321
Other non-current non-financial assets	19	**131,362**	104,810
Total assets		**$ 12,939,692**	$ 13,762,506
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,352,944**	$ 2,176,947
Contract liabilities	10B	**972,959**	–
Downpayments on contracts	2B	**–**	149,388
Deferred revenues	2B	**–**	758,392
Other current financial liabilities	20	**298,701**	264,724
Other current non-financial liabilities	21	**424,861**	584,102
Current portion of provisions	23	**381,848**	174,534
Short-term debt and current portion of long-term debt:			
Recourse	22	**1,116,587**	318,757
Non-recourse	22	**60,168**	15,566
Liabilities of disposal group classified as held for sale	40	**–**	60,440
Total current liabilities		**5,608,068**	4,502,850
Long-term debt:			
Recourse	22	**1,171,433**	1,026,782
Limited recourse	22	**980,303**	1,475,177
Non-recourse	22	**339,537**	297,398
Other non-current financial liabilities		**53,505**	15,425
Non-current portion of provisions	23	**706,386**	791,060
Other non-current non-financial liabilities		**61,508**	53,367
Deferred income tax liability	31A	**363,087**	377,225
Total liabilities		**9,283,827**	8,539,284
Equity			
Share capital	24	**1,805,080**	1,801,733
Retained earnings		**1,346,624**	3,145,424
Other components of equity	25	**499,199**	277,974
Equity attributable to SNC-Lavalin shareholders		**3,650,903**	5,225,131
Non-controlling interests		**4,962**	(1,909)
Total equity		**3,655,865**	5,223,222
Total liabilities and equity		**$ 12,939,692**	$ 13,762,506

See accompanying notes to consolidated financial statements

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

NEIL BRUCE *(signed)*
DIRECTOR

BENITA M. WARMBOLD *(signed)*
DIRECTOR

Consolidated Statements of Changes in Equity

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

2018	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 25)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	**175,488**	**$1,801,733**	**$ 3,145,424**	**$ 277,974**	**$ 5,225,131**	**$ (1,909)**	**$ 5,223,222**
Transitional adjustments on adoption of new accounting standards (Note 2B)	**–**	**–**	**(327,387)**	**5,448**	**(321,939)**	**369**	**(321,570)**
Adjusted balance at beginning of year	**175,488**	**1,801,733**	**2,818,037**	**283,422**	**4,903,192**	**(1,540)**	**4,901,652**
Net income (loss)	**–**	**–**	**(1,316,898)**	**–**	**(1,316,898)**	**603**	**(1,316,295)**
Other comprehensive income	**–**	**–**	**47,652**	**215,777**	**263,429**	**261**	**263,690**
Total comprehensive income (loss)	**–**	**–**	**(1,269,246)**	**215,777**	**(1,053,469)**	**864**	**(1,052,605)**
Dividends declared (Note 24F)	**–**	**–**	**(201,521)**	**–**	**(201,521)**	**–**	**(201,521)**
Shares issued under stock option plans (Note 24B)	**66**	**3,347**	**(646)**	**–**	**2,701**	**–**	**2,701**
Measurement of a loan from a non-controlling interest at its initial fair value (Notes 22C(x) and 30C)	**–**	**–**	**–**	**–**	**–**	**5,155**	**5,155**
Non-controlling interests arising on acquisition of Linxon (Note 6A)	**–**	**–**	**–**	**–**	**–**	**394**	**394**
Capital contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**89**	**89**
Balance at end of year	**175,554**	**$ 1,805,080**	**$ 1,346,624**	**$ 499,199**	**$ 3,650,903**	**$ 4,962**	**$ 3,655,865**

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

2017	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 25)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	150,357	$ 554,839	$ 2,959,366	$ 359,017	$ 3,873,222	$ 23,112	$ 3,896,334
Net income	–	–	382,035	–	382,035	1,116	383,151
Other comprehensive income (loss)	–	–	20,026	(81,043)	(61,017)	55	(60,962)
Total comprehensive income (loss)	–	–	402,061	(81,043)	321,018	1,171	322,189
Dividends declared (Note 24F)	–	–	(177,948)	–	(177,948)	–	(177,948)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(854)	(854)
Stock option compensation (Note 24B)	–	–	139	–	139	–	139
Shares issued under stock option plans (Note 24B)	251	12,162	(2,435)	–	9,727	–	9,727
Acquisition of non-controlling interest (Note 26)	–	–	(35,759)	–	(35,759)	(23,740)	(59,499)
Shares issued in exchange of subscription receipts (Note 30D)	24,880	1,234,732	–	–	1,234,732	–	1,234,732
Additional non-controlling interests arising on acquisition of Atkins (Note 6B)	–	–	–	–	–	(1,623)	(1,623)
Capital contributions by non-controlling interests	–	–	–	–	–	25	25
Balance at end of year	175,488	$ 1,801,733	$ 3,145,424	$ 277,974	$ 5,225,131	$ (1,909)	$ 5,223,222

See accompanying notes to consolidated financial statements

Consolidated Income Statements

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE AND NUMBER OF SHARES)	Note	2018	2017 [1]
Revenues from:			
E&C		**$ 9,819,349**	$ 9,096,715
Capital investments accounted for by the consolidation or cost methods		**60,570**	53,184
Capital investments accounted for by the equity method		**204,087**	184,819
		10,084,006	9,334,718
Direct costs of activities		**9,521,611**	8,468,341
Total segment EBIT [2]		**562,395**	866,377
Corporate selling, general and administrative expenses	27	**121,294**	130,606
Impairment loss arising from expected credit losses	9A, 9B	**1,349**	–
Loss arising on financial assets (liabilities) at fair value through profit or loss		**7,427**	1,017
Net 2012 class action lawsuits settlement expense and related legal costs	35B	**89,443**	–
Restructuring costs	28	**68,591**	26,363
Acquisition-related costs and integration costs	6D	**54,878**	124,300
Amortization of intangible assets related to business combinations	17	**206,471**	138,892
Gain on disposals/partial disposals of Capital investments	5A	**(67,552)**	(42,078)
Loss (gain) from disposals of E&C businesses	7	**474**	(999)
Gain on disposal of the head office building	15	**–**	(115,101)
Impairment of goodwill	16	**1,240,415**	–
EBIT [2]		**(1,160,395)**	603,377
Financial expenses	29	**179,528**	123,094
Financial income and foreign exchange losses (gains)	29	**(12,083)**	(5,250)
Earnings (loss) before income taxes		**(1,327,840)**	485,533
Income taxes	31B	**(11,545)**	102,382
Net income (loss)		**$ (1,316,295)**	$ 383,151
Net income (loss) attributable to:			
SNC-Lavalin shareholders		**$ (1,316,898)**	$ 382,035
Non-controlling interests		**603**	1,116
Net income (loss)		**$ (1,316,295)**	$ 383,151
Earnings (loss) per share (in $)			
Basic		**$ (7.50)**	$ 2.35
Diluted		**$ (7.50)**	$ 2.34
Weighted average number of outstanding shares (in thousands)	24E		
Basic		**175,541**	162,910
Diluted		**175,541**	163,029

[1] Comparative figures have been revised (see Note 2C)

[2] 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)	2018		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income (loss)	**$ (1,316,898)**	**$ 603**	**$ (1,316,295)**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 25)	**224,478**	**261**	**224,739**
Cash flow hedges (Note 25)	**(9,459)**	**–**	**(9,459)**
Share of other comprehensive loss of investments accounted for by the equity method (Note 25)	**(1,739)**	**–**	**(1,739)**
Income taxes (Note 25)	**2,497**	**–**	**2,497**
Total of items that will be reclassified subsequently to net income	**215,777**	**261**	**216,038**
Financial assets at fair value through other comprehensive income (Note 25)	**(1)**	**–**	**(1)**
Income taxes (Note 25)	**49**	**–**	**49**
Remeasurement on defined benefit plans (Note 25)	**57,932**	**–**	**57,932**
Income taxes (Note 25)	**(10,328)**	**–**	**(10,328)**
Total of items that will not be reclassified subsequently to net income	**47,652**	**–**	**47,652**
Total other comprehensive income	**263,429**	**261**	**263,690**
Total comprehensive income (loss)	**$ (1,053,469)**	**$ 864**	**$ (1,052,605)**

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2017		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	$ 382,035	$ 1,116	$ 383,151
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 25)	(123,229)	55	(123,174)
Available-for-sale financial assets (Note 25)	12,234	–	12,234
Cash flow hedges (Note 25)	(8,553)	–	(8,553)
Share of other comprehensive income of investments accounted for by the equity method (Note 25)	57,678	–	57,678
Income taxes (Note 25)	(19,173)	–	(19,173)
Total of items that will be reclassified subsequently to net income	(81,043)	55	(80,988)
Remeasurement on defined benefit plans (Note 25)	21,844	–	21,844
Income taxes (Note 25)	(1,818)	–	(1,818)
Total of items that will not be reclassified subsequently to net income	20,026	–	20,026
Total other comprehensive income (loss)	(61,017)	55	(60,962)
Total comprehensive income	$ 321,018	$ 1,171	$ 322,189

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	2018	2017
Operating activities			
Net income (loss)		**$ (1,316,295)**	$ 383,151
Income taxes paid		**(15,164)**	(23,874)
Interest paid from E&C		**(171,336)**	(115,364)
Interest paid from Capital investments		**(14,817)**	(21,626)
Other reconciling items	30A	**1,719,817**	182,950
		202,205	405,237
Net change in non-cash working capital items	30B	**(505,734)**	(641,093)
Net cash used for operating activities		**(303,529)**	(235,856)
Investing activities			
Acquisition of property and equipment		**(152,945)**	(124,816)
Proceeds from disposal of the head office building	15	**–**	173,288
Costs associated to a foreign exchange option	6D	**–**	(54,134)
Recovery associated to a foreign exchange option	6D	**–**	5,407
Net cash inflow (outflow) on acquisition of businesses	6A, 6C	**19,466**	(3,176,722)
Change in restricted cash position		**8,535**	31,385
Increase in receivables under service concession arrangements		**(130,460)**	(214,380)
Recovery of receivables under service concession arrangements		**69,825**	109,852
Decrease in short-term and long-term investments		**1,707**	79,294
Net cash inflow on disposal/partial disposal of a Capital investment accounted for by the equity method	5A	**92,214**	23,270
Net cash inflow on disposals of E&C businesses and of a Capital investment accounted for by the consolidation method	5A, 7	**–**	67,948
Net cash inflow on disposal of a Capital investment accounted for by the cost method	5A	**51,336**	–
Other		**(5,055)**	15,857
Net cash used for investing activities		**(45,377)**	(3,063,751)
Financing activities			
Increase in debt	30C	**2,704,293**	4,187,902
Repayment of debt and payment for debt issue costs	30C	**(2,248,558)**	(2,231,462)
Proceeds from exercise of stock options		**2,701**	9,727
Dividends paid to SNC-Lavalin shareholders	24F	**(201,521)**	(177,948)
Dividends paid by subsidiaries to non-controlling interests		**–**	(854)
Proceeds from shares issued in exchange of subscription receipts	30D	**–**	1,220,790
Amount paid for acquisition of non-controlling interest	26	**–**	(59,499)
Other	30C	**12,800**	4,757
Net cash generated from financing activities		**269,715**	2,953,413
Decrease from exchange differences on translating cash and cash equivalents		**6,705**	(2,720)
Net decrease in cash and cash equivalents		**(72,486)**	(348,914)
Cash and cash equivalents at beginning of year		**706,570**	1,055,484
Cash and cash equivalents at end of year		**$ 634,084**	$ 706,570
Presented on the statement of financial position as follows:			
Cash and cash equivalents		**$ 634,084**	$ 706,531
Assets of disposal group classified as held for sale and assets held for sale	40	**–**	39
		$ 634,084	$ 706,570

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS

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

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

The Company reports its revenues as follows:

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

In these consolidated financial statements ("financial statements"), activities from consulting and advisory, engineering and construction, sustaining capital 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 for the year ended December 31, 2018, and are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

The accounting policies set out below were consistently applied to all periods presented, except for the following accounting policies: revenue recognition, financial instruments and share-based payments (see note 2B).

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; ii) the defined benefit liabilities, which are measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets; iii) investments measured at fair value, which are held by SNC-Lavalin Infrastructure Partners LP, investment entity accounted for by the equity method and for which SNC-Lavalin elected to retain the fair value measurement applied by this investment entity; and iv) liability resulting from a contingent consideration arrangement in a business combination, which is measured at its fair value. 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 February 21, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) NEW STANDARDS, AMENDMENTS AND AN INTERPRETATION ADOPTED IN 2018

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

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

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

ADOPTION OF IFRS 9

Transition

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

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

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

Main changes

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial assets and financial liabilities

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

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

[1] FVTPL: Fair value through profit or loss
FVTOCI: Fair value through other comprehensive income

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

B. Relates to Astoria Project Partners II LLC, a Capital investment accounted for by the cost method. Under IFRS 9, since the contractual terms of this investment do not give rise, on specified dates, to cash flows that are solely payments of principal and interest and the Company did not make an irrevocable election to measure this investment at FVTOCI, the Company classified this investment in the FVTPL measurement category. As at January 1, 2018, the cumulative gain of $8.9 million net of taxes related to this available-for-sale financial asset included in the "Other components of equity" was reclassified to the Company's opening retained earnings (see Note 25).

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

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

[2] FVTPL: Fair value through profit or loss

[3] Presented as part of "Contract assets/Contract liabilities" in 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New impairment model

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

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

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

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

The following table presents the reconciliation of the ending allowance as at December 31, 2017 to the opening loss allowance determined in accordance with IFRS 9 at the date of initial application for trade receivables and contract assets:

Allowance as at December 31, 2017	$ 171,970
Additional loss allowance recognized on January 1, 2018	5,515
Impairment allowance under IFRS 9 as at January 1, 2018	**$ 177,485**

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

Hedge accounting

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

ADOPTION OF IFRS 15 AND AMENDMENTS TO IFRS 15

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

Transition

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

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

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

Change orders and claims

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

Measure of anticipated revenues and determination of progress

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

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

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

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

Presentation

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

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

Procedures and controls

The Company has updated and implemented revised procedures and controls in order to meet the requirements of IFRS 15, notably the recording of the transition adjustment, the change in presentation, as well as additional disclosures provided in the Company's 2018 audited annual consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2018 impacts of adopting IFRS 15

Since the Company elected to adopt IFRS 15 using the modified retrospective method, the following tables summarize the impacts of adopting IFRS 15 on the Company's consolidated statement of financial position as at December 31, 2018, its consolidated income statement and its consolidated statement of comprehensive income for the year ended December 31, 2018 for each of the line items affected. There was no material impact on the Company's consolidated statement of cash flows for the year ended December 31, 2018.

Impact on the consolidated statement of financial position

DECEMBER 31, 2018 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	AS REPORTED	ADJUSTMENTS	AMOUNTS WITHOUT ADOPTION OF IFRS 15
ASSETS				
Contract assets	(a)	$ 1,751,068	$ (1,751,068)	$ –
Contracts in progress	(a)	–	1,874,215	1,874,215
Other current financial assets	(a)	247,291	232,242	479,533
Deferred income tax asset	(b)	652,155	(28,797)	623,358
Others		10,289,178	–	10,289,178
Total assets		**$ 12,939,692**	**$ 326,592**	**$ 13,266,284**
LIABILITIES				
Contract liabilities	(a)	$ 972,959	$ (972,959)	$ –
Downpayments on contracts	(a)	–	340,255	340,255
Deferred revenues	(a)	–	817,375	817,375
Provisions	(a)	1,088,234	(733)	1,087,501
Deferred income tax liability	(b)	363,087	(209)	362,878
Others		6,859,547	–	6,859,547
Total liabilities		**9,283,827**	**183,729**	**9,467,556**
EQUITY				
Share capital		1,805,080	–	1,805,080
Retained earnings		1,346,624	144,726	1,491,350
Other components of equity		499,199	(1,863)	497,336
Non-controlling interests		4,962	–	4,962
Total equity		**3,655,865**	**142,863**	**3,798,728**
Total liabilities and equity		**$ 12,939,692**	**$ 326,592**	**$ 13,266,284**

Impact on the consolidated income statement and the consolidated statement of other comprehensive income

YEAR ENDED DECEMBER 31, 2018 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	AS REPORTED	ADJUSTMENTS	AMOUNTS WITHOUT ADOPTION OF IFRS 15
Revenues	(c)	$ 10,084,006	$ (204,289)	$ 9,879,717
Direct cost of activities	(d)	(9,521,611)	(6,021)	(9,527,632)
Impairment loss arising from expected credit losses	(e)	(1,349)	–	(1,349)
Income taxes	(b)	11,545	21,210	32,755
Impairment of goodwill		(1,240,415)	–	(1,240,415)
Others		(648,471)	–	(648,471)
Net loss		**$ (1,316,295)**	**$ (189,100)**	**$ (1,505,395)**
Total comprehensive loss		**$ (1,052,605)**	**$ (176,641)**	**$ (1,229,246)**

a. Under IAS 11, contract-related assets and liabilities were accounted for in separate accounts on the Company's statement of financial position, namely contracts in progress, downpayments on contracts and certain other balances included in other current financial assets and other current financial liabilities. As such, no amount would have been reported as contract assets and contract liabilities under IAS 11.

b. The deferred income tax impact of the changes between IFRS 15 and IAS 11 is presented as a change in income tax expense, as well as a change in either deferred income tax asset or deferred income tax liabilities, as applicable.

c. Revenues reported under IAS 11 would have been different from revenues reported under IFRS 15 based on mainly three differences:

- Revenue from certain unsigned change orders and claims recognized under IAS 11 was reversed as at January 1, 2018 given the higher level of probability required by IFRS 15 that such revenue will be realized by the Company once the related uncertainty is subsequently resolved. While the Company recognized a portion of such revenue in 2018 under IFRS 15 upon reaching the required level of probability, revenue from some other change orders and claims was not recognized under IFRS 15 in 2018 because it was not meeting the adequate level of probability, but could have been recognized under IAS 11.
- Revenue from certain contracts recognized under IAS 11 was reversed as at January 1, 2018 due to the need to obtain formal purchase orders or work orders prior to including anticipated revenue in the amount of transaction price under IFRS 15. While the Company recognized a portion of such revenue in 2018 after obtaining formal purchase orders or work orders, such revenue would not have been recognized again in 2018 under IAS 11.
- Revenue being recognized over time has been adjusted to consider the way revenue was determined when using the stage of completion method under IAS 11, which was different than under IFRS 15 for certain items, such as for assurance-type warranty costs and certain other project costs that are not contributing to the transfer of control of the goods or services to the customer.

d. The change in direct costs of activities reflects mainly the treatment of assurance-type warranty costs on projects for which revenue is recognized over time. Such costs are recognized as a provision under IFRS 15, while they were recognized as incurred under IAS 11.

e. The amount of impairment loss arising from expected credit losses is derived, in part, from the unreserved balance of trade receivables and contract assets. While the amount of trade receivables remained the same under IFRS 15 and IAS 11, the amount of contract asset did not exist under IAS 11 and, as such, the calculations was based on the amount of contracts in progress and certain other current financial assets for the purpose of comparing IFRS 15 and IAS 11.

ADOPTION OF AMENDMENTS TO IFRS 2

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) CHANGES IN ACCOUNTING POLICIES AND IN PRESENTATION

Segment disclosures and income statement

Effective January 1, 2018, the Company modified the presentation of its income statement by changing its definition of "direct costs of activities", which now refers to all costs, including allocation of certain costs, associated to its revenue generating activities and front-end support, whereby in the past it was substantially limited to its project-related costs. As such, this change resulted in a reclassification of $1,028.1 million from "Selling, general and administrative expenses" to "Direct cost of activities" in the year ended December 31, 2017.

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

Furthermore, the Company initiated a strategic realignment of its organizational structure aimed at integrating the Atkins business, more effectively serving its clients worldwide and strengthening its position for longer-term growth. This realignment, which became effective January 1, 2018, resulted in a change to the Company's reportable segments, which are now: i) Mining & Metallurgy; ii) Oil & Gas; iii) Nuclear; iv) Clean Power; v) Thermal Power; vi) Infrastructure; vii) Engineering, Design and Project Management ("EDPM"); and viii) Capital. See Note 4 for description of each of the segments.

In addition, concurrent to the adoption of IFRS 9, *Financial Instruments*, on January 1, 2018, the Company presents "Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss" separately in its income statement. This change resulted in a reclassification of a loss of $1.0 million for the year ended December 31, 2017 related to derivative financial instruments used by the Company to limit its exposure to the variability of its share unit plans' liabilities from "Corporate selling, general and administrative expenses" to "Gain (loss) arising on financial assets at fair value through profit or loss".

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

D) STANDARD, INTERPRETATION AND AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following standard has been issued and will be applied by the Company for its annual periods beginning on January 1, 2019 and thereafter:

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

The following amendments to standards and interpretation have been issued and will be applied by the Company for its annual periods beginning on January 1, 2019 and thereafter:

- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.
- Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*, sets out how to determine the accounting for tax positions when there is uncertainty over the income tax treatment. The interpretation requires an entity to: i) determine whether uncertain tax positions are assessed separately or as a group; and ii) assess whether it is probable that a tax authority will accept an uncertain tax treatment as filed, or proposed to be filed, by an entity in its tax filings.

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2020 and thereafter, with an earlier application permitted:

- Amendments to IFRS 3, *Business Combinations*, improve the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.
- *Definition of Material* (Amendments to IAS 1, *Presentation of Financial Statements*, ["IAS 1"] and to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ["IAS 8"]) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

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

Considerations for the Implementation of IFRS 16

IFRS 16 introduces a single lease accounting model for lessees which will result in the recognition of a right-of-use asset, as well as a lease liability reflecting the present value of future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expenses that were recognized under IAS 17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 can be applied using one of the following two methods: i) retrospectively to each prior reporting period presented applying IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; or ii) retrospectively with the cumulative effect of initially applying IFRS 16 recognized in retained earnings at the date of initial application (the "Modified Retrospective Method"). The Company has elected to apply IFRS 16 using the Modified Retrospective Method. Under this method, the lessee can elect, on a lease-by-lease basis, to measure the right-of-use asset based on two methodologies. The first methodology consists of recognizing a right-of-use asset at a value equal to the lease liability, adjusted for the amount of prepaid or accrued lease payments, at the date of transition. The second methodology consists of measuring the right-of-use asset at the date of transition as if IFRS 16 had been applied since the commencement date of the lease, but discounted using a rate at the date of initial application. In any event, the cumulative effect of initially applying IFRS 16, if any, will be recognized in retained earnings at January 1, 2019.

The implementation of IFRS 16 allows for certain optional practical expedients and optional exemptions at the date of initial application, such as the main options summarized in the following table:

OPTIONAL PRACTICAL EXPEDIENT OR EXEMPTION	BASIS FOR APPLICATION	COMPANY'S ELECTION AT THE DATE OF INITIAL APPLICATION
No reassessment on whether a contract is, or contains, a lease, based on current standards	All leases	Will use such practical expedient
Use of the same discount rate for a portfolio of leases with similar characteristics	By portfolio of leases	Will use such practical expedient when possible
Use of onerous lease provision instead of impairment review on the right-of-use asset	Lease by lease	Will apply to all leases when possible
Exemption from recognizing a right-of-use asset and a lease liability when the lease term ends within 12 months of the date of initial application	Lease by lease	Will apply to most leases of equipment Will not apply to most of office real estate leases
Exemption from recognizing a right-of-use asset and a lease liability when the underlying asset is of low value	Lease by lease	Will not recognize a right-of-use asset and a lease liability when the underlying asset is of low value
Exemption from recognizing a right-of-use asset and a lease liability when the lease is short term	By class of underlying asset	Will apply to all leases, except for office real estate leases
Exclude initial direct costs from the measurement of the right-of-use asset on transition, when such asset is not deemed to be equal to the lease liability at the date of initial application	Lease by lease	Will apply to all leases for which the right-of-use asset is not deemed equal to the lease liability at the date of initial application
Use of hindsight for lease terms for the measurement of the right-of-use asset on transition, when such asset is not deemed to be equal to the lease liability at the date of initial application	Lease by lease	Will apply to all leases for which the right-of-use asset is not deemed equal to the lease liability at the date of initial application

The adoption of IFRS 16 requires the exercise of judgment and the use of assumptions, such as determining if an option to renew or terminate a lease is reasonably certain, determining the discount rate or determining if a lease modification should be accounted as a new lease or not.

The Company expects that the adoption of IFRS 16 will result in a material increase to its assets and liabilities through the recognition of right-of-use assets and lease liabilities. At this stage of the implementation of IFRS 16, the Company is still quantifying the impact on its assets and estimates that the increase of liabilities should represent approximately $0.6 billion, excluding any potential tax impact. Such impact on the Company's liabilities is, however, subject to change by the time implementation is completed.

While the quantification of the impact is still to be finalized, the implementation of changes to certain processes and certain internal controls, as well as the implementation of a new lease management and accounting system, are substantially completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other 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 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.

Acquisition-related 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 is obtained.

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 appropriate 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 procedures described above, Canadian and foreign operations produce 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 appropriate 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

POLICY APPLICABLE FROM JANUARY 1, 2018

REVENUES FROM E&C

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

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

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

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

The Company accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a separate contract when the remaining goods or services to be delivered after the modification are distinct from those delivered prior to the modification and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling price of the additional promised good or services. When the contract modification is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification.

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

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

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

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

POLICY APPLICABLE BEFORE JANUARY 1, 2018

REVENUES FROM E&C

Revenues from E&C were recognized based on the nature of the contract, which were 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) were recognized as costs were incurred, and included applicable margin earned as services were provided. Revenues from **fixed-price contracts** and **unit-rate contracts** were recognized on the stage of completion basis over the duration of the contract, which consisted 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) were also recognized based on the stage of completion method. The stage of completion was 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 was recognized on a straight-line basis over the term of the contract, while the revenues from the cost-reimbursable portion were recognized as costs were incurred.

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 were recognized in the period in which the revisions were identified. SNC-Lavalin had numerous contracts that were in various stages of completion. Estimates were required to determine the appropriate anticipated costs and revenues. Anticipated revenues on contracts included future revenues from unapproved change orders, if such additional revenues could be reliably estimated and it was considered probable that they will be recovered. Also, anticipated revenues on contracts included future revenues from claims, if negotiations have reached an advanced stage such that it was probable that the customer will accept the claim and the amount that it was probable will be accepted by the customer could be measured reliably. Anticipated revenues on contracts also included estimated volume of work, notably for unit-rate contracts. Revenues from performance incentives were recognized when specific indicators have been met and collection was reasonably assured.

In the event that the total anticipated costs exceeded the total anticipated revenues on a contract, such loss was recognized in its entirety in the period it became known.

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

POLICY APPLICABLE BEFORE AND AFTER JANUARY 1, 2018

REVENUES FROM CAPITAL INVESTMENTS

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

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

H) FINANCIAL INSTRUMENTS

POLICY APPLICABLE FROM JANUARY 1, 2018

FINANCIAL ASSETS AND LIABILITIES

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

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

Impairment of assets subsequently measured at amortized cost

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

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

Write-off

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

POLICY APPLICABLE BEFORE JANUARY 1, 2018

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 was based on their classification, which was 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 was no active market, fair value was determined using valuation techniques. Where fair value could not be reliably measured, assets were carried at cost.	Investment income, which includes interest, dividends and distributions, were recognized in net income. Gains/losses from revaluation were recognized in other comprehensive income until assets were disposed of or impaired, at which time the gains/losses were 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		

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, were assessed for indicators of impairment at the end of each reporting period. Financial assets were considered to be impaired when there was 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 was 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 was reduced with the amount of the loss recognized in net income.

When an available-for-sale financial asset was considered to be impaired, the cumulative gains or losses previously recognized in other comprehensive income were reclassified to net income. For available-for-sale equity instruments, impairment losses previously recognized in net income were not reversed through net income. Any increase in fair value subsequent to an impairment was recognized in other comprehensive income. For available-for-sale debt securities, impairment losses were subsequently reversed through net income if an increase in fair value of the investment could be objectively related to an event occurring after the recognition of the impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POLICY APPLICABLE BEFORE AND AFTER JANUARY 1, 2018

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 in 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.

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 such activities under a service concession arrangement are recognized based on the Company's accounting policy on recognizing revenue (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)		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)		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 stand-alone selling price of the activity delivered.

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.

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". Restricted cash is designated as FVTPL and accounted for at fair value.

L) CONTRACTS IN PROGRESS – POLICY APPLICABLE BEFORE JANUARY 1, 2018

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

If progress billings for a given project exceeded costs incurred plus recognized profits, then the difference was 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	10 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 business combinations are primarily:

CATEGORY	AMORTIZATION METHOD	AMORTIZATION PERIOD
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 and 10 years
Trademarks	Straight-line	4 to 8 years

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 – POLICY APPLICABLE BEFORE JANUARY 1, 2018

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

T) DEFERRED REVENUE – POLICY APPLICABLE BEFORE JANUARY 1, 2018

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

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 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, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

Defined benefit pension plans, other long-term benefits 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 defined benefit liability or asset.

W) 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.

X) 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 2017 Performance Share Unit plan ("2017 PSU plan"), 2014 Performance Share Unit plan ("2014 PSU plan"), Restricted Share Unit plan ("RSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share unit plans". 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. From January 1, 2018, the fair value of the grants of share units is expensed in the income statement on a straight-line basis over the vesting period, based on the Company's estimate of share units that will eventually vest (see note 2B).

Y) 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.

Z) 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.

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 IFRS 9, *Financial Instruments*, 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.

AA) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Finance leases

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between financial expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expenses are recognized immediately in net income, unless they are directly attributable to qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, in which case they are capitalized to the cost of those assets. Contingent rentals, if any, are recognized as expenses in the periods in which they are incurred.

BB) SALE AND LEASE BACK TRANSACTIONS

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

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

Where a leaseback transaction results in an operating lease:

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

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.

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

Revenue recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a point in time) for each performance obligation and the measure of progress for performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require the exercise of judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Company to estimate an amount of variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Company needs to constraint the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of variable consideration may vary significantly over time. Such estimated amount of variable consideration then needs to be updated at the end of each reporting period.

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

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 recoverable amount of the CGU or group of CGU. Such recoverable amount corresponds, for the purpose of impairment assessment, to the higher of the value in use or the fair value less costs of disposal 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.

When using the value in use approach, cash flows for each CGU or group of CGU are derived from the budget for the upcoming year, which is approved on an annual basis by members of the Company's Board of Directors, and a long-term forecast prepared by management, which covers an additional period from 3 to 5 years. Cash flows beyond the long-term forecast are extrapolated using a growth rate estimated by management. 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.

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

When the fair value less costs of disposal approach is used, the fair value is derived from a market multiple approach. Under this approach, transaction multiples are applied to such CGU's future results, mainly EBIT and earnings before interest, income taxes, depreciation and amortization. The key assumptions required for the fair value less costs of disposal are the future results of the CGU or group of CGU, the multiples being used and the costs of disposal.

Future results for each CGU or group of CGU are derived from the budget for the upcoming year. Transaction multiples are derived from observable market value of comparable publicly traded companies or fair value observed from recent acquisitions or disposals of businesses that are comparable to the CGU or group of CGU. Costs of disposal, which usually corresponds to a percentage of the fair value of the CGU or group of CGU, are estimated based on historical transactions of the Company or on input from recent transactions.

For both the value in use and the fair value less costs of disposal approaches, the values assigned to key assumptions reflect past experience and external sources of information that are deemed accurate and reliable. The value in use and the fair value are categorized as Level 3 in the fair value hierarchy described under IFRS 13, *Fair Value Measurement*, as one or more key assumption used is based on unobservable data requiring the use of judgement.

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.

Measurement of retirement benefit obligations, other long-term benefit and other post-employment benefit obligations

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans, other long-term benefits 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.

October 26, 2018 U.K. High Court ruling

As at December 31, 2018, SNC-Lavalin has certain defined benefit pension plans in United Kingdom ("U.K.") that are subject to guaranteed minimum pension ("GMP") accruals. An October 26, 2018 U.K. High Court ruling resulted in a higher pension obligation for SNC-Lavalin since the judgment: (i) requires plans to amend their pension formula to equalize benefits for men and women to adjust for the unequal results produce by the GMP between May 1990 and April 1997; (ii) provides permissible equalization methods under the law and allows the plan sponsors to use the lowest cost method; and (iii) requires plans to make back payments subject to plan rule limitations, with interest applied at one percentage point over the Bank of England base rate.

Whilst the judgment has put forward a range of possible approaches that could be adopted to equalize GMPs, it left it up to individual pension plan trustees and employers to determine their preferred approach. SNC-Lavalin expects that it will take time for trustees and employers to decide on the approach for GMP equalization, gather data for plan participants, calculate the new benefit and cost, and ultimately make payments to members.

As per its preliminary assessment, SNC-Lavalin recognized $25.1 million as past service cost in its consolidated income statement for the year ended December 31, 2018.

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.

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

Contingent liabilities

As described in more detail in Note 35, 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 2017 PSU plan and 2014 PSU plan 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 2017 performance share units 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 data is not readily 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.

Identification of functional currency

The functional currency for each subsidiary, joint operation, joint venture and associate, is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment and other entities may make different judgments based on similar facts. SNC-Lavalin reconsiders the functional currency of its businesses if there is a change in the underlying transactions, events or conditions which determine their primary economic environment.

The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortization of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement and in equity.

4. SEGMENT DISCLOSURES

SNC-Lavalin's reportable segments are i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Nuclear**; iv) **Clean Power**; v) **Thermal Power**; vi) **Infrastructure**; vii) **Engineering, Design and Project Management** ("**EDPM**"); and viii) **Capital**.

The description of each of the 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, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects. However, as announced by the Company in February 2019, Mining & Metallurgy will cease to bid on EPC fixed-price contracts going forward.

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

Nuclear supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

Clean Power combines the Company's established leadership in hydro, transmission and distribution and extensive renewable energy capabilities, including in energy storage, providing fully integrated life-of-asset services capabilities.

Thermal Power includes projects in thermal power generation, a market that the Company has exited in 2018.

Infrastructure provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects.

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

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.

As disclosed in Note 2C, the Company modified the definition of segment EBIT, its measure of profit or loss for its reportable segments, to include an additional allocation of certain corporate selling, general and administrative expenses, whereas in the past it only included corporate selling, general and administrative expenses that were directly related to projects or segments. The additional costs that are being allocated to the segment EBIT are mainly related to information technology and to employee benefits and incentives.

Also, as disclosed in Note 2C, the Company initiated a strategic realignment of its organizational structure aimed at integrating the Atkins business, more effectively serving its clients worldwide and strengthening its position for longer-term growth. This realignment, which became effective January 1, 2018, resulted in a change to the Company's reportable segments, which are now: i) Mining & Metallurgy; ii) Oil & Gas; iii) Nuclear; iv) Clean Power; v) Thermal Power; vi) Infrastructure; vii) Engineering, Design and Project Management; and viii) Capital.

4. SEGMENT DISCLOSURES (CONTINUED)

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 Total segment EBIT (see Note 2C) less i) directly related selling, general and administrative expenses; ii) corporate selling, general and administrative expenses that are directly and indirectly related to projects or segments; and iii) non-controlling interests before income taxes. Corporate selling, general and administrative expenses that are not directly or indirectly related to projects or segments, impairment losses arising from expected credit losses, gains (losses) arising on financial assets (liabilities) at fair value through profit or loss, net 2012 class action lawsuits settlement expense and related legal costs, restructuring costs, goodwill impairment, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, gains (losses) from disposal(s) of E&C businesses and gain on disposal of the head office building 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.

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

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the year ended December 31, 2018:

YEAR ENDED DECEMBER 31	2018			
		SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy [1]	$ 475,393	$ (345,640)	$ –	$ (345,640)
Oil & Gas	2,525,971	96,737	–	96,737
Nuclear	932,616	146,201		146,201
Clean Power	377,178	17,204	–	17,204
Thermal Power	66,380	(29,481)		(29,481)
Infrastructure	2,226,821	107,227	–	107,227
EDPM	3,214,990	345,407	–	345,407
Total E&C segments	9,819,349	337,655	–	337,655
Capital	264,657	–	225,024	225,024
	$10,084,006			562,679
Reversal of non-controlling interests before income taxes included above		(284)	–	(284)
Total segment EBIT		337,371	225,024	562,395
Corporate selling, general and administrative expenses and others not allocated to the segments [2]		(93,588)	(27,706)	(121,294)
Impairment loss arising from expected credit losses		(1,349)	–	(1,349)
Loss arising on financial assets (liabilities) at fair value through profit or loss		(6,938)	(489)	(7,427)
Net 2012 class action lawsuits settlement expense and related legal costs (Note 35B)		(89,443)	–	(89,443)
Restructuring costs (Note 28)		(68,312)	(279)	(68,591)
Amortization of intangible assets related to business combinations (Note 17)		(206,471)	–	(206,471)
Acquisition-related costs and integration costs (Note 6D)		(54,878)	–	(54,878)
Gain on disposals/partial disposals of Capital investments (Note 5A)		–	67,552	67,552
Loss from disposals of E&C businesses (Note 7)		(474)	–	(474)
Impairment of goodwill (Note 16)		(1,240,415)	–	(1,240,415)
EBIT		(1,424,497)	264,102	(1,160,395)
Net financial expenses (Note 29)		155,986	11,459	167,445
Earnings (loss) before income taxes		(1,580,483)	252,643	(1,327,840)
Income taxes (Note 31B)		(18,100)	6,555	(11,545)
Net income (loss)		$ (1,562,383)	$ 246,088	$ (1,316,295)
Net income (loss) attributable to:				
SNC-Lavalin shareholders				$ (1,316,898)
Non-controlling interests				603
Net loss				$ (1,316,295)

[1] The negative segment EBIT of $345.6 million is primarily due to the under-performance of a major EPC project mainly due to the fact that the Company did not reach the required level of agreement with the client in order to meet the IFRS 15 conditions for revenue recognition, as well as substantial negative cost reforcast in the fourth quarter of 2018 required to deliver this project to completion.

[2] Includes $25.1 million of past service cost related to guaranteed minimum pension arising from October 26, 2018 U.K. High Court ruling (see Note 3).

4. SEGMENT DISCLOSURES (CONTINUED)

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

YEAR ENDED DECEMBER 31	2017 [1]			
		SEGMENT EBIT		
	REVENUES	E&C	CAPITAL	TOTAL
Mining & Metallurgy	$ 432,804	$ 15,929	$ –	$ 15,929
Oil & Gas	3,449,135	235,571	–	235,571
Nuclear	765,443	136,209	–	136,209
Clean Power	456,734	58,234	–	58,234
Thermal Power	332,024	(106,986)	–	(106,986)
Infrastructure	1,968,667	128,564	–	128,564
EDPM	1,691,908	184,868	–	184,868
Total E&C segments	9,096,715	652,389	–	652,389
Capital	238,003	–	212,872	212,872
	$ 9,334,718			865,261
Reversal of non-controlling interests before income taxes included above		1,116	–	1,116
Total segment EBIT		653,505	212,872	866,377
Corporate selling, general and administrative expenses and others not allocated to the segments		(105,206)	(25,400)	(130,606)
Loss arising on financial assets at fair value through profit or loss		(1,017)	–	(1,017)
Restructuring costs (Note 28)		(26,363)	–	(26,363)
Amortization of intangible assets related to business combinations (Note 17)		(138,892)	–	(138,892)
Acquisition-related costs and integration costs (Note 6D)		(124,300)	–	(124,300)
Gain on disposals/partial disposals of Capital investments (Note 5A)		–	42,078	42,078
Gain from disposals of E&C businesses (Note 7)		999	–	999
Gain on disposal of the head office building (Note 15)		115,101	–	115,101
EBIT		373,827	229,550	603,377
Net financial expenses (Note 29)		107,830	10,014	117,844
Earnings before income taxes		265,997	219,536	485,533
Income taxes (Note 31B)		88,886	13,496	102,382
Net income		$ 177,111	$ 206,040	$ 383,151
Net income attributable to:				
SNC-Lavalin shareholders				$ 382,035
Non-controlling interests				1,116
Net income				$ 383,151

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

4. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below supplementary information such as its net income (loss) 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 (loss) attributable to SNC-Lavalin shareholders between various components.

YEARS ENDED DECEMBER 31	2018	2017
Supplementary information:		
Net gain (loss) from disposals of E&C businesses (Note 7)	**$ (474)**	$ 850
Net gain on disposal of the head office building (Note 15)	**–**	101,531
Net 2012 class action lawsuits settlement expense and related legal costs, after income taxes (Note 35B)	**(65,740)**	–
Impairment of goodwill (Note 16)	**(1,240,415)**	–
Excluding the items listed above	**(256,357)**	73,614
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**(1,562,986)**	175,995
Net gain on disposals/partial disposals of Capital investments (Note 5A)	**59,823**	35,007
Highway 407 ETR dividends	**154,324**	141,718
Excluding the items listed above	**31,941**	29,315
Net income attributable to SNC-Lavalin shareholders from Capital	**246,088**	206,040
Net income (loss) attributable to SNC-Lavalin shareholders	**$ (1,316,898)**	$ 382,035

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 2018	DECEMBER 31 2017
Property, equipment, goodwill and intangible assets [1]		
Canada	**$ 349,347**	$ 331,049
Outside Canada	**6,423,581**	7,496,365
	$ 6,772,928	$ 7,827,414

[1] All related to E&C activities

The following table presents revenues by geographic area according to project location for the year ended December 31, 2018:

YEAR ENDED DECEMBER 31	2018		
Revenues by geographic area [2]	ENGINEERING AND CONSTRUCTION	CAPITAL INVESTMENTS	TOTAL
Americas:			
Canada	**$ 2,711,355**	**$ 251,200**	**$ 2,962,555**
United States	**1,663,622**	**1,940**	**1,665,562**
Latin America	**302,412**	**–**	**302,412**
Middle East and Africa:			
Saudi Arabia	**1,020,724**	**–**	**1,020,724**
Other Middle East countries	**962,457**	**–**	**962,457**
Africa	**457,609**	**11,517**	**469,126**
Asia Pacific:			
Australia	**511,288**	**–**	**511,288**
Other	**227,630**	**–**	**227,630**
Europe:			
United Kingdom	**1,658,422**	**–**	**1,658,422**
Other	**303,830**	**–**	**303,830**
	$ 9,819,349	**$ 264,657**	**$ 10,084,006**

[2] In 2018, Canada, the United States, Saudi Arabia and the United Kingdom were the only countries where the Company derived more than 10% of its revenues.

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues by geographic area according to project location for the year ended December 31, 2017:

YEAR ENDED DECEMBER 31	2017		
Revenues by geographic area [1]	ENGINEERING AND CONSTRUCTION	CAPITAL INVESTMENTS	TOTAL
Americas:			
Canada	$ 2,705,956	$ 232,749	$ 2,938,705
United States	1,550,756	2,628	1,553,384
Latin America	341,586	–	341,586
Middle East and Africa:			
Saudi Arabia	992,933	–	992,933
Other Middle East countries	638,827	–	638,827
Africa	450,829	2,626	453,455
Asia Pacific:			
Australia	1,173,529	–	1,173,529
Other	152,385	–	152,385
Europe:			
United Kingdom	885,106	–	885,106
Other	204,808	–	204,808
	$ 9,096,715	$ 238,003	$ 9,334,718

(1) In 2017, Canada, Australia, the United States and Saudi Arabia were the only countries 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, public service buildings, highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12") are all accounted for under the financial asset model.

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN 2018

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

On June 28, 2018, SNC-Lavalin announced that it has finalized the transfer of its investment in McGill Healthcare Infrastructure Group ("MHIG") and its holding company to SNC-Lavalin Infrastructure Partners LP (the "SNCL IP Partnership").

Net gain on disposal of MHIG

YEAR ENDED DECEMBER 31	2018
Consideration received in cash	$ 92,214
Consideration received in equity instruments of the SNCL IP Partnership	23,054
Total consideration received	115,268
Net assets disposed of [2]	(50,792)
Disposition-related costs	(1,762)
Gain on disposal of MHIG	**62,714**
Income taxes	(4,311)
Net gain on disposal of MHIG	**$ 58,403**

(2) Net assets disposed of mainly included a loan receivable of $88.9 million, a Capital investment accounted for by the equity method of $17.5 million, a deferred income tax liability of $59.3 million and other current net assets of $3.7 million.

5. CAPITAL INVESTMENTS (CONTINUED)

ASTORIA PROJECT PARTNERS II LLC

On August 28, 2018, SNC-Lavalin announced that it has reached an agreement to sell its ownership interest in Astoria Project Partners II LLC ("Astoria II"), the legal entity that owns and operates the Astoria II power plant in New York City. The purchaser, NM Harbert Astoria LLC, is a limited liability company, owned by affiliates of Northwestern Mutual and Harbert Management Corporation. On October 24, 2018, SNC-Lavalin completed the sale of its ownership interest in Astoria II.

Net gain on disposal of Astoria II

YEAR ENDED DECEMBER 31		2018
Consideration received in cash	$	51,336
Deferred sale proceeds		2,742
Total consideration received		54,078
Net assets disposed of [1]		(48,403)
Cumulative amount of exchange differences on translating foreign operations reclassified from equity		(678)
Disposition-related costs		(159)
Gain on disposal of Astoria II		**4,838**
Income taxes		(3,418)
Net gain on disposal of Astoria II	**$**	**1,420**

[1] Net assets disposed of included a Capital investment accounted for by the cost method of $54.8 million and a deferred income tax liability of $6.4 million.

For the year ended December 31, 2018, the gain on disposals of Capital investments is presented in the Company's consolidated income statement as follows:

YEAR ENDED DECEMBER 31	2018		
	BEFORE TAXES	INCOME TAXES	NET OF TAXES
Gain on disposal of MHIG	$ 62,714	$ (4,311)	$ 58,403
Gain on disposal of Astoria II	4,838	(3,418)	1,420
Gain on disposals of Capital investments	**$ 67,552**	**$ (7,729)**	**$ 59,823**

II) IN 2017

SNC-LAVALIN INFRASTRUCTURE PARTNERS LP

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

On September 28, 2017, BBGI subscribed to units of the SNCL IP Partnership in an amount equal to 80% of the value of the following four assets: Okanagan Lake Concession Limited Partnership, InTransit BC Limited Partnership, Chinook Roads Partnership and Rainbow Hospital Partnership and contemporaneously SNC-Lavalin transferred to the SNCL IP Partnership all of its ownership in the four assets. A fifth asset, McGill Healthcare Infrastructure Group, G.P., was transferred to the SNCL IP Partnership on June 28, 2018, as mentioned above.

Net gain on partial disposal of the SNCL IP Partnership

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

5. CAPITAL INVESTMENTS (CONTINUED)

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

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

Net cash inflow on partial disposal of the SNCL IP Partnership

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

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

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

Gain on equity transaction of MHIG

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

Gain on Subordinated Loan transaction

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

5. CAPITAL INVESTMENTS (CONTINUED)

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

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

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 2018	DECEMBER 31 2017
Net assets (liabilities) from Capital investments accounted for by the consolidation method	**$ 1,200**	$ (36,099)
Net book value of Capital investments accounted for by the equity method [1]	**357,249**	296,664
Net book value of Capital investments accounted for by the cost method	**10,663**	55,614
Total net book value of Capital investments	**$ 369,112**	$ 316,179

[1] Includes the Company's investment in Highway 407 ETR, for which the net book value was $nil as at December 31, 2018 and 2017.

I) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE CONSOLIDATION METHOD

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

					OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	**DECEMBER 31 2018**	DECEMBER 31 2017
InPower BC General Partnership	John Hart Generating Replacement Facility (under construction)	Yes	2033	Canada	**100.0%**	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:

					OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	**DECEMBER 31 2018**	DECEMBER 31 2017
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%
Crosslinx Transit Solutions General Partnership ("Eglinton Crosstown")	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	**25.0%**	25.0%
McGill Healthcare Infrastructure Group	McGill University Health Centre – Glen Campus under a 34-year concession agreement	Yes	2044	Canada	**–**	50.0%
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] ("TC Dôme")	5.3-km electric cog railway	Yes	2043	France	**51.0%**	51.0%
Associates:						
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%
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%
SNC-Lavalin Infrastructure Partners LP	Holding interests in mature Capital investments	No	N/A	Canada	**20.0%**	20.0%

(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 TC Dôme is more than 50%, the Company does not exercise control 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, 2018	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	**$ 1,390,314**	**$ 1,899,232**	**$ 3,289,546**
Interest income (at 100%)	**$ 19,786**	**$ 9,624**	**$ 29,410**
Interest expense (at 100%)	**$ 390,008**	**$ 119,803**	**$ 509,811**
Depreciation and amortization (at 100%)	**$ 107,348**	**$ –**	**$ 107,348**
Income tax expense (at 100%)	**$ 194,044**	**$ 4**	**$ 194,048**

YEAR ENDED DECEMBER 31, 2017	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	$ 1,267,673	$ 2,170,740	$ 3,438,413
Interest income (at 100%)	$ 15,693	$ 3,758	$ 19,451
Interest expense (at 100%)	$ 372,027	$ 150,939	$ 522,966
Depreciation and amortization (at 100%)	$ 105,854	$ 67	$ 105,921
Income tax expense (at 100%)	$ 169,456	$ 5	$ 169,461

YEAR ENDED DECEMBER 31, 2018	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	**$ 538,888**	**$ 79,786**	**$ 618,674**
Other comprehensive loss (at 100%)	**(755)**	**(3,100)**	**(3,855)**
Total comprehensive income (at 100%)	**$ 538,133**	**$ 76,686**	**$ 614,819**

YEAR ENDED DECEMBER 31, 2017	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	$ 470,153	$ 62,237	$ 532,390
Other comprehensive income (loss) (at 100%)	(733)	21,757	21,024
Total comprehensive income (at 100%)	$ 469,420	$ 83,994	$ 553,414

YEARS ENDED DECEMBER 31	**2018**	2017
Company's share of net income of Capital investments based on its ownership interest [1]	**$ 122,878**	$ 104,367
Company's net income from Capital investments included in its income statement [1]	**$ 188,345**	$ 169,881

[1] See Note 1 on the following page

5. CAPITAL INVESTMENTS (CONTINUED)

DECEMBER 31, 2018	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	**$ 308,156**	**$ 7,225**	**$ 315,381**
Other current assets (at 100%)	**483,441**	**380,000**	**863,441**
Non-current assets (at 100%)	**4,469,457**	**3,594,777**	**8,064,234**
Total assets (at 100%)	**5,261,054**	**3,982,002**	**9,243,056**
Trade payables (at 100%)	**57,700**	**38,053**	**95,753**
Other current financial liabilities (at 100%)	**104,566**	**450,367**	**554,933**
Other current non-financial liabilities (at 100%)	**47,065**	**–**	**47,065**
Other non-current financial liabilities (at 100%)	**8,350,991**	**3,245,870**	**11,596,861**
Other non-current non-financial liabilities (at 100%)	**513,529**	**884**	**514,413**
Total liabilities (at 100%)	**9,073,851**	**3,735,174**	**12,809,025**
Net assets (liabilities) (at 100%)	**$ (3,812,797)**	**$ 246,828**	**$ (3,565,969)**
Company's carrying value of Capital investments included in its statement of financial position [1]	**$ –**	**$ 192,474**	**$ 192,474**

DECEMBER 31, 2017	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	$ 763,144	$ 4,726	$ 767,870
Other current assets (at 100%)	455,874	122,459	578,333
Non-current assets (at 100%)	4,409,051	3,645,862	8,054,913
Total assets (at 100%)	5,628,069	3,773,047	9,401,116
Trade payables (at 100%)	85,917	35,474	121,391
Other current financial liabilities (at 100%)	523,922	243,761	767,683
Other current non-financial liabilities (at 100%)	88,200	2,580	90,780
Other non-current financial liabilities (at 100%)	7,855,082	3,313,623	11,168,705
Other non-current non-financial liabilities (at 100%)	509,793	1,713	511,506
Total liabilities (at 100%)	9,062,914	3,597,151	12,660,065
Net assets (liabilities) (at 100%)	$ (3,434,845)	$ 175,896	$ (3,258,949)
Company's carrying value of Capital investments included in its statement of financial position [1]	$ –	$ 163,017	$ 163,017

[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 a Capital investment 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 $154.3 million in 2018 (2017: $141.7 million) and did not recognize its share of Highway 407 ETR's net income of $90.4 million (2017: $78.9 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was $nil at December 31, 2018 and 2017. 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 $642.0 million as at December 31, 2018 (2017: $577.9 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:

YEARS ENDED DECEMBER 31	2018	2017
Statements of comprehensive income		
Revenues (at 100%)	**$ 250,223**	$ 280,838
Expenses (at 100%)	**180,969**	226,533
Net income (at 100%)	**69,254**	54,305
Other comprehensive income (loss) (at 100%)	**–**	(3,727)
Total comprehensive income (at 100%)	**$ 69,254**	$ 50,578
Company's share of net income of Capital investments based on its ownership interest	**$ 15,742**	$ 14,938
Company's share of net income from Capital investments included in its income statement	**$ 15,742**	$ 14,938

	DECEMBER 31 2018	DECEMBER 31 2017
Statements of financial position		
Current assets (at 100%)	**$ 369,711**	$ 362,290
Non-current assets (at 100%)	**729,648**	626,411
Total assets (at 100%)	**1,099,359**	988,701
Current liabilities (at 100%)	**157,761**	154,580
Non-current liabilities (at 100%)	**339,562**	369,618
Total liabilities (at 100%)	**497,323**	524,198
Net assets (at 100%)	**$ 602,036**	$ 464,503
Company's carrying value of Capital investments included in its statement of financial position	**$ 164,775**	$ 133,647

III) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE COST METHOD

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

			OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	LOCATION	DECEMBER 31 2018	DECEMBER 31 2017
Astoria Project Partners II LLC [1]	550 MW natural-gas power plant	U.S.A.	–	6.2%
Carlyle Global Infrastructure Opportunity Fund, L.P. [2]	Holding investments in infrastructure projects related to energy, power and other natural resources	U.S.A.	**8.1%**	–
Highway Concessions One Private Limited [2]	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	India	**10.0%**	10.0%

(1) Included in the measurement category of "at fair value through profit or loss"

(2) Included in the measurement category of "at fair value through other comprehensive income"

The investments in Carlyle Global Infrastructure Opportunity Fund, L.P. and in Highway Concession One Private Limited are designated to be measured at fair value through other comprehensive income to avoid the variability of the Company's net income in the future periods.

For the years ended December 31, 2018 and 2017, the Company's consolidated income includes revenues of $1.9 million and $2.6 million, 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, 2018 and 2017:

	2018	2017
Commitments to invest in Capital investments – January 1	**$ 98,050**	$ 98,050
Increase in commitments to invest in Capital investments	**10,262**	–
Payments for Capital investments during the year	–	–
Commitments to invest in Capital investments – December 31	**$ 108,312**	$ 98,050

At December 31, 2018, the commitments to invest in Capital investments were related to contributions for Rideau, SSL, Eglinton Crosstown and Carlyle Global Infrastructure Opportunity Fund, L.P. (2017: Rideau, SSL and Eglinton Crosstown) and were presented as "Other current financial liabilities" (see Note 20) 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, 2018, the accounting conditions required to recognize a liability of US$7.5 million (approximately CA$10.3 million) in relation to this agreement have been met (2017: $nil).

6. BUSINESS COMBINATIONS

A) LINXON PVT LTD

On September 1, 2018, SNC-Lavalin acquired from a subsidiary of ABB Ltd ("ABB") a 51% ownership interest in Linxon Pvt Ltd ("Linxon"), incorporated under the laws of England and Wales, for the execution of turnkey electrical substation projects. Turnkey solutions include project design, engineering, procurement, construction, management, commissioning and after-sales support. The primary reason for this business combination was to combine ABB's technology leadership with SNC-Lavalin's expertise in managing projects to deliver enhanced customer value.

The acquisition of Linxon by SNC-Lavalin has been accounted for using the acquisition method and Linxon has been consolidated from the effective date of acquisition, which is September 1, 2018, with a non-controlling interest of 49%.

FAIR VALUE OF NET IDENTIFIABLE ASSETS (LIABILITIES) OF BUSINESS ACQUIRED

AT SEPTEMBER 1, 2018	PRELIMINARY ALLOCATION	ADJUSTMENTS	REVISED PRELIMINARY ALLOCATION
Cash	**$ 8,314**	**$ –**	**$ 8,314**
Trade receivables [1]	**9,398**	**–**	**9,398**
Contract assets	**14,208**	**–**	**14,208**
Other current and non-current assets	**9,919**	**5,216**	**15,135**
Trade payables	**(30,403)**	**–**	**(30,403)**
Contract liabilities	**(9,806)**	**–**	**(9,806)**
Other current and non-current liabilities	**(5,793)**	**(248)**	**(6,041)**
Fair value of net identifiable assets (liabilities) of business acquired	**$ (4,163)**	**$ 4,968**	**$ 805**

[1] The gross contractual amounts receivable are $9.4 million of which $nil is the estimated amount at the acquisition date of the contractual cash flows not expected to be collected.

6. BUSINESS COMBINATIONS (CONTINUED)

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Linxon, it is not practical to definitively allocate the purchase price as at December 31, 2018. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation, but not later than 1 year after the acquisition date. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

GOODWILL ARISING ON THE BUSINESS COMBINATION

AT SEPTEMBER 1, 2018	PRELIMINARY ALLOCATION	ADJUSTMENTS	REVISED PRELIMINARY ALLOCATION
Contingent consideration to be transferred to seller [1]	$ 16,470	$ –	$ 16,470
Plus: Non-controlling interest of 49% [2]	(2,040)	2,434	394
Less: Fair value of net identifiable assets (liabilities) of business acquired	(4,163)	4,968	805
Goodwill and other intangible assets [3]	**$ 18,593**	**$ (2,534)**	**$ 16,059**

(1) Under the business combination arrangement, SNC-Lavalin is required to remit a portion of its future dividends distributed in cash by Linxon, if any, to ABB for a total aggregate amount of US$25 million (approximately CA$32.6 million). The range of outcome of the contingent consideration is between US$nil and US$25 million (approximately between CA$nil and CA$32.6 million). The amount of $16.5 million represents the preliminary estimated fair value of this obligation at the acquisition date, which was determined using the present value technique.

(2) The non-controlling interest recognized at the acquisition date was measured at its proportionate share of the value of net identifiable assets (liabilities) acquired.

(3) Goodwill represents the excess of the cost of acquisition and of non-controlling interest over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. The total amount of goodwill that is expected to be deductible for tax purposes is $0.3 million.

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

NET CASH INFLOW ON ACQUISITION OF LINXON

YEAR ENDED DECEMBER 31	2018
Consideration paid in cash	$ –
Less: Return of contingent consideration to be transferred to seller received in cash [4]	3,981
Less: Additional cash received after the acquisition date [5]	7,171
Less: Cash at acquisition as per above	8,314
Net cash inflow on acquisition of Linxon	**$ (19,466)**

(4) Under the business combination arrangement, ABB is required to compensate Linxon in cash an amount based on the date of transfer of certain additional assets and liabilities, up to June 30, 2019. The range of outcome of such right to a return of contingent consideration to be transferred to seller is between US$nil and US$8.3 million (approximately between CA$nil and CA$10.8 million).

(5) As per the terms of the business combination agreement between SNC-Lavalin and ABB, ABB transferred additional assets and liabilities to Linxon, including cash for a total amount of $7.2 million, after the acquisition date.

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

SNC-Lavalin's consolidated revenues and net loss attributable to SNC-Lavalin shareholders in the year ended December 31, 2018 included approximately $58.7 million of revenues and $0.1 million of net loss attributable to SNC-Lavalin shareholders from the business acquisition of Linxon completed by SNC-Lavalin on September 1, 2018. Had the acquisition of Linxon and related acquisition-related costs occurred on January 1, 2018, SNC-Lavalin pro forma consolidated revenues and net loss attributable to SNC-Lavalin shareholders would have been approximately $10,139.3 million and $1,320.3 million, respectively. These pro forma figures have been estimated based on the results of the acquired business prior to SNC-Lavalin's acquisition date and should not be viewed as indicative of SNC-Lavalin's consolidated future performance.

6. BUSINESS COMBINATIONS (CONTINUED)

B) WS ATKINS PLC

On July 3, 2017, SNC-Lavalin acquired WS Atkins Limited (previously WS Atkins plc) ("Atkins"). Headquartered in the United Kingdom, Atkins is a global design, engineering and project management consultancy, with a position across the infrastructure, transportation and energy sectors. The primary reasons for the acquisition were to bring to SNC-Lavalin new and complementary capabilities in its existing activities, with minimal overlap in its service offering, and to broaden the Company's presence in Europe, the U.K., Scandinavia, the U.S., the Middle East and Asia.

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

FINAL ALLOCATION OF PURCHASE PRICE

In 2018, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price. However, since the effect on net income was not material to the period subsequent to acquisition date, the cumulative adjustment to earnings was accounted for in 2018.

AT JULY 3, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE	NOTE	ADJUSTMENTS	FINAL ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$ 388,280		$ –	$ 388,280
Trade receivables	584,319	A	(14,780)	569,539
Contracts in progress / Contract assets	337,230	A	4,269	341,499
Other current assets	131,760	A	1,201	132,961
Other non-current assets	240,068	A	45,496	285,564
Intangible assets related to Atkins acquisition	721,756		317,283	1,039,039
Trade payables and other current liabilities	(1,018,962)	B	(181,422)	(1,200,384)
Short-term debt and long-term debt	(517,759)		–	(517,759)
Non-current liabilities and non-controlling interests	(578,400)	C	(133,730)	(712,130)
Net identifiable assets of business acquired	288,292		38,317	326,609
Goodwill [(1), (2)]	3,219,402		(38,317)	3,181,085
Total purchase price	$ 3,507,694		$ –	$ 3,507,694

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

(2) In relation with the agreement to acquire Atkins, SNC-Lavalin entered into forward foreign exchange contracts under which SNC-Lavalin sold Canadian dollars and bought British pounds. Forward foreign exchange contracts having a notional value of £1,500 million were classified as derivatives used for cash flow hedges until the payment date, which occurred in July 2017. The effective portion of the loss arising from these hedging instruments, which amounted to $2.7 million before income taxes ($2.7 million after income taxes), was initially recognized in "Cash flow hedges" in the Company's consolidated statement of comprehensive income and was subsequently recognized as a reclassification adjustment to goodwill on the date of acquisition of Atkins (see Note 25).

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

A. Project-related assets

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

B. Trade payables and other current liabilities

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

C. Non-current liabilities and non-controlling interests

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

6. BUSINESS COMBINATIONS (CONTINUED)

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

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

C) DATA TRANSFER SOLUTIONS LLC

On October 31, 2017, SNC-Lavalin announced the acquisition of Data Transfer Solutions LLC ("DTS"). Completed on October 30, 2017, the acquisition added to the capabilities of SNC-Lavalin's EDPM segment and enhanced service offerings in digital asset management for clients.

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

FINAL ALLOCATION OF PURCHASE PRICE

In 2018, the Company modified the preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price. However, since the effect on net income was not material to the period subsequent to acquisition date, the cumulative adjustment to earnings was accounted for in 2018.

AT OCTOBER 30, 2017	PRELIMINARY ALLOCATION OF PURCHASE PRICE	ADJUSTMENTS	FINAL ALLOCATION OF PURCHASE PRICE
Cash and cash equivalents	$ 1,619	$ –	$ 1,619
Trade receivables	5,492	(205)	5,287
Contracts in progress / Contract assets	3,865	(3,525)	340
Other current assets	172	–	172
Other non-current assets	1,995	(2)	1,993
Intangible assets related to DTS acquisition	–	25,145	25,145
Trade payables and other current liabilities	(4,209)	(751)	(4,960)
Net identifiable assets of business acquired	8,934	20,662	29,596
Goodwill [(1), (2)]	49,993	(20,662)	29,331
Total purchase price	**$ 58,927**	**$ –**	**$ 58,927**

(1) The goodwill amount determined according to the preliminary allocation of purchase price included identifiable intangible assets, which are now presented separately under "Intangible assets related to DTS acquisition" in the final allocation of purchase price.

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

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

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

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

YEAR ENDED DECEMBER 31	2017
Atkins	$ 3,119,414
DTS	57,308
Net cash outflow on acquisition of businesses	**$ 3,176,722**

6. BUSINESS COMBINATIONS (CONTINUED)

D) ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

Acquisition-related costs and integration costs amounted to $54.9 million in year ended December 31, 2018, of which $2.0 million related solely to the acquisition-related costs.

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

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

7. DISPOSALS OF E&C BUSINESSES

For the years ended December 31, 2018 and 2017, the gain (loss) on disposals of E&C businesses is presented in the Company's consolidated income statement as follows:

YEARS ENDED DECEMBER 31		**2018**		2017
Gain (loss) related to 2016 disposals	**$**	**(474)**	$	555
Gain on disposal of Equinox		**–**		444
Gain (loss) from disposals of E&C businesses	**$**	**(474)**	$	999

In 2018 and 2017, adjustments on consideration receivable (payable) related to certain disposals made in 2016 resulted in a loss of $0.5 million before and net of taxes and in a gain of $0.6 million before income taxes ($0.4 million net of taxes), respectively.

EQUINOX CA EUROPE LTD.

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

Net gain on disposal of Equinox

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

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

Net cash outflow on disposal of Equinox

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

8. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS

	DECEMBER 31 2018	DECEMBER 31 2017
Bank balances, bank term deposits and bankers' acceptances	**$ 634,084**	$ 706,531
Cash and cash equivalents	**$ 634,084**	$ 706,531

B) RESTRICTED CASH

	DECEMBER 31 2018	DECEMBER 31 2017
Bank balances, bank term deposits and bankers' acceptances	**$ 12,722**	$ 20,932
Restricted cash	**$ 12,722**	$ 20,932

9. TRADE RECEIVABLES AND CONTRACT ASSETS

A) 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 2018	DECEMBER 31 2017
Trade receivables:		
Within normal terms of payment	**$ 1,169,919**	$ 1,234,395
Past due	**574,169**	375,449
Total trade receivables	**1,744,088**	1,609,844
Allowance for doubtful accounts	**–**	(163,985)
Allowance for expected credit losses	**(240,264)**	–
Trade receivables, net of allowance for expected credit losses / allowance for doubtful accounts	**$ 1,503,824**	$ 1,445,859

The change in the allowance for expected credit losses / allowance for doubtful accounts is detailed below:

YEARS ENDED DECEMBER 31	2018	2017
Balance at beginning of year	**$ 163,985**	$ 121,974
Transitional adjustment on adoption of a new accounting standard (Note 2B)	**3,044**	–
Adjusted balance at beginning of year	**167,029**	121,974
Change in allowance, other than write-offs and recoveries	**128,897**	136,534
Write-offs of trade receivables	**(33,587)**	(73,175)
Recoveries	**(22,075)**	(21,348)
Balance at end of year	**$ 240,264**	$ 163,985

B) CONTRACT ASSETS

As at December 31, 2018, the Company has contract assets of $1,751.1 million which is net of an allowance for expected credit losses of $11.2 million. The change in the allowance for expected credit losses is detailed below:

YEAR ENDED DECEMBER 31	2018
Balance at beginning of year	**$ 7,985**
Transitional adjustment on adoption of a new accounting standard (Note 2B)	**2,471**
Adjusted balance at beginning of year	**10,456**
Change in allowance, other than write-offs	**2,179**
Write-offs of contract assets	**(1,442)**
Balance at end of year	**$ 11,193**

The significant changes in the balances of trade receivables and contract assets are disclosed in Note 10B, while the information about the credit exposures is disclosed in Note 32B.

10. REVENUE

A) DISAGGREGATION OF REVENUE

The adoption of IFRS 15 in 2018 resulted in additional disclosures of financial information related to the disaggregation of revenue from contracts with customers. As such, the Company added details on 2018 revenues by geographic area and type of contracts, with a reconciliation between revenues from contracts with customers under the scope of IFRS 15 and total revenues.

The types of contracts presented are defined as follow:

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

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

The following table presents revenues by geographic area according to project location:

YEAR ENDED DECEMBER 31	2018		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:			
Canada	$ 2,729,692	$ 232,864	$ 2,962,556
United States	1,641,622	23,940	1,665,562
Latin America	302,412	–	302,412
Middle East and Africa:			
Saudi Arabia	1,020,724	–	1,020,724
Other Middle East countries	957,560	4,896	962,456
Africa	457,609	11,517	469,126
Asia Pacific:			
Australia	511,288	–	511,288
Other	227,604	26	227,630
Europe:			
United Kingdom	1,648,358	10,064	1,658,422
Other	303,539	291	303,830
	$ 9,800,408	$ 283,598	$ 10,084,006

The following table presents revenues by type of contracts:

YEAR ENDED DECEMBER 31	2018		
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	EPC FIXED-PRICE CONTRACTS	TOTAL
Mining & Metallurgy	$ 152,185	$ 323,208	$ 475,393
Oil & Gas	1,809,610	711,109	2,520,719
Nuclear	903,408	7,898	911,306
Clean Power	123,800	253,378	377,178
Thermal Power	20,047	46,333	66,380
Infrastructure	1,047,865	1,178,297	2,226,162
EDPM	3,204,934	–	3,204,934
Revenue from contracts with customers – E&C segments	$ 7,261,849	$ 2,520,223	$ 9,782,072
Revenue from E&C investments accounted for by the equity method			37,277
Revenue from contracts with customers – Capital segment			18,336
Other revenue – Capital segment			246,321
			$ 10,084,006

10. REVENUE (CONTINUED)

B) CONTRACT BALANCES

	DECEMBER 31 2018	DECEMBER 31 2017
Trade receivables (Note 9A)	**$ 1,503,824**	$ 1,445,859
Contract assets (Note 9B)	**1,751,068**	–
Contract liabilities	**$ 972,959**	$ –

Trade receivables are rights to consideration in exchange of goods or services that the Company has transferred to a customer when such rights are only conditional on the passage of time. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The acquisition of Linxon in 2018 resulted in an increase of trade receivables of $9.4 million (see Note 6A).

Contract assets are rights to consideration in exchange of goods or services that the Company has transferred to a customer when such rights are not only conditional on passage of time, but on something else, such as the satisfaction of further performance obligations under the contract. Contract assets are initially recognized for revenue earned from E&C activities and are usually derecognized when they become trade receivables. In 2018, the increase of contract assets is mainly due to the adoption of IFRS 15 using the modified retrospective method (see Note 2B) and the acquisition of Linxon, which resulted in an increase of contract assets of $14.2 million as at September 1, 2018 (see Note 6A).

Contracts liabilities arise from E&C activities and represent the cumulative amounts received and contractually receivable from customers by the Company that exceed the right to consideration resulting from the Company's performance under a given contract. In 2018, the increase of contract liabilities is mainly due to the adoption of IFRS 15 using the modified retrospective method (see Note 2B) and the acquisition of Linxon, which resulted in an increase of contract liabilities of $9.8 million as at September 1, 2018 (see Note 6A).

The following table presents the amount of revenue recognized from:

YEAR ENDED DECEMBER 31	2018
Amounts included in contract liabilities at the beginning of the year	**$ 767,037**
Performance obligations satisfied (or partially satisfied) in previous years	**$ 143,581**

As a significant portion the Company's revenues are recognized over time, the contractual terms which determine when consideration becomes receivable from the customer, such as upon the achievement of certain milestones, the Company's reaching such milestones earlier or later than anticipated and the ability to obtain downpayments on contracts will influence, among other factors, the balance of trade receivables, contract assets and contract liabilities on a given contract.

C) REMAINING PERFORMANCE OBLIGATIONS

The amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2018, on all contracts with customers, is expected to be recognized in revenues as follows: 2019 – $5.8 billion, 2020 – $2.3 billion, 2021 – $1.2 billion, and thereafter – $5.6 billion. It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

11. INVENTORIES

	DECEMBER 31 2018	DECEMBER 31 2017
Raw materials	**$ 18,612**	$ 37,825
Work in progress	**31,620**	43,162
Finished goods	**53,973**	29,250
Inventories	**$ 104,205**	$ 110,237

The cost of inventories recognized by the Company as an expense during the year ended December 31, 2018 was $180.6 million (2017: $269.7 million). The amount of write-down of inventories recognized as an expense in the year ended December 31, 2018 was $12.7 million (2017: $nil).

12. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2018	DECEMBER 31 2017 [1]
Retentions on client contracts	$ –	$ 277,675
Advances to suppliers, subcontractors and employees and deposits on contracts	42,939	40,748
Derivative financial instruments used for hedges – favourable fair value	39,952	37,967
Life insurance policies measured at FVTPL [2]	5,903	5,271
Current portion of receivables under service concession arrangements	14,160	–
Return of contingent consideration to be transferred to seller (Note 6A)	5,671	–
Recovery of costs expected from suppliers and subcontractors	48,926	1,278
Other	89,740	79,561
Other current financial assets	**$ 247,291**	$ 442,500

(1) An amount of $1.3 million of financial assets previously included in "Other" as at December 31, 2017 was reclassified to "recovery of costs expected from suppliers and subcontractors" to conform with the presentation made as at December 31, 2018.

(2) Fair value through profit or loss ("FVTPL")

13. OTHER CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2018	DECEMBER 31 2017
Income taxes and other taxes receivable	$ 262,470	$ 329,711
Prepaid expenses and other	142,349	121,166
Other current non-financial assets	**$ 404,819**	$ 450,877

14. PROPERTY AND EQUIPMENT

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2018	$ 89,639	$ 374,821	$ 150,180	$ 83,986	$ 209,254	$ 907,880
Additions	18,122	69,892	12,655	69,069	13,528	183,266
Additions through a business combination	–	–	–	490	–	490
Effect of foreign currency exchange differences	5,874	9,794	2,278	7,858	16,155	41,959
Disposals / retirements / salvage	(10,887)	(20,837)	(6,351)	(14,343)	(4,143)	(56,561)
Balance as at December 31, 2018	$ 102,748	$ 433,670	$ 158,762	$ 147,060	$ 234,794	$ 1,077,034
Accumulated depreciation						
Balance as at January 1, 2018	26,254	274,278	107,987	12,633	72,590	493,742
Depreciation expense	21,417	40,942	16,466	22,346	16,927	118,098
Effect of foreign currency exchange differences	2,140	9,366	1,204	2,224	5,309	20,243
Disposals / retirements / salvage	(9,670)	(12,786)	(4,676)	(8,803)	(1,733)	(37,668)
Balance as at December 31, 2018	$ 40,141	$ 311,800	$ 120,981	$ 28,400	$ 93,093	$ 594,415

14. PROPERTY AND EQUIPMENT (CONTINUED)

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2017	$ 131,644	$ 325,518	$ 142,009	$ 105,128	$ 125,544	$ 829,843
Additions	11,773	37,565	8,878	15,739	66,395	140,350
Additions through business combinations	16,765	39,721	11,177	–	26,787	94,450
Effect of foreign currency exchange differences	(3,099)	(3,643)	(1,179)	(1,535)	(3,256)	(12,712)
Disposals / retirements / salvage	(67,444)	(24,340)	(10,705)	(35,346)	(6,216)	(144,051)
Balance as at December 31, 2017	$ 89,639	$ 374,821	$ 150,180	$ 83,986	$ 209,254	$ 907,880
Accumulated depreciation						
Balance as at January 1, 2017	55,101	272,757	104,633	31,641	67,378	531,510
Depreciation expense	8,248	28,354	13,614	15,519	10,930	76,665
Effect of foreign currency exchange differences	(2,174)	(3,019)	(616)	76	(795)	(6,528)
Disposals / retirements / salvage	(34,921)	(23,814)	(9,644)	(34,603)	(4,923)	(107,905)
Balance as at December 31, 2017	$ 26,254	$ 274,278	$ 107,987	$ 12,633	$ 72,590	$ 493,742
Net book value:						
As at December 31, 2018	**$ 62,607**	**$ 121,870**	**$ 37,781**	**$ 118,660**	**$ 141,701**	**$ 482,619**
As at December 31, 2017	$ 63,385	$ 100,543	$ 42,193	$ 71,353	$ 136,664	$ 414,138

An amount of $17.5 million as at December 31, 2018 (2017: $31.5 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash additions of property and equipment amounted to $30.8 million in the year ended December 31, 2018 (2017: $15.7 million).

15. DISPOSAL OF THE HEAD OFFICE BUILDING

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

Net gain on disposal of the head office building

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

16. GOODWILL

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

Balance at January 1, 2017	$ 3,268,214
Net foreign currency exchange differences	(164,494)
Goodwill arising from the acquisition of Atkins completed in the year	3,169,727
Goodwill arising from the acquisition of DTS completed in the year (Note 6C)	49,993
Balance at December 31, 2017	6,323,440
Net foreign currency exchange differences	**279,943**
Additional amount recognized from the adjustments to the final allocation of purchase price of Atkins	**11,358**
Amount derecognized from the adjustments to the final allocation of purchase price of DTS	**(20,662)**
Goodwill arising from the acquisition of Linxon completed in the year (Note 6A)	**16,059**
Impairment of goodwill	**(1,240,415)**
Balance at December 31, 2018	**$ 5,369,723**

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.

Following the Company's new organizational structure that took effect on January 1, 2018 (see Note 2C), the Company's goodwill was reallocated to the following cash-generating units ("CGU") and groups of CGU as follows:

CGU OR GROUP OF CGU	**DECEMBER 31 2018**	DECEMBER 31 2017 [1]
Mining & Metallurgy	**$ 92,799**	$ 96,257
Oil & Gas	**1,776,326**	2,831,472
Infrastructure	**93,668**	93,720
O&M	**53,132**	53,134
Nuclear	**662,254**	645,797
Clean Power [2]	**31,057**	14,221
EDPM	**2,660,487**	2,588,839
	$ 5,369,723	$ 6,323,440

(1) Comparative figures have been revised (see Note 2C)

(2) Includes goodwill from Linxon (see Note 6A)

As at October 31, 2018, goodwill was impaired by $1.24 billion in the Oil & Gas CGU. Such CGU corresponds to a reportable segment. The impairment reflects macro challenges as well as some Company specific headwinds, which are impacting its ability to grow. Inter-governmental relations between Canada and Saudi Arabia, together with unpredictable commodity prices and uncertain client investment plans, have led to deterioration in its near-term prospects. The recoverable amount of this CGU was determined using the value in use approach as at October 31, 2018, based on a terminal growth rate of 2.5% and a discount rate of 11.3%. As at October 31, 2017, the recoverable amount of this same CGU was determined using the value in use approach, based on a terminal growth rate of 2.5% and a discount rate of 12.6%, and exceeded its carrying amount by $309.4 million. Assuming all other assumptions remained the same, a 130-basis point decrease in the terminal growth rate or 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 October 31, 2017.

In 2018, approximately 50% of the Company's goodwill balance is allocated to the EDPM CGU, following the acquisition of Atkins in July 2017 and Data Transfer Solutions LLC in October 2017. The recoverable amount of this CGU, based on a terminal growth rate of 2.5% and a discount rate of 10.5%, exceeded its carrying amount by $133.8 million as at October 31, 2018. Assuming all other assumptions remain the same, a 42-basis point decrease in the terminal growth rate or a 45-basis point increase in the discount rate would have caused the EDPM 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, 2018 and 2017. Except for the Oil & Gas CGU, the recoverable amount of other CGU or group of CGU was determined based on the value in use approach. Under this approach, the following assumptions were used: cash flows beyond the long-term forecast were extrapolated using a growth rate of 2.5% in 2018 (2017: 2.5%) and discount rates ranging from 10.5% to 12.8% have been used in 2018 (2017: from 10.3% to 12.6%).

As at October 31, 2017, goodwill was not considered to be impaired.

17. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

The following tables detail a reconciliation of the carrying amount of intangible assets related to business combinations:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2018	**$ 324,707**	**$ 969,963**	**$ 131,547**	**$ 1,426,217**
Additions through a business combination (Note 6C)	**2,466**	**15,410**	**7,269**	**25,145**
Derecognition of intangible assets	**(135,994)**	**–**	**–**	**(135,994)**
Effect of foreign currency exchange differences	**15,041**	**22,940**	**2,113**	**40,094**
Balance as at December 31, 2018	**$ 206,220**	**$ 1,008,313**	**$ 140,929**	**$ 1,355,462**
Accumulated depreciation				
Balance as at January 1, 2018	**164,046**	**139,517**	**32,817**	**336,380**
Amortization expense	**70,888**	**108,289**	**27,294**	**206,471**
Derecognition of intangible assets	**(135,994)**	**–**	**–**	**(135,994)**
Effect of foreign currency exchange differences	**7,474**	**17,024**	**3,521**	**28,019**
Balance as at December 31, 2018	**$ 106,414**	**$ 264,830**	**$ 63,632**	**$ 434,876**

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2017	$ 137,666	$ 238,001	$ 29,936	$ 405,603
Additions through a business combination (Note 6B)	194,073	740,440	104,526	1,039,039
Effect of foreign currency exchange differences	(7,032)	(8,478)	(2,915)	(18,425)
Balance as at December 31, 2017	$ 324,707	$ 969,963	$ 131,547	$ 1,426,217
Accumulated depreciation				
Balance as at January 1, 2017	117,113	80,203	14,123	211,439
Amortization expense	54,203	64,954	19,735	138,892
Effect of foreign currency exchange differences	(7,270)	(5,640)	(1,041)	(13,951)
Balance as at December 31, 2017	$ 164,046	$ 139,517	$ 32,817	$ 336,380
Net book value:				
As at December 31, 2018	**$ 99,806**	**$ 743,483**	**$ 77,297**	**$ 920,586**
As at December 31, 2017	$ 160,661	$ 830,446	$ 98,730	$ 1,089,837

18. OTHER NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2018	DECEMBER 31 2017
Derivative financial instruments related to share unit plans – favourable fair value (Note 24C)	**$ –**	$ 12,700
Other derivative financial instruments – favourable fair value	**5,981**	9,454
Other	**24,042**	22,167
Other non-current financial assets	**$ 30,023**	$ 44,321

19. OTHER NON-CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2018	DECEMBER 31 2017 [1]
Post-employment benefit assets (Note 34)	$ 27,893	$ 24,171
E&C investments accounted for by the equity method	69,847	58,195
Other	33,622	22,444
Other non-current non-financial assets	**$ 131,362**	$ 104,810

[1] As at December 31, 2017, "E&C investments accounted for by the equity method" of $58.2 million were included in "Other" in "Other non-current non-financial assets".

E&C investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its E&C 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:

YEARS ENDED DECEMBER 31	2018	2017
Income statements		
Revenues (at 100%)	$ 1,426,790	$ 1,391,043
Interest income (at 100%)	$ 3,042	$ 1,205
Interest expense (at 100%)	$ 3,831	$ 1,504
Depreciation and amortization (at 100%)	$ 406	$ 512
Income tax expense (at 100%)	$ 266	$ 6

YEARS ENDED DECEMBER 31	2018	2017
Statements of comprehensive income		
Net income (at 100%)	$ 102,229	$ 37,946
Other comprehensive income (at 100%)	–	–
Total comprehensive income (at 100%)	$ 102,229	$ 37,946

YEARS ENDED DECEMBER 31	2018	2017
Company's share of net income of E&C investments based on its ownership interest	$ 37,277	$ 14,816
Company's net income from E&C investments included in its income statement	$ 37,277	$ 14,816

	DECEMBER 31 2018	DECEMBER 31 2017
Statements of financial position		
Cash and cash equivalents (at 100%)	$ 237,457	$ 195,040
Other current assets (at 100%)	356,034	382,276
Non-current assets (at 100%)	117,131	94,980
Total assets (at 100%)	710,622	672,296
Trade payables (at 100%)	261,987	378,061
Other current financial liabilities (at 100%)	170,119	72,283
Other current non-financial liabilities (at 100%)	6,849	5,546
Other non-current financial liabilities (at 100%)	40,640	25,385
Other non-current non-financial liabilities (at 100%)	1,735	1,613
Total liabilities (at 100%)	481,330	482,888
Net assets (liabilities) (at 100%)	$ 229,292	$ 189,408
Company's carrying value of E&C investments included in its statement of financial position	$ 69,847	$ 58,195

19. OTHER NON-CURRENT NON-FINANCIAL ASSETS (CONTINUED)

E&C investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of E&C investments classified as associates:

YEARS ENDED DECEMBER 31	2018	2017
Statements of comprehensive income		
Revenues (at 100%)	**$ 166,333**	$ 109,362
Expenses (at 100%)	**166,147**	121,320
Net income (loss) (at 100%)	**186**	(11,958)
Other comprehensive income (at 100%)	**–**	–
Total comprehensive income (loss) (at 100%)	**$ 186**	$ (11,958)
Company's share of net income of E&C investments based on its ownership interest	**$ –**	$ –
Company's share of net income from E&C investments included in its income statement	**$ –**	$ 95

	DECEMBER 31 2018	DECEMBER 31 2017
Statements of financial position		
Current assets (at 100%)	**$ 36,604**	$ 34,162
Non-current assets (at 100%)	**3,524**	2,844
Total assets (at 100%)	**40,128**	37,006
Current liabilities (at 100%)	**31,165**	27,432
Non-current liabilities (at 100%)	**1,248**	1,129
Total liabilities (at 100%)	**32,413**	28,561
Net assets (at 100%)	**$ 7,715**	$ 8,445
Company's carrying value of E&C investments included in its statement of financial position	**$ –**	$ –

20. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2018	DECEMBER 31 2017
Commitments to invest in Capital investments accounted for by the equity and cost methods (Note 5C)	**$ 108,312**	$ 98,050
Retentions on supplier contracts	**112,679**	128,240
Balance of purchase price payable relating to acquisition of businesses	**1,808**	1,867
Derivative financial instruments used for hedges – unfavourable fair value	**59,592**	20,775
Consideration payable related to the disposal of E&C businesses	**–**	15,150
Derivative financial instruments related to share unit plans – unfavourable fair value (Note 24C)	**662**	–
Other	**15,648**	642
Other current financial liabilities	**$ 298,701**	$ 264,724

21. OTHER CURRENT NON-FINANCIAL LIABILITIES

	DECEMBER 31 2018	DECEMBER 31 2017
Income taxes and other taxes payable	**$ 343,772**	$ 467,312
Share unit plans' liabilities (Note 24C)	**74,790**	101,316
Other	**6,299**	15,474
Other current non-financial liabilities	**$ 424,861**	$ 584,102

22. SHORT-TERM DEBT AND LONG-TERM DEBT

As at December 31, 2018 and 2017, the Company's short-term debt and long-term debt included in its consolidated statement of financial position were as follows:

A) RECOURSE DEBT

	DECEMBER 31 2018	DECEMBER 31 2017
Recourse debt:		
Revolving Facility (i)	**$ 466,923**	$ 318,757
Term Loan (ii)	**498,809**	–
Series 2 Debentures (iii)	**149,934**	–
Series 3 Debentures (iii)	**174,485**	–
Series 4 Debentures (iii)	**199,144**	–
Series 5 Debentures (iii)	**149,866**	–
2019 Debentures (iv)	**349,864**	349,609
2020 Debentures (v)	**298,995**	298,787
Term Facility (vi)	**–**	378,386
Total recourse short-term debt and long-term debt	**2,288,020**	1,345,539
Less: recourse short-term debt	**1,116,587**	318,757
Recourse long-term debt	**$ 1,171,433**	$ 1,026,782

B) LIMITED RECOURSE DEBT

	DECEMBER 31 2018	DECEMBER 31 2017
Limited recourse debt:		
CDPQ Loan (vii)	**$ 980,303**	$ 1,475,177
Limited recourse long-term debt	**$ 980,303**	$ 1,475,177

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

	DECEMBER 31 2018	DECEMBER 31 2017
Non-recourse debt:		
Senior bonds – InPower BC General Partnership (viii)	**$ 292,812**	$ 292,179
Credit facility – InPower BC General Partnership (viii)	**47,745**	5,219
Senior Secured Notes from an E&C investment (ix)	**42,769**	–
Unsecured Loan of Linxon (x)	**7,571**	–
Other	**8,808**	15,566
Total non-recourse short-term debt and long-term debt	**399,705**	312,964
Less: non-recourse short-term debt	**60,168**	15,566
Non- recourse long-term debt	**$ 339,537**	$ 297,398

i. The Company's unsecured revolving credit facility (the "Revolving Facility"), which is part of the Company's Credit Agreement, comprises two tranches: (i) tranche A is for an amount of $2,000 million (2017: $2,000 million); and (ii) tranche B is for an amount of $600 million (2017: $750 million). Borrowings under tranche A may be obtained in the form of: (i) prime rate loans; (ii) acceptances; (iii) US base rate loans; (iv) Libor loans in US dollars, Euros and British pounds; and (v) non-financial, financial or documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non-financial or documentary letters of credit. The Revolving Facility maturity date is May 15, 2022 (2017: May 15, 2021) or such other date as may be agreed pursuant to extension provisions of the Credit Agreement. The aggregate outstanding amount of uncommitted bilateral letters of credit allowed under the Credit Agreement is $3,000 million (2017: $2,500 million).

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

As at December 31, 2018 and 2017, the cash draws and letters of credit outstanding under the Company's Revolving Facility were as follows:

AT DECEMBER 31, 2018	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Revolving Facility	**$ 2,600,000**	**$ 474,570**	**$ 74,072** [1]	**$ 2,051,358**

[1] Includes $13.2 million of financial letters of credit.

AT DECEMBER 31, 2017	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Revolving Facility	$ 2,750,000	$ 327,103	$ 73,657 [2]	$ 2,349,240

[2] Includes $4.8 million of financial letters of credit.

In addition, as at December 31, 2018 and 2017, $2,300.0 million (2017: $1,833.3 million) of uncommitted bilateral letters of credit were outstanding, of which $242.2 million (2017: $275.4 million) related to financial letters of credit.

ii. The Company's non-revolving term loan, which is part of the Company's Credit Agreement, is in the principal amount of $500 million (the "Term Loan"). Borrowings under the Term Loan were available by way of prime rate loans or acceptances. The Term Loan maturity date is April 30, 2023.

iii. These unsecured debentures are in the aggregate principal amount of $675 million and are divided in four series consisting of: (i) $150 million in floating rate Series 2 Debentures due in March 2019 (the "Series 2 Debentures"); (ii) $175 million in floating rate Series 3 Debentures due in March 2021 (the "Series 3 Debentures"); (iii) $200 million in 3.235% Series 4 Debentures due in March 2023 (the "Series 4 Debentures"); and (iv) $150 million in floating rate Series 5 Debentures due in June 2019 (the "Series 5 Debentures"). The Series 2, 3 and 5 Debentures bear interest at a rate equal to the 3-month CDOR plus an applicable margin.

iv. These unsecured debentures in the principal amount of $350 million bear interest at a rate of 6.19% and are due in July 2019 (the "2019 Debentures").

v. These unsecured debentures in the principal amount of $300 million bear interest at a rate of 2.689% and are due in November 2020 (the "2020 Debentures").

vi. The Company's non-revolving Term Facility, which was part of the Company's Credit Agreement, was comprised of three tranches: (i) tranche 1 was for an amount of £75 million; (ii) tranche 2 was for an amount of £75 million; and (iii) tranche 3 was for an amount of £150 million. Borrowings were obtained in the form of Libor loans in British pounds. As at December 31, 2018, borrowings under the Term Facility have been repaid in full.

vii. The CDPQ Loan is a limited recourse debt comprised of two tranches: i) tranche A which is a non-revolving term loan in an aggregate amount of $1,000 million; and ii) tranche B which was a non-revolving term loan in an aggregate amount of $500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of SNC-Lavalin Highway Holdings Inc. ("Highway Holdings"), an indirect wholly-owned subsidiary of the Company holding shares of 407 International Inc. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: i) the CDOR rate; and ii) 0.9%, plus an applicable margin. In 2018, the Company repaid borrowings under tranche B of its CDPQ Loan in full. The maturity of tranche A of the CDPQ Loan is in 2024.

viii. The senior bonds of InPower BC General Partnership in the principal amount of $300 million bear interest at a rate of 4.471% and are due in 2033. The credit facility of InPower BC General Partnership in the principal amount of $63.2 million bear interest at a rate of 4.15% and is due in 2019. The senior bonds and the credit facility are secured by all assets of InPower BC General Partnership.

ix. The senior secured notes of a subsidiary of the Company are up to US$40.0 million (approximately CA$54.5 million) aggregate principal amount (the "Senior Secured Notes"), of which US$33.0 million (approximately CA$43.1 million) aggregate principal amount was issued in 2018. The Senior Secured Notes are due in 2026 and bear interest at a variable rate. The net proceeds from the issuance of the senior secured notes are used by the subsidiary of the Company to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract.

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

x. In relation to the acquisition of Linxon by SNC-Lavalin in 2018 (see Note 6A), the holder of the non-controlling interest of 49% in Linxon granted an unsecured loan (the "Unsecured Loan") and provided an unsecured working capital revolving credit facility to Linxon. The loan in the principal amount of US$9.3 million (approximately CA$12.2 million) is an interest-free loan and is repayable in full on September 1, 2023. The working capital credit facility in a maximum aggregate amount of €30.0 million (approximately CA$46.7 million) bears interest at a variable rate and is repayable the latest on September 30, 2022.

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

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

AT DECEMBER 31, 2018	Recourse	Limited recourse	Non-recourse	Total
2019	$ 1,124,570	$ –	$ 62,207	$ 1,186,777
2020	300,000	–	24,122	324,122
2021	175,000	–	24,865	199,865
2022	–	–	25,664	25,664
2023	700,000	–	39,120	739,120
Thereafter	–	1,000,000	237,870	1,237,870
Total	$ 2,299,570	$ 1,000,000	$ 413,848	$ 3,713,418
Net unamortized deferred financing costs and unamortized discounts	(11,550)	(19,697)	(14,143)	(45,390)
Net carrying amount of short-term debt and long-term debt	$ 2,288,020	$ 980,303	$ 399,705	$ 3,668,028

23. PROVISIONS

	Pension and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other [1]	Total
Balance at January 1, 2018	$ 632,174	$ 48,666	$ 52,519	$ 232,235	$ 965,594
Transitional adjustment on adoption of a new accounting standard (Note 2B) [2]	–	56,653	–	23,532	80,185
Adjusted balance at January 1, 2018	632,174	105,319	52,519	255,767	1,045,779
Additional provisions recognized in the year [3]	54,076	141,549	68,591	136,558	400,774
Amounts used during the year	(92,744)	(2,774)	(22,045)	(100,146)	(217,709)
Unused amounts reversed during the year	–	(69,039)	–	(49,591)	(118,630)
Remeasurement recognized in equity	(57,932)	–	–	–	(57,932)
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	29,424	3,042	(563)	328	32,231
Increase in post-employment benefit assets (Note 19)	3,721	–	–	–	3,721
Balance at December 31, 2018	**$ 568,719**	**$ 178,097**	**$ 98,502**	**$ 242,916**	**$ 1,088,234**
Presented on the statement of financial position as follows:					
Current portion of provisions					**$ 381,848**
Non-current portion of provisions					**$ 706,386**

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

(2) Represents adjustments on forecasted losses on certain contracts and on provision for assurance-type warranty costs recognized upon adoption of IFRS 15

(3) Includes additional provisions from the acquisition of Linxon

23. PROVISIONS (CONTINUED)

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 34.

24. 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.

B) STOCK OPTION PLAN

The main features of the stock option plan under which stock options were outstanding at December 31, 2018 are summarized below:

	2013 STOCK OPTION PLAN
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
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 2018 and 2017:

	2018		2017	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	**326,763**	**$ 40.98**	617,564	$ 39.81
Exercised [1]	**(65,897)**	**$ 40.98**	(251,402)	$ 38.69
Expired	**–**	**$ –**	(31,266)	$ 37.04
Forfeited	**–**	**$ –**	(8,133)	$ 38.07
Options outstanding at end of year	**260,866**	**$ 40.98**	326,763	$ 40.98

[1] The weighted average market price of the Company's common shares upon the exercise of stock options was $57.22 in 2018 ($54.93 in 2017).

24. SHARE CAPITAL (CONTINUED)

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2018.

			OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICE	STOCK OPTION PLAN	YEAR OF GRANT	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING OPTIONS' TERM (MONTHS)	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
$40.98	2013	2013	260,866	4	$ 40.98	260,866	$ 40.98

As at December 31, 2018, 2,526,997 stock options remained available for future grants under the 2013 stock option plan (2017: 2,526,997 stock options).

The stock option compensation cost recorded in the year ended December 31, 2018 was $nil (2017: $0.1 million).

C) SHARE UNIT PLANS

As at December 31, 2018 and 2017, the Company had four share unit compensation plans for executives, namely the 2017 PSU plan, the 2014 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 DSU PLAN	RSU PLAN	2017 PSU PLAN AND 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
Number of units	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 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 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 15th 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 1st 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 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
Other provisions	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 *pro rata* basis, with payment being made no later than March 15th 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 *pro rata* basis, with payment being made no later than two and a half months following the event

24. SHARE CAPITAL (CONTINUED)

The terms and conditions of the DSU plan are as follows: each member of the Board of Directors of SNC-Lavalin Group Inc. (the "member") receives an annual retainer consisting of: (a) a lump sum credited in DSU plan units, and (b) a cash award payment. Each member may elect to receive 100% of the cash award payment, as well as 100% of their committee chair retainer, meeting fees and travel fees, if applicable, in either cash or DSU plan units. DSU plan units track the price of SNC-Lavalin's common shares on the Toronto Stock Exchange. They accumulate during a member's term in office and are redeemed in cash when the member leaves the Board of Directors. For the purposes of redeeming DSU plan units, the value of a unit on any given date is equivalent to the average of the closing price for a common share on the Toronto Stock Exchange for the five trading days immediately prior to such date. DSU plan units are credited on a quarterly basis and do not carry voting rights. Furthermore, additional DSU plan units accumulate as dividend equivalents whenever cash dividends are paid on common shares.

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, 2018 and 2017:

	2018		2017	
	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)
2017 PSU plan	**386,272**	**$ 56.45**	406,668	$ 54.59
RSU plan	**556,931**	**$ 56.41**	356,557	$ 54.59
DSU plan	**51,253**	**$ 53.09**	32,988	$ 55.50
2009 DSU plan	**69,965**	**$ 56.45**	–	$ –

In 2015, the Company entered into derivative financial instruments with investment grade financial institutions to limit the Company's exposure to the variability of the units caused by fluctuations in its share price. 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 18) 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 $45.6 million for the year ended December 31, 2018 (2017: $41.9 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was $34.7 million as at December 31, 2018 (2017: $42.5 million), while the share unit plans' liabilities amounted to $74.8 million as at December 31, 2018 (2017: $101.3 million).

D) REDEMPTION OF SHARES

In 2018, the Company announced that it had filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 5, 2018. In the notice, SNC-Lavalin stated that a maximum of 1,500,000 common shares may be purchased for cancellation, on the open market. Purchases may commence on June 6, 2018 and will terminate no later than June 5, 2019. For the period from June 6, 2017 to June 5, 2018, the number of common shares subject to the issuer bid was 1,500,000 common shares.

There was no redemption of shares in 2018 and 2017.

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

The weighted average number of outstanding shares in 2018 and 2017 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	**2018**	2017
Weighted average number of outstanding shares – basic	**175,541**	162,910
Dilutive effect of stock options	**–**	119
Weighted average number of outstanding shares – diluted	**175,541**	163,029

In 2018, 260,866 outstanding stock options have not been included in the computation of diluted loss per share because they were anti-dilutive. In 2017, all outstanding stock options have been included in the computation of diluted earnings per share.

F) DIVIDENDS

During the year ended December 31, 2018, the Company recognized as distributions to its equity shareholders dividends of $201.5 million or $1.148 per share (2017: $177.9 million or $1.092 per share).

25. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2018 and 2017:

	DECEMBER 31 2018	DECEMBER 31 2017
Exchange differences on translating foreign operations	**$ 505,297**	$ 266,497
Available-for-sale financial assets	**–**	8,874
Cash flow hedges	**(7,989)**	(566)
Share of other comprehensive income of investments accounted for by the equity method	**1,891**	3,169
Other components of equity	**$ 499,199**	$ 277,974

- 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.
- Prior to January 1, 2018, Available-for-sale financial assets component arose upon the revaluation of available-for-sale financial assets. When a revalued financial asset was sold, the portion of the component that related to that financial asset, and was effectively realized, was recognized in net income. When a revaluated financial asset was impaired, the portion of the component that related to that financial asset was 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.

25. OTHER COMPONENTS OF EQUITY (CONTINUED)

A) ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

The following table provides a reconciliation of each element of other components of equity for the years ended December 31, 2018 and 2017:

YEARS ENDED DECEMBER 31	2018	2017
Exchange differences on translating foreign operations:		
Balance at beginning of year	**$ 266,497**	$ 389,726
Transitional adjustment on adoption of a new accounting standard (Note 2B)	**14,322**	–
Current year gains (losses)	**241,697**	(112,979)
Reclassification to net income	**678**	(3,309)
Net investment hedge – current year losses	**(17,897)**	(6,941)
Balance at end of year	**505,297**	266,497
Available-for-sale financial assets:		
Balance at beginning of year	**8,874**	2,384
Transitional adjustment on adoption of a new accounting standard (Note 2B)	**(8,874)**	–
Current year gains [1]	**–**	9,574
Income taxes relating to current year gains	**–**	(5,744)
Reclassification to net income [1]	**–**	2,660
Balance at end of year	**–**	8,874
Cash flow hedges:		
Balance at beginning of year	**(566)**	6,695
Current year gains	**7,196**	4,575
Income taxes relating to current year gains	**(9,668)**	(429)
Reclassification to net income	**(16,655)**	(15,819)
Income taxes relating to amounts reclassified to net income	**11,704**	1,721
Reclassification to goodwill (Note 6B)	**–**	2,691
Balance at end of year	**(7,989)**	(566)
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of year	**3,169**	(39,788)
Current year share	**(1,904)**	4,214
Income taxes relating to current year share	**505**	(1,040)
Reclassification to net income	**165**	53,464
Income taxes relating to amounts reclassified to net income	**(44)**	(13,681)
Balance at end of year	**1,891**	3,169
Other components of equity	**$ 499,199**	$ 277,974

[1] In 2017, the gain arising on derivatives designated as hedging instruments in fair value hedges amounted to $2.7 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 $2.7 million.

25. OTHER COMPONENTS OF EQUITY (CONTINUED)

B) ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

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, 2018 and 2017:

YEARS ENDED DECEMBER 31	2018			2017		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ (52,176)**	**$ 8,278**	**$ (43,898)**	$ (74,020)	$ 10,096	$ (63,924)
Remeasurement recognized during the year:						
Defined benefit pension plans	**(55,851)**	**9,026**	**(46,825)**	21,807	(3,345)	18,462
Other post-employment benefits	**(2,081)**	**1,302**	**(779)**	37	1,527	1,564
	(57,932)	**10,328**	**(47,604)**	21,844	(1,818)	20,026
Cumulative amount at December 31	**$ (110,108)**	**$ 18,606**	**$ (91,502)**	$ (52,176)	$ 8,278	$ (43,898)

Financial assets at fair value through other comprehensive income

YEAR ENDED DECEMBER 31	2018		
	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ –**	**$ –**	**$ –**
Gains (losses) recognized during the year	**(1)**	**49**	**48**
Cumulative amount at December 31	**$ (1)**	**$ 49**	**$ 48**

26. ACQUISITION OF NON-CONTROLLING INTEREST

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

Excess of the consideration paid over the carrying amount

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

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

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

27. CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31	2018	2017 [1]
Selling expenses	**$ 1,827**	$ 5,600
General and administrative expenses	**119,467**	125,006
Corporate selling, general and administrative expenses	**$ 121,294**	$ 130,606

[1] Comparative figures have been revised (see Note 2C)

28. RESTRUCTURING COSTS

The Company launched its "Operational Excellence" program in 2016, a program whose objective is to sustain a culture of continuous improvement. Operational Excellence is an approach that will make the Company more agile, customer-focused and successful. Operational Excellence is a long-term, structured approach that focuses on improving every aspect of the business. Such efforts aimed at optimizing the Company's structure might result in a reduction of workforce.

The Company incurred $68.6 million of restructuring costs in 2018 (2017: $26.4 million).

The restructuring costs recognized in 2018 and 2017 were mainly for severances.

29. NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31	2018			2017		
	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL	FROM E&C	FROM CAPITAL INVESTMENTS	TOTAL
Interest on debt:						
Recourse	**$ 78,230**	**$ –**	**$ 78,230**	$ 41,496	$ –	$ 41,496
Limited recourse	**85,185**	**–**	**85,185**	48,993	–	48,993
Non-recourse	**2,097**	**15,833**	**17,930**	–	20,567	20,567
Other	**(1,817)**	**–**	**(1,817)**	12,022	16	12,038
Financial expenses	**163,695**	**15,833**	**179,528**	102,511	20,583	123,094
Financial income	**(7,883)**	**(4,439)**	**(12,322)**	(10,938)	(10,350)	(21,288)
Net foreign exchange losses (gains)	**174**	**65**	**239**	16,257	(219)	16,038
Financial income and net foreign exchange losses (gains)	**(7,709)**	**(4,374)**	**(12,083)**	5,319	(10,569)	(5,250)
Net financial expenses	**$ 155,986**	**$ 11,459**	**$ 167,445**	$ 107,830	$ 10,014	$ 117,844

30. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

The following table presents the items to reconcile net income (loss) to cash flows from operating activities presented in the statements of cash flows, for the year ended December 31:

	2018	2017
Depreciation of property and equipment and amortization of other non-current non-financial assets	**$ 324,569**	$ 215,557
Income taxes recognized in net income (Note 31B)	**(11,545)**	102,382
Net financial expenses recognized in net income (Note 29)	**167,445**	117,844
Share-based expense (Note 24)	**45,586**	42,069
Income from Capital investments accounted for by the equity method	**(204,087)**	(184,819)
Dividends and distributions received from Capital investments accounted for by the equity method	**170,540**	156,876
Income from E&C investments accounted for by the equity method [1]	**(37,277)**	(14,911)
Dividends and distributions received from E&C investments accounted for by the equity method [1]	**7,919**	22,088
Net change in provisions related to forecasted losses on certain contracts	**23,826**	(51,640)
Gain on disposals of Capital investments (Note 5A)	**(67,552)**	(42,078)
Remeasurement of a foreign exchange option (Note 6D)	**–**	48,727
Restructuring costs recognized in net income (Note 28)	**68,591**	26,363
Restructuring costs paid	**(22,045)**	(85,893)
Loss (gain) from disposals of E&C businesses (Note 7)	**474**	(999)
Gain on disposal of the head office building (Note 15)	**–**	(115,101)
Impairment of goodwill (Note 16)	**1,240,415**	–
Other	**12,958**	(53,515)
Other reconciling items	**$ 1,719,817**	$ 182,950

[1] In 2017, "Income from E&C investments accounted for by the equity method" and "Dividends and distributions received from E&C investments accounted for by the equity method" were included in "Other" in "Other reconciling items".

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:

	2018	2017
Decrease (increase) in trade receivables	**$ 51,957**	$ (30,035)
Increase in contract assets	**(453,412)**	–
Decrease in contracts in progress	**–**	125,217
Decrease in inventories	**11,956**	11,571
Decrease (increase) in other current financial assets	**(43,979)**	110,408
Decrease (increase) in other current non-financial assets	**57,160**	(121,563)
Decrease in trade payables	**(14,614)**	(248,364)
Increase in contract liabilities	**121,856**	–
Decrease in downpayments on contracts	**–**	(109,719)
Decrease in deferred revenues	**–**	(334,319)
Decrease in other current financial liabilities	**(19,195)**	(20,591)
Decrease in other current non-financial liabilities	**(217,463)**	(23,698)
Net change in non-cash working capital items	**$ (505,734)**	$ (641,093)

30. STATEMENTS OF CASH FLOWS (CONTINUED)

C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the year ended December 31, 2018:

	Recourse debt [1]	Limited recourse debt	Non-recourse debt [2]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [3]	Other non-current non-financial liabilities [3]
Balance at January 1, 2018	$ 1,345,539	$ 1,475,177	$ 312,964	$ –	$ 15,425	$ 53,367
Changes arising from cash flows:						
Increase	2,609,134	–	95,159	–	7,250	20,663
Repayment	(1,741,315)	(500,000)	(7,243)	(201,521)	(2,089)	(13,040)
Total – changes arising from cash flows	867,819	(500,000)	87,916	(201,521)	5,161	7,623
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	201,521	–	–
Effect of foreign currency exchange differences	68,802	–	2,836	–	1,890	518
Amortization of deferred financing costs and discounts	5,860	5,126	1,144	–	–	–
Loss on derivatives used for hedges	–	–	–	–	14,559	–
Measurement of a loan from a non-controlling interest at its initial fair value (Note 22C(x))	–	–	(5,155)	–	–	–
Contingent consideration related to the Linxon transaction (Note 6A)	–	–	–	–	16,470	–
Balance at December 31, 2018	**$ 2,288,020**	**$ 980,303**	**$ 399,705**	**$ –**	**$ 53,505**	**$ 61,508**

[1], [2], [3] See Notes 1, 2 and 3 on the following page

CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT, LIMITED RECOURSE DEBT AND NON-RECOURSE DEBT

YEAR ENDED DECEMBER 31	2018		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	$ 1,376,381	$ (1,339,461)	$ (1,586)
Term Facility	–	(397,553)	–
Term Loan (Note 22A)	500,000	–	(1,375)
2020 Debentures	–	–	(357)
Series 2, 3 and 4 Debentures (Note 22A)	523,713	–	(823)
Series 5 Debentures (Note 22A)	149,850	–	(160)
Bank overdraft	59,190	–	–
Total – Recourse debt	**2,609,134**	**(1,737,014)**	**(4,301)**
Limited recourse debt:			
CDPQ Loan	–	(500,000)	–
Total – Limited recourse debt	**–**	**(500,000)**	**–**
Non-recourse debt:			
Credit facility – InPower BC General Partnership	42,164	–	–
Senior Secured Notes	40,850	–	–
Unsecured loan from Linxon	12,145	–	–
Other	–	(7,243)	–
Total – Non-recourse debt	**95,159**	**(7,243)**	**–**
Total	**$ 2,704,293**	**$ (2,244,257)**	**$ (4,301)**

30. STATEMENTS OF CASH FLOWS (CONTINUED)

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

	DECEMBER 31 2018	JANUARY 1 2018
Recourse short-term debt	$ 1,116,587	$ 318,757
Recourse long-term debt	1,171,433	1,026,782
Total	**$ 2,288,020**	**$ 1,345,539**

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

	DECEMBER 31 2018	JANUARY 1 2018
Non-recourse short-term debt from Capital investments	$ 57,240	$ 15,566
Non-recourse short-term debt from E&C	2,928	–
Non-recourse short-term debt	60,168	15,566
Non-recourse long-term debt from Capital investments	292,125	297,398
Non-recourse long-term debt from E&C	47,412	–
Non-recourse long-term debt	339,537	297,398
Total	**$ 399,705**	**$ 312,964**

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

YEAR ENDED DECEMBER 31	2018
Other non-current financial liabilities	$ 5,161
Other non-current non-financial liabilities	7,623
Other	16
Total	**$ 12,800**

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the year ended December 31, 2017:

	Recourse debt (4)	Limited recourse debt	Non-recourse debt from Capital investments (5)	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities (6)	Other non-current non-financial liabilities (6)
Balance at January 1, 2017	$ 349,369	$ –	$ 493,582	$ –	$ 5,928	$ 15,846
Changes arising from cash flows:						
Increase	2,681,931	1,500,000	5,971	–	2,008	10,853
Repayment	(2,198,845)	(26,648)	(5,969)	(177,948)	(5,679)	(2,832)
Total – changes arising from cash flows	483,086	1,473,352	2	(177,948)	(3,671)	8,021
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	177,948	–	–
Effect of foreign currency exchange differences	(3,092)	–	906	–	(260)	34
Amortization of deferred financing costs and discounts	6,545	1,825	15	–	–	–
Reclassification of deferred financing costs and discounts previously included in "Other current non-financial assets"	(8,128)	–	–	–	–	–
Non-current portion of deferred tenant allowance related to the disposal of the head office building	–	–	–	–	–	29,466
Additions through a business combination	517,759	–	–	–	13,428	–
Disposal of a Capital investment accounted for by the consolidation method	–	–	(181,541)	–	–	–
Balance at December 31, 2017	**$ 1,345,539**	**$ 1,475,177**	**$ 312,964**	**$ –**	**$ 15,425**	**$53,367**

(4), (5), (6) See Notes 4, 5 and 6 on the following page

30. STATEMENTS OF CASH FLOWS (CONTINUED)

CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT, LIMITED RECOURSE DEBT AND NON-RECOURSE DEBT

YEAR ENDED DECEMBER 31	2017		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	$ 1,884,621	$ (1,691,843)	$ (5,552)
Term Facility (Note 22A)	498,060	–	(2,615)
Credit facility and senior notes of Atkins	–	(498,331)	–
2020 Debentures (Note 22A)	299,250	–	(504)
Total – Recourse debt	**2,681,931**	**(2,190,174)**	**(8,671)**
Limited recourse debt:			
CDPQ Loan	1,500,000	–	(26,648)
Total – Limited recourse debt	**1,500,000**	**–**	**(26,648)**
Non-recourse debt:			
Capital investments accounted for by the consolidation method	5,971	(5,969)	–
Total – Non-recourse debt	**5,971**	**(5,969)**	**–**
Total	**$ 4,187,902**	**$ (2,196,143)**	**$ (35,319)**

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

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

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

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

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

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

D) SHARES ISSUED IN EXCHANGE OF SUBSCIPTION RECEIPTS

The acquisition of WS Atkins plc (see Note 6B) in 2017 was partially financed using the net proceeds from an $880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters and a $400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec. The issuance of 24,880,000 common shares, which the net book value amounted to $1,234.7 million, in exchange of subscription receipts resulted in cash proceeds of $1,220.8 million in 2017.

31. 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 2018	Impact of adoption of new standards and an amendment (Note 2B)	Recognized in other comprehensive income	Derecognized upon disposals of investments	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2018
Current:							
Retentions on client contracts	$ (32,352)	$ 32,352	$ –	$ –	$ –	$ –	$ –
Contract assets	–	(41,840)	–	–	(5,414)	956	(46,298)
Contracts in progress	(10,149)	10,149	–	–	–	–	–
Retentions on supplier contracts	18,573	–	–	–	(1,964)	–	16,609
Accrued employee compensation	28,112	(1,113)	–	–	5,960	1,361	34,320
Current liabilities	81,501	815	–	–	(9,159)	1,430	74,587
Other	8,968	–	–	–	12,261	909	22,138
Non-current:							
Property and equipment, and goodwill	(203,436)	–	–	–	18,761	(5,155)	(189,830)
Other non-current financial assets	(25,860)	117	–	–	(10,694)	–	(36,437)
Provisions	(53)	–	–	–	(15,732)	13,767	(2,018)
Capital investments accounted for by the equity or cost methods	(106,806)	–	5,192	6,419	(30,552)	(1,747)	(127,494)
Pension plans and other post-employment benefits	101,833	–	(10,328)	–	(4,382)	820	87,943
Other	32,367	51,988	2,037	–	(21,653)	1,579	66,318
Unused tax losses	275,628	–	–	–	108,238	5,364	389,230
Deferred income tax asset, net	**$ 168,326**	**$ 52,468**	**$ (3,099)**	**$ 6,419**	**$ 45,670**	**$ 19,284**	**$ 289,068**
Presented on the statement of financial position as follows:							
Deferred income tax asset	**$ 545,551**						**$ 652,155**
Deferred income tax liability	**$ 377,225**						**$ 363,087**

31. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period of 2017 can be summarized as follows:

	JANUARY 1 2017	Recognized in other comprehensive income	Recognized upon business combinations	Derecognized upon disposals of businesses and investments	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2017
Current:							
Retentions on client contracts	$ (47,927)	$ –	$ –	$ –	$ 15,575	$ –	$ (32,352)
Contracts in progress	(8,448)	–	(2,533)	–	877	(45)	(10,149)
Retentions on supplier contracts	33,104	–	–	–	(14,531)	–	18,573
Accrued employee compensation	13,477	–	31,493	–	(17,529)	671	28,112
Current liabilities	102,962	–	10,923	–	(30,476)	(1,908)	81,501
Other	232	–	(10,270)	–	19,420	(414)	8,968
Non-current:							
Property and equipment, and goodwill	(63,277)	–	(179,028)	–	36,424	2,445	(203,436)
Other non-current financial assets	(27,044)	–	–	11,431	(10,247)	–	(25,860)
Provisions	14,432	–	3,926	–	(19,213)	802	(53)
Capital investments accounted for by the equity or cost methods[1]	(157,800)	(20,465)	–	26,019	(14,859)	60,299	(106,806)
Pension plans and other post-employment benefits	15,519	(1,818)	84,212	–	(2,231)	6,151	101,833
Other	1,938	1,292	16,305	–	(1,139)	13,971	32,367
Unused tax losses	274,575	–	2,953	(1,563)	3,676	(4,013)	275,628
Deferred income tax asset, net	$ 151,743	$ (20,991)	$ (42,019)	$ 35,887	$ (34,253)	$ 77,959	$ 168,326
Presented on the statement of financial position as follows:							
Deferred income tax asset	$ 421,461						$ 545,551
Deferred income tax liability	$ 269,718						$ 377,225

[1] In 2017, exchange differences and other charges of $60.3 million included $59.3 million of deferred taxes related to disposal group classified as held for sale.

As at December 31, 2018, the Company had $2,665.4 million (2017: $1,875.2 million) of non-capital tax losses carried-forward of which $1,691.5 million will expire in varying amounts from 2019 to 2039 (2017: $1,213.0 million expiring from 2018 to 2038). As at December 31, 2018, a deferred income tax asset of $389.2 million (2017: $275.6 million) has been recognized on $1,660.3 million (2017: $1,110.7 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, 2018, the Company had $275.5 million of the unrecognized non-capital tax losses that will expire in varying amounts from 2019 to 2039 (2017: $218.6 million expiring in varying amounts from 2018 to 2038).

As at December 31, 2018, the Company had $187.5 million (2017: $100.7 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 (2017: $25.1 million expiring in 2031 and 2032), while the remaining capital tax losses have no expiry date.

As at December 31, 2018, a deferred income tax liability has not been recognized on taxable temporary differences of $846.5 million (2017: $848.1 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.

31. INCOME TAXES (CONTINUED)

B) INCOME TAXES

The relationship between the expected income taxes based on the Canadian effective tax rate of SNC-Lavalin at 26.7% (2017: 26.6%) and the reported income taxes in net income can be reconciled as follows:

YEARS ENDED DECEMBER 31	2018		2017	
	AMOUNT	%	AMOUNT	%
Income before income taxes	**$ (1,327,840)**		$ 485,533	
Canadian tax rate for SNC-Lavalin		**26.7**		26.6
Expected income taxes	**$ (354,706)**		$ 129,297	
Increase (decrease) resulting from:				
Effect of goodwill impairment	**331,352**	**(25.0)**	–	–
Effect of differences of foreign tax rates compared to Canadian rates	**(24,829)**	**1.9**	(27,449)	(5.7)
Effect of Canadian provincial tax rate differences	**(672)**	**0.1**	(1,503)	(0.3)
Effect of adjustments to deferred tax attributable to changes related to the U.S. Tax Reform	**6,021**	**(0.5)**	42,453	8.7
Net income and losses not affected by tax	**99,209**	**(7.5)**	3,818	0.8
Effect of differences between accounting gain and taxable gain realized on disposal of the head office building	**–**	**–**	(17,282)	(3.6)
Effect of differences between accounting gain and taxable gain realized from disposals of E&C businesses	**–**	**–**	(135)	–
Effect of differences between accounting gain and taxable gain realized on disposals of Capital investments	**(11,113)**	**0.8**	(8,778)	(1.8)
Effect of reversal of a previous write-down of deferred income tax asset	**(2,181)**	**0.2**	–	–
Effect of write-down of previously recognized deferred income tax asset (liability)	**9,280**	**(0.7)**	6,533	1.3
Non-taxable income from certain Capital investments accounted for by the equity or cost methods	**(45,793)**	**3.4**	(41,806)	(8.6)
Other permanent differences for tax purposes	**5,321**	**(0.4)**	2,420	0.5
Other	**(23,434)**	**1.9**	14,814	3.2
Income taxes at effective tax rate	**$ (11,545)**	**0.9**	$ 102,382	21.1

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

YEARS ENDED DECEMBER 31	2018	2017
Current income taxes	**$ 34,125**	$ 68,129
Deferred income taxes	**(45,670)**	34,253
Income taxes	**$ (11,545)**	$ 102,382

32. FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial assets held by SNC-Lavalin at December 31, 2018 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2018					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [1]	FVTOCI [2]	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 634,084	$ –	$ –	$ –	$ 634,084	$ 634,084
Restricted cash	12,722	–	–	–	12,722	12,722
Trade receivables	–	–	1,503,824	–	1,503,824	1,503,824
Other current financial assets:						
Derivative financial instruments	–	–	–	39,952	39,952	39,952
Financial assets at FVTPL	11,574	–	–	–	11,574	11,574
Other current financial assets	–	–	195,765	–	195,765	196,370
Capital investment accounted for by the cost method	–	10,663	–	–	10,663	10,633
Non-current portion of receivables under service concession arrangements [3]	–	–	327,299	–	327,299	342,122
Other non-current financial assets:						
Derivative financial instruments	–	–	–	5,981	5,981	5,981
Other:						
Financial asset at FVTOCI	–	657	–	–	657	657
Other non-current financial assets [3]	–	–	23,385	–	23,385	23,385
Total	$ 658,380	$ 11,320	$ 2,050,273	$ 45,933	$ 2,765,906	

(1) Fair value through profit or loss ("FVTPL")

(2) Fair value through other comprehensive income ("FVTOCI")

(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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

AT DECEMBER 31	2017					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [1]	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 706,531	$ –	$ –	$ –	$ 706,531	$ 706,531
Restricted cash	20,932	–	–	–	20,932	20,932
Trade receivables	–	–	1,445,859	–	1,445,859	1,445,859
Other current financial assets:						
Derivative financial instruments	–	–	–	37,967	37,967	37,967
Financial assets at FVTPL	5,271	–	–	–	5,271	5,271
Other current financial assets	–	–	399,262	–	399,262	399,262
Capital investments accounted for by the cost method:						
At fair value [2]	–	52,708	–	–	52,708	52,708
At cost [2]	–	2,350	–	–	2,350	See [2]
At amortized cost	–	–	556	–	556	556
Non-current portion of receivables under service concession arrangements [3]	–	–	273,340	–	273,340	291,238
Other non-current financial assets:						
Derivative financial instruments [4]	7,602	–	–	14,552	22,154	22,154
Other:						
At cost/amortized cost [3]	–	–	22,167	–	22,167	22,167
Total	$ 740,336	$ 55,058	$ 2,141,184	$ 52,519	$ 2,989,097	

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

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

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

(4) In 2017, the net loss on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company's share unit plans amounted to $3.8 million.

32. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities at December 31, 2018 and December 31, 2017 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2018				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL [1]	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables	$ –	$ –	$ 2,352,944	$ 2,352,944	$ 2,352,944
Other current financial liabilities:					
Derivative financial instruments	60,254	–	–	60,254	60,254
Other current financial liabilities	–	–	238,447	238,447	238,447
Provisions	–	–	98,502	98,502	98,502
Short-term debt and long-term debt [4]:					
Recourse	–	–	2,288,020	2,288,020	2,290,682
Limited recourse	–	–	980,303	980,303	980,303
Non-recourse	–	–	399,705	399,705	415,577
Other non-current financial liabilities [2], [3]	15,594	17,889	20,022	53,505	53,505
Total	$ 75,848	$ 17,889	$ 6,377,943	$ 6,471,680	

(1) Fair value through profit or loss ("FVTPL")

(2) In 2018, the net loss on derivative financial instruments at FVTPL entered into in 2015 for the purpose of the Company's share unit plans amounted to $14.7 million.

(3) In 2018, the net loss on contingent consideration to be transferred to seller related to Linxon acquisition (see Note 6A), which is a financial liability at FVTPL, amounted to $1.4 million.

AT DECEMBER 31	2017			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 2,176,947	$ 2,176,947	$ 2,176,947
Downpayments on contracts	–	149,388	149,388	149,388
Other current financial liabilities:				
Derivative financial instruments	20,775	–	20,775	20,775
Other current financial liabilities	–	243,949	243,949	243,949
Provisions	–	52,519	52,519	52,519
Short-term debt and long-term debt [4]:				
Recourse	–	1,345,539	1,345,539	1,366,320
Limited recourse	–	1,475,177	1,475,177	1,475,177
Non-recourse	–	312,964	312,964	336,574
Other non-current financial liabilities	1,303	14,122	15,425	15,425
Total	$ 22,078	$ 5,770,605	$ 5,792,683	

(4) The fair value of short-term debt and long-term debt classified in the "amortized cost" category in 2018 and in the "other financial liabilities" category in 2017 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

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	None
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, derivatives, life insurance policies, which are included in "Other current financial assets" and equity investments measured at FVTOCI
Level 3	Inputs for the asset or liability that are not based on observable market data	The Company's equity investment in Astoria Project Partners II LLC included in "Capital investments accounted for by the cost method" up until its disposal on October 24, 2018 (see Note 5A)

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, receivables under service concession arrangements, trade payables, 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, 2018 and 2017, 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 32A.
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 9A, and contract assets, as detailed in Note 9B. 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 expected credit losses (2017: net of an allowance for doubtful accounts), estimated by the Company and based, in part, on the age of specific and aggregated receivable balances, on the financial situation of specific customers 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 customer 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 contract assets (2017: contracts in progress), as well as the existence of any contract liabilities (2017: deferred revenue or downpayments on contracts) on the same project or with the same customer.

In addition to providing for individual balances of trade receivables and other financial assets upon certain events, the Company has an internal policy in place which requires to record, by default, an allowance on any trade receivable or contract asset that has been outstanding longer than a specific threshold, unless it can be demonstrated that the recovery of such trade receivable is not at risk or only partially at risk, in which case the allowance is adjusted accordingly. Moreover, the Company records an amount of additional expected credit losses on trade receivables and contract assets for balances that are not provided for and for which no impairment indicator exist as at period end, but for which it can be reasonably expected that credit losses might occur in the future. Such analysis incorporates the Company's past experience, adjusted as needed to better reflect anticipated conditions.

Generally, trade receivables and contract assets (2017: contracts in progress) are written-off if they are no longer subject to enforcement activity. As such, the amount of trade receivables and contract assets (2017: contract in progress) that have been written off but are still being pursued is minimal.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset disclosed in Note 9. The Company does not generally hold collateral as security.

iv) Other current financial assets, as detailed in Note 12, and other non-current financial assets, as detailed in Note 18. 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, 2018 and 2017.

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 $356.5 million at December 31, 2018 (2017: $328.9 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 $356.5 million of financial assets at December 31, 2018 (2017: $292.0 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 22.

32. FINANCIAL INSTRUMENTS (CONTINUED)

I) MATURITY ANALYSIS OF FINANCIAL LETTERS OF CREDIT

A draw on letters of credit or bank guarantees (Note 32C) 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, 2018 and 2017:

MATURITY	**DECEMBER 31 2018**	DECEMBER 31 2017
Not later than 1 year	**$ 233,986**	$ 257,064
Later than 1 year and not later than 5 years	**20,768**	22,249
Later than 5 years	**694**	919
	$ 255,448	$ 280,232

II) MATURITY ANALYSIS OF TRADE PAYABLES

As at December 31, 2018, 100% (2017: 99%) of the outstanding balance of "Trade payables" of $2,352.9 million (2017: $2,176.9 million) had a maturity of not later than 1 year.

III) MATURITY ANALYSIS OF OTHER FINANCIAL LIABILITIES

Prior to January 1, 2018, the "Downpayments on contracts" were contractually agreed advance payments made by clients that were deducted from future billings to such clients as work was performed and did not usually have a fixed contractual maturity. This liability was reversed based on the stage of completion method over the duration of a contract.

Prior to January 1, 2018, the "Retentions on supplier contracts" included in "Other current financial liabilities" (Note 20) were short-term liabilities the settlement of which was usually determined by the achievement of contractual milestones on projects and usually did not have a fixed contractual maturity.

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 revenue-generating projects 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, 2018			AT DECEMBER 31, 2017		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA$1,756,097	**US$1,323,215**	**2019-2023**	CA$1,923,190	US$ 1,509,872	2018-2022
CA$ 19,435	**€ 12,512**	**2019-2022**	CA$ 33,690	€ 21,939	2018-2022
US$ 721,989	**CA$ 964,180**	**2019-2021**	US$ 609,937	CA$ 779,347	2018-2021
€ 60,240	**CA$ 91,968**	**2019-2022**	€ 94,165	CA$ 141,758	2018-2021
CA$ 404,713	**£ 235,700**	**2019**	CA$ 164,638	£ 96,953	2018
AU$ 130,000	**CA$ 126,066**	**2019**	AU$ 184,500	CA$ 179,834	2018
£ 144,577	**CA$ 245,627**	**2019**	£ 74,266	CA$ 127,430	2018
€ 86,247	**US$ 104,791**	**2019-2020**	€ 73,515	US$ 88,064	2018-2019
INR 7,124,000	**£ 68,715**	**2019-2021**	INR 6,511,000	£ 63,073	2018-2021
US$ 57,560	**£ 45,514**	**2019**	US$ 46,700	£ 34,847	2018
CHF 60,867	**US$ 60,743**	**2019-2021**	–	–	–

As at December 31, 2018, the forward foreign exchange contracts used for hedging purposes by the Company had a net unfavourable fair value of $21.4 million (2017: favourable fair value of $25.3 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

CURRENCY SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2018 has been calculated from the Company's net assets (liabilities) denominated in US dollars, Saudi Arabian riyals and British pounds, from derivative financial instruments used to hedge the exposure to US dollars, Saudi Arabian riyals and British pounds and from investments made in foreign operations.

		IMPACT ON EQUITY		
		CA$/US$ [(2), (3)]	CA$/SAR [(2), (4)]	CA$/£ [(2), (5)]
Increase (decrease)	10% appreciation in the Canadian dollar [(1)]	**$ (274,111)**	**$ (23,642)**	**$ (237,469)**
Increase (decrease)	10% depreciation in the Canadian dollar [(1)]	**$ 274,111**	**$ 23,642**	**$ 237,469**

(1) Assuming all other variables remain the same.
(2) The Company's exposure to other currencies is not significant.
(3) Includes mainly $334.2 million of change in exchange differences on translating foreign operations.
(4) Includes mainly $23.4 million of change in exchange differences on translating foreign operations.
(5) Includes mainly $215.3 million of change in exchange differences on translating foreign operations.

As at December 31, 2018, the 10% appreciation in the Canadian dollar comparing to: i) the US dollar would decrease the Company's net loss by $1.9 million (10% depreciation in the Canadian dollar comparing to the US dollar would increase the Company's net loss by $1.9 million); ii) the Saudi Arabian riyal would increase the Company's net loss by $0.2 million (10% depreciation in the Canadian dollar comparing to the Saudi Arabian riyal would decrease the Company's net loss by $0.2 million); and iii) the British pound would decrease the Company's net loss by $0.2 million (10% depreciation in the Canadian dollar comparing to the British pound would increase the Company's net loss by $0.2 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

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.

In 2018, a subsidiary of the Company from E&C activities issued senior secured notes to finance certain long-term assets associated to BOO (Build-Own-Operate) contract. The senior secured notes bear interest at a variable rate which exposes the Company to interest rate risk. Also, in relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of non-controlling interest of 49% in Linxon granted an interest-free loan and provided a working capital revolving credit facility to Linxon. The working capital revolving credit facility bears interest at a variable rate which exposes the Company to the interest rate risk.

LIMITED RECOURSE DEBT

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

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.

RECOURSE LONG-TERM DEBT EXCLUDING CAPITAL INVESTMENTS

Certain SNC-Lavalin's debentures bear interest at a fixed rate and are measured at amortized cost; therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

SNC-Lavalin's Term Loan and certain debentures bear interest at a variable rate which exposes the Company to interest rate risk.

INTEREST RATE SENSITIVTY ANALYSIS

For floating rate debt, the analysis is prepared assuming the amount of the debt outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower of the base rate and all other variables were held constant, the Company's net loss for the year ended December 31, 2018 would decrease/increase by $18.7 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has increased during the current year mainly due to increase in variable rate debt instruments.

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 24C.

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, 2018, SNC-Lavalin had outstanding letters of credit of $2,374.1 million (2017: $1,907.0 million).

33. 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 and limited recourse debt when monitoring its capital because such debt results from the consolidation of certain E&C investments and Capital investments or holding entities held by the Company. As such, the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the E&C investments and Capital investments or investment in Capital investments they finance. The Company's investments and underlying assets in its E&C investments and Capital investments accounted for by the consolidation or equity methods may be at risk, however, if such investments or holding entities were unable to repay their long-term debt.

The Company's capital for the years ended December 31, 2018 and 2017 was as follows:

	DECEMBER 31 2018	DECEMBER 31 2017
Recourse debt	**$ 2,288,020**	$ 1,345,539
Equity attributable to SNC-Lavalin shareholders	**$ 3,650,903**	$ 5,225,131
Less: Other components of equity	**499,199**	277,974
Plus: Recourse debt	**2,288,020**	1,345,539
Total amount of capital	**$ 5,439,724**	$ 6,292,696

The Company has paid quarterly dividends for 29 consecutive years. Dividend policy is determined by the Board of Directors of the Company.

COVENANTS ON RECOURSE AND LIMITED RECOURSE DEBT

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

The Company's Revolving Facility and Term Loan are 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 Credit Agreement, which was amended on February 1, 2019, not exceeding a certain limit.

The term "net recourse debt to earnings before interest, taxes, depreciation and amortization ratio" is defined in the Credit 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, 2018.

The CDPQ Loan is subject to affirmative and negative covenants, as well as financial covenants, notably not to exceed, on a rolling 12-month and consolidated basis, a maximum net recourse debt to EBITDA ratio, as defined under the CDPQ Loan agreement, on two consecutive quarters, starting six full quarters after the initial funding date.

In case of an event of default, the Company's debentures, the Revolving Facility, the Term Loan and the CDPQ Loan are subject to customary accelerated repayment terms.

In 2018, the Company complied with all of the covenants, as amended when applicable, related to its debentures, Revolving Facility, Term Loan and CDPQ Loan.

34. PENSION PLANS, OTHER LONG-TERM BENEFITS 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 $208.9 million in 2018 (2017: $125.6 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 $134.8 million in 2018 (2017: $86.9 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are mostly closed to new entrants, and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed every year for two plans and at least every three years for the remaining plans. The measurement date used for the benefit obligation and plan assets is December 31 of each year. All SNC-Lavalin's defined benefit pension plans are partly funded, except for two plans, of which one plan is unfunded and one 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, compensation risk and longevity 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 the plans' 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 the plans' participants.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plans' participants both during and after their employment. An increase in the life expectancy of the plans' participants will increase the plans' liability.

The two main defined benefit schemes of the Company are the Atkins Pension Plan and the U.K. Railways Pension Scheme (the "Railways Pension Scheme"), both of which are funded final salary schemes in the U.K. The latest actuarial valuations were performed on March 31, 2016 for the Atkins Pension Plan and on December 31, 2016 for the Railways Pension Scheme.

34. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables set 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:

YEAR ENDED DECEMBER 31, 2018	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	$ 3,053,563	$ 683,728	$ 294,439	$ 4,031,730
Acquisition of Linxon	–	–	9,175	9,175
Current service cost	173	4,496	727	5,396
Interest cost	72,281	16,600	7,553	96,434
Past service cost [1]	19,668	4,722	672	25,062
Benefits paid	(155,801)	(23,517)	(15,810)	(195,128)
Contributions by plan participants	–	2,594	107	2,701
Remeasurement:				
Actuarial (gains) losses arising from changes in demographic assumptions	(17,638)	(15,217)	(1,938)	(34,793)
Actuarial (gains) losses arising from changes in financial assumptions	(203,354)	(42,365)	(12,125)	(257,844)
Actuarial (gains) losses arising from experience adjustments	(1,729)	5,879	923	5,073
Effect of foreign currency exchange differences	43,676	9,444	5,225	58,345
Pension benefit obligation at end of year	$ 2,810,839	$ 646,364	$ 288,948	$ 3,746,151
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	$ 2,720,318	$ 503,537	$ 281,530	$ 3,505,385
Acquisition of Linxon	–	–	5,806	5,806
Interest income	64,326	12,277	7,166	83,769
Remeasurement:				
Return on plan assets (excluding interest income)	(207,108)	(16,886)	(7,823)	(231,817)
Administration costs	–	(682)	(264)	(946)
Benefits paid	(155,801)	(23,517)	(15,810)	(195,128)
Contributions by the employer	60,868	5,361	7,875	74,104
Contributions by plan participants	–	2,594	107	2,701
Effect of foreign currency exchange differences	37,940	6,824	4,449	49,213
Fair value of pension plan assets at end of year	$ 2,520,543	$ 489,508	$ 283,036	$ 3,293,087

AT DECEMBER 31, 2018	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	$ 2,810,839	$ 646,364	$ 288,948	$ 3,746,151
Fair value of pension plan assets	2,520,543	489,508	283,036	3,293,087
Funded status	290,296	156,856	5,912	453,064
Additional liability due to minimum funding requirements	–	–	2,758	2,758
Net accrued pension benefit liability	$ 290,296	$ 156,856	$ 8,670	$ 455,822

Presented on the statement of financial position as follows:

Other non-current non-financial assets (Note 19)	$ 27,893
Non-current portion of provisions	$ 483,715

[1] Relates to October 26, 2018 U.K. High Court ruling (see Note 3)

34. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables set 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:

YEAR ENDED DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	$ –	$ 141,399	$ 180,637	$ 322,036
Acquisition of Atkins	2,970,511	520,950	124,797	3,616,258
Current service cost	167	3,154	423	3,744
Interest cost	35,932	10,605	6,357	52,894
Past service cost resulting from a plan amendment	–	–	(12,023)	(12,023)
Benefits paid	(106,630)	(10,856)	(12,472)	(129,958)
Contributions by plan participants	–	1,652	–	1,652
Remeasurement:				
Actuarial (gains) losses arising from changes in demographic assumptions	59,054	(12,415)	(2,164)	44,475
Actuarial losses arising from changes in financial assumptions	52,899	9,619	214	62,732
Actuarial losses arising from experience adjustments	13,475	10,863	1,866	26,204
Effect of foreign currency exchange differences	28,155	8,757	6,804	43,716
Pension benefit obligation at end of year	$ 3,053,563	$ 683,728	$ 294,439	$ 4,031,730
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	$ –	$ 89,841	$ 135,541	$ 225,382
Acquisition of Atkins	2,603,742	391,176	139,007	3,133,925
Interest income	32,938	7,453	5,489	45,880
Remeasurement:				
Return on plan assets (excluding interest income)	135,908	14,915	2,921	153,744
Administration costs	–	(424)	(328)	(752)
Benefits paid	(106,630)	(10,856)	(12,472)	(129,958)
Contributions by the employer	28,779	3,548	6,356	38,683
Contributions by plan participants	–	1,652	–	1,652
Effect of foreign currency exchange differences	25,581	6,232	5,016	36,829
Fair value of pension plan assets at end of year	$ 2,720,318	$ 503,537	$ 281,530	$ 3,505,385

AT DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	$ 3,053,563	$ 683,728	$ 294,439	$ 4,031,730
Fair value of pension plan assets	2,720,318	503,537	281,530	3,505,385
Funded status	333,245	180,191	12,909	526,345
Additional liability due to minimum funding requirements	–	–	2,773	2,773
Net accrued pension benefit liability	$ 333,245	$ 180,191	$ 15,682	$ 529,118

Presented on the statement of financial position as follows:

Other non-current non-financial assets (Note 19)	$ 24,171
Non-current portion of provisions	$ 553,289

34. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

YEAR ENDED DECEMBER 31, 2018	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	**$ 173**	**$ 4,496**	**$ 727**	**$ 5,396**
Net interest expense	**7,954**	**4,323**	**476**	**12,753**
Administration costs	**–**	**682**	**264**	**946**
Past service cost [(1)]	**19,668**	**4,722**	**672**	**25,062**
Components of benefit pension costs recognized in net income	**$ 27,795**	**$ 14,223**	**$ 2,139**	**$ 44,157**

(1) Relates to October 26, 2018 U.K. High Court ruling (see Note 3)

YEAR ENDED DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	$ 167	$ 3,154	$ 423	$ 3,744
Net interest expense	2,994	3,152	1,012	7,158
Administration costs	–	424	328	752
Past service cost resulting from a plan amendment	–	–	(12,023)	(12,023)
Components of (reversal of) benefit pension costs recognized in net income	$ 3,161	$ 6,730	$ (10,260)	$ (369)

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

YEAR ENDED DECEMBER 31, 2018	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	**$ 207,108**	**$ 16,886**	**$ 7,823**	**$ 231,817**
Actuarial gains arising from changes in demographic assumptions	**(17,638)**	**(15,217)**	**(1,938)**	**(34,793)**
Actuarial gains arising from changes in financial assumptions	**(203,354)**	**(42,365)**	**(12,125)**	**(257,844)**
Actuarial (gains) losses arising from experience adjustments	**(1,729)**	**5,879**	**923**	**5,073**
Variation in liability due to minimum funding requirements	**–**	**–**	**(104)**	**(104)**
Components of reversal of benefit pension costs recognized in other comprehensive income	**$ (15,613)**	**$ (34,817)**	**$ (5,421)**	**$ (55,851)**

YEAR ENDED DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	$ (135,908)	$ (14,915)	$ (2,921)	$ (153,744)
Actuarial (gains) losses arising from changes in demographic assumptions	59,054	(12,415)	(2,164)	44,475
Actuarial losses arising from changes in financial assumptions	52,899	9,619	214	62,732
Actuarial losses arising from experience adjustments	13,475	10,863	1,866	26,204
Effect of the asset ceiling from remeasurement	–	–	(590)	(590)
Variation in liability due to minimum funding requirements	–	–	(884)	(884)
Components of reversal of benefit pension costs recognized in other comprehensive income	$ (10,480)	$ (6,848)	$ (4,479)	$ (21,807)

SNC-Lavalin expects to make contributions of $76.7 million in 2019 to its defined benefit pension plans.

34. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

AT DECEMBER 31, 2018	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Asset category				
Equity securities	**$ 570,777**	**$ 206,272**	**$ 27,624**	**$ 804,673**
Debt securities	**1,603,512**	**185,782**	**243,924**	**2,033,218**
Other [1]	**346,254**	**97,454**	**11,488**	**455,196**
Total	**$ 2,520,543**	**$ 489,508**	**$ 283,036**	**$ 3,293,087**

AT DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Asset category				
Equity securities	$ 737,336	$ 245,536	$ 27,763	$ 1,010,635
Debt securities	1,597,251	175,388	246,319	2,018,958
Other [1]	385,731	82,613	7,448	475,792
Total	$ 2,720,318	$ 503,537	$ 281,530	$ 3,505,385

[1] As at December 31, 2018 and 2017, the asset category "Other" includes mainly property and cash.

The fair values of the above equity and debt instruments are mainly 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 as at December 31, 2018:

AT DECEMBER 31, 2018	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
Accrued pension benefit obligation			
Discount rate	**2.80%**	**2.80%**	**2.71%**
Rate of compensation increase [2]	**3.10%**	**3.10%**	**1.88%**
Inflation [3]	**3.10%**	**3.10%**	**2.19%**
Longevity at age 65 for current pensioners			
Men	**23.2 years**	**22.5 years**	**23.1 years**
Women	**24.4 years**	**23.6 years**	**25.1 years**
Longevity at age 65 for future pensioners (current age 45)			
Men	**24.6 years**	**23.9 years**	**24.6 years**
Women	**25.9 years**	**25.1 years**	**26.5 years**

[2] The weighted average rate of compensation increase excluding pension plans for which benefits are not linked to future salary levels represented 2.76% as at December 31, 2018.

[3] The inflation assumption shown for Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.10% as at December 31, 2018.

34. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2017:

AT DECEMBER 31, 2017	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
Accrued pension benefit obligation			
Discount rate	2.40%	2.44%	2.54%
Rate of compensation increase [1]	3.10%	3.10%	1.87%
Inflation [2]	3.10%	3.10%	2.25%
Longevity at age 65 for current pensioners			
Men	23.3 years	23.1 years	23.3 years
Women	24.5 years	24.5 years	25.2 years
Longevity at age 65 for future pensioners (current age 45)			
Men	24.7 years	24.5 years	24.7 years
Women	26.0 years	26.0 years	26.6 years

(1) The weighted average rate of compensation increase excluding pension plans for which benefits are not linked to future salary levels represented 2.85% as at December 31, 2017.

(2) The inflation assumption shown for Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.10% as at December 31, 2017.

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2018, 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 $683.9 million (increase by an estimated amount of $688.9 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of $20.7 million (decrease by an estimated amount of $20.7 million).

If the inflation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of $475.8 million (decrease by an estimated amount of $475.6 million).

If the longevity increases by 1 year, the defined benefit pension obligation would increase by an estimated amount of $130.1 million.

The sensitivity analyses 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 analyses, 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, 2018 was 19.0 years for Atkins Pension Plan (2017: 20.0 years), 17.1 years for Railways Pension Scheme (2017: 16.6 years) and 15.5 years for the other plans (2017: 17.7 years).

B) OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

SNC-Lavalin has a number of other long-term benefit and 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 long-term benefit and other post-employment benefit plans are unfunded plans.

34. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table sets forth the change in obligation of SNC-Lavalin's other long-term benefit and other post-employment benefit plans:

YEARS ENDED DECEMBER 31	2018	2017
Change in obligation:		
Obligation at beginning of year	**$ 78,885**	$ 49,703
Acquisition of businesses	**3,728**	37,449
Current service cost	**14,989**	12,852
Past service cost	**667**	(177)
Interest cost	**3,732**	3,189
Remeasurement [1]	**(171)**	135
Benefits paid	**(18,640)**	(20,150)
Actuarial gains (Note 25)	**(2,081)**	(37)
Effect of foreign currency exchange differences	**3,895**	(4,079)
Obligation at end of year	**$ 85,004**	$ 78,885

SNC-Lavalin's net defined other long-term benefit and other post-employment benefit costs recognized in net income were comprised of:

YEARS ENDED DECEMBER 31	2018	2017
Current service cost	**$ 14,989**	$ 12,852
Past service cost	**667**	(177)
Interest cost	**3,732**	3,189
Remeasurement [1]	**(171)**	135
Components of other long-term benefit and other post-employment benefit costs recognized in net income	**$ 19,217**	$ 15,999

[1] Remeasurement relates to two other long-term employee benefit plans of SNC-Lavalin for which remeasurement is not recognized in other comprehensive income, but rather in the income statement.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued other long-term benefit and other post-employment benefit obligation:

	DECEMBER 31 2018	DECEMBER 31 2017
Accrued other long-term benefit and other post-employment benefit obligation		
Discount rate	**4.73%**	4.90%
Rate of compensation increase [2]	**4.50%**	3.75%

[2] Rate of compensation increase applies only to termination indemnities.

35. 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.

Charges and RCMP investigations

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

In September 2018, amendments to the Criminal Code came into effect introducing new provisions allowing the settlement of certain types of charges against a corporation (including certain charges related to the CFPOA, such as those of which the Company has been accused) through a remediation agreement. The Company was advised by the Director of the PPSC in October 2018 that at this time it will not be invited by PPSC to negotiate a remediation agreement in relation to the Charges and in accordance with these new provisions.

On October 19, 2018, the Company filed an application with the Federal Court of Canada for a judicial review of the decision of the Director of the PPSC. The Director of the PPSC in turn filed a motion with that court to strike out that application. A hearing of that motion to strike took place February 1, 2019; judgement of the court will follow in due course.

The preliminary inquiry into the Charges against the Company commenced in the Court of Quebec on October 29, 2018. The purpose of the preliminary inquiry is to determine if there is sufficient evidence to set the matter down for a full trial. Final arguments are due to be completed before the court on April 1, 2019; judgement of the court will follow in due course. Depending on the outcome of the preliminary inquiry, the Company may seek a further review of the decision of the Court of Quebec. Subject to the outcome of the preliminary inquiry, and of any resulting review, a trial on the Charges may commence in 2019 or 2020.

While the Company remains open and committed to the possibility of negotiating a remediation agreement with the office of the Director of the PPSC, it also has defences to the Charges and will pursue those vigorously in the context of the preliminary inquiry, any resulting trial and any applicable appeals thereof.

However, having regard to the uncertainty regarding a remediation agreement, in December 2018 the Board of directors of SNC-Lavalin established a special committee to consider options that would protect value for SNC-Lavalin stakeholders.

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) would likely have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

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

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

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

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

World Bank Settlement

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

African Development Bank Settlement

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

Canada's Integrity Regime

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

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

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

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

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

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aïssa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec. On July 10, 2018, Mr. Ben Aïssa pleaded guilty to the charge of using a forged document in exchange for other charges being dropped, and was accordingly sentenced to 51 months incarceration. On November 26, 2018, another accused, Yanai Elbaz, also registered a guilty plea on certain offenses and was accordingly sentenced to 39 months incarceration, while another accused, Yohann Elbaz, was acquitted. On February 1, 2019, the last remaining accused, former SNC-Lavalin CEO Pierre Duhaime, plead guilty to one count of complicity in the breach of trust by Yanai Elbaz; accordingly Duhaime was sentenced to 20 months of house arrest (during first 7 of which he will not be authorized to leave house), 240 hours of community service, a $200,000 fine payable to an organization supporting victims of criminal acts plus 1 year of probation during which he is forbidden to serve as corporate director.

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

The Company is currently unable to determine when any of the above investigations will be completed or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. 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 and/or would, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

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

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

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

B) CLASS ACTION LAWSUITS AND MOTION

The Company was subject to class actions in Quebec and Ontario commenced in 2012 on behalf of security holders (collectively, the "Actions"). The Actions were brought pursuant to the secondary market civil liability provisions in the various Canadian provincial and territorial securities statutes. The Actions alleged that various of the Company's public disclosure documents issued between November 2009 and November 2011 included misrepresentations. The Actions sought damages, on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012, based on the decline in market value of SNC-Lavalin shares following the Company's February 28, 2012 news release and other public announcements.

On May 22, 2018, the Company reached an agreement to settle the Actions, with the Company agreeing to pay $88.0 million to the plaintiffs. The settlement has since been approved by the Ontario and Quebec courts.

On February 6, 2019, a "Motion for authorization of a class action and for authorization to bring an action pursuant to section 225.4 of the Quebec securities act" (the "Class Action Motion") was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through January 27, 2019 (the "Class Period"), and held some or all of such shares as of the commencement of trading on January 28, 2019.

The Class Action Motion alleges that certain documents filed by SNC-Lavalin and oral statements made by its Chief Executive Officer during the Class Period contained misrepresentations by failing to timely disclose material risks to SNC-Lavalin arising from the Mining & Metallurgy and Oil &Gas segments, which misrepresentations would have been corrected by way of SNC-Lavalin's January 28, 2019 press release.

The Class Action Motion seeks leave from the Superior Court to bring a statutory misrepresentation claim under Quebec's Securities Act. The proposed action claims damages and seeks the condemnation of the Defendants to pay the class members an unspecified amount for compensatory damages with interest and additional indemnity as well as full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution.

SNC-Lavalin believes the claims outlined in the Class Action Motion are completely without merit. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Class Action Motion 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. SNC-Lavalin has directors' and officers' liability insurance insuring individuals against liability for acts or omissions in their capacity as directors and officers, and the Company itself has coverage for such a claim. The amount of coverage under the directors' and officers' policy is limited and such coverage may be less than any amounts the Company is required or determines to pay in connection with the Class Action Motion. If the Company is required or determines to pay an amount in connection with the Class Action Motion, such amount could have a material adverse impact on SNC-Lavalin's liquidity and financial results.

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the then-known defendants, on an *in solidum* basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). The appeal hearing started in October 2017 and was completed in the week of April 30th, 2018. A decision from the Quebec Court of Appeal is expected in 2019.

In addition to the appeal of the decision, a recourse in warranty was filed against another party seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. This recourse, which is scheduled for trial beginning March 2019, 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 also expects some insurance coverage for Wave 2 claims. In addition, SNC-Lavalin has undertaken a 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.

WS Atkins & Partners Overseas, a subsidiary of the Company, has received a claim letter from a former customer and its insurers seeking damages on account of the alleged refurbishment costs and loss of income arising from a fire at the customer's building. WS Atkins & Partners Overseas was involved in the hotel's design and construction supervision and the claim revolves around alleged negligence in the specification of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building.

A subsidiary of SNC-Lavalin, and a customer, have each sought the appointment of an arbitrator to adjudicate certain mutual claims related to an on-going project in the Mining & Metallurgy segment. SNC-Lavalin claims from the client certain amounts due under or in connection with the project contract. The client has counter-claimed, alleging that SNC-Lavalin is in default under the project contracts and seeking damages. The same subsidiary of SNC-Lavalin is in an arbitration process with a key sub-contractor in relation to the same project, which dispute involves claims and counter-claims.

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

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.

36. 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, 2018 and 2017:

	DECEMBER 31 2018	DECEMBER 31 2017
Not later than 1 year	**$ 147,388**	$ 157,145
Later than 1 year and not later than 5 years	**375,624**	340,747
Later than 5 years	**317,352**	301,264
	$ 840,364	$ 799,156

SNC-Lavalin's payments under operating lease arrangements recognized as an expense in net income amounted to $191.6 million for the year ended December 31, 2018 (2017: $184.4 million).

As at December 31, 2018, future minimum sublease payments expected to be received under non-cancellable subleases totalled $34.2 million and were as follows: $12.2 million – not later than 1 year, $18.9 million – later than 1 year and not later than 5 years, and $3.1 million – later than 5 years. As at December 31, 2017, future minimum sublease payments expected to be received under non-cancellable subleases totalled $48.0 million and were as follows: $14.0 million – not later than 1 year, $28.8 million – later than 1 year and not later than 5 years, and $5.2 million – later than 5 years.

37. REMUNERATION

A) EMPLOYEE REMUNERATION

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

YEARS ENDED DECEMBER 31	2018	2017
Short-term benefits [1]	**$ 4,203,622**	$ 3,920,493
Share-based payments	**45,586**	42,069
Defined contribution pension plans	**134,770**	86,900
Defined benefit pension plans, other long-term benefits and other post-employment benefits	**63,374**	15,630
	$ 4,447,352	$ 4,065,092

[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

The Company's key management include all employees that are classified at the executive levels, corresponding mainly to the vice-presidents and above, and all members of the Company's Board of Directors.

The number of individuals included as key management was 142 people in 2018 (2017: 141 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:

YEARS ENDED DECEMBER 31	2018	2017
Short-term benefits [2]	**$ 76,616**	$ 82,013
Share-based payments	**29,084**	34,793
Termination benefits	**1,668**	8,201
Defined benefit and defined contribution pension plans, other long-term benefits and other post-employment benefits	**2,939**	2,798
	$ 110,307	$ 127,805

[2] Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits.

38. RELATED PARTY TRANSACTIONS

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

For the year ended December 31, 2018 and 2017, SNC-Lavalin recognized the following transactions with its related parties:

YEARS ENDED DECEMBER 31	2018	2017
E&C revenue from contracts with investments accounted for by the equity method	**$ 1,102,920**	$ 1,098,337
Income from Capital investments accounted for by the equity method	**204,087**	184,819
Dividends and distributions received from Capital investments accounted for by the equity method	**170,540**	156,876
Income from E&C investments accounted for by the equity method	**37,277**	14,911
Dividends and distributions received from E&C investments accounted for by the equity method	**$ 7,919**	$ 22,088

As at December 31, 2018 and 2017, SNC-Lavalin has the following balances with its related parties:

AT DECEMBER 31	2018	2017
Trade receivables from investments accounted for by the equity method	**$ 117,359**	$ 77,550
Other current financial assets receivable from investments accounted for by the equity method	**131,694**	103,560
Remaining commitment to invest in Capital investments accounted for by the equity method	**$ 108,312**	$ 98,050

In 2018, SNC-Lavalin transferred its investment in MHIG and its holding company to an investment accounted for by the equity method, namely the SNCL IP Partnership, which resulted in a gain on disposal of $62.7 million before income taxes ($58.4 million after income taxes) (see Note 5A).

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

39. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2018 and 2017, 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:

	2018	2017	
SUBSIDIARIES	**%**	%	COUNTRY
Atkins Limited	**100.0**	100.0	United Kingdom
Atkins US Holdings Inc.	**100.0**	100.0	United States
Candu Energy Inc.	**100.0**	100.0	Canada
Evergreen Rapid Transit Holdings Inc.	**100.0**	100.0	Canada
Faithful+Gould Limited	**100.0**	100.0	United Kingdom
Infrastructure Famille Santé Inc.	**100.0**	100.0	Canada
InPower BC General Partnership	**100.0**	100.0	Canada
Kentz Canada Holdings Limited	**100.0**	100.0	Canada
Kentz Corporation Limited	**100.0**	100.0	Channel Islands
Kentz Pty Ltd.	**100.0**	100.0	Australia
Kentz US Holdings Inc.	**100.0**	100.0	United States
Linxon Pvt Ltd	**51.0**	–	United Kingdom
P.T. SNC-Lavalin TPS	**95.0**	95.0	Indonesia
Saudi Arabia Kentz Co. LLC	**75.0**	75.0	Saudi Arabia
SNC-Lavalin	**100.0**	100.0	Belgium
SNC-Lavalin (GB) Holdings Limited	**100.0**	100.0	United Kingdom
SNC-Lavalin (GB) Limited	**100.0**	100.0	United Kingdom
SNC-Lavalin (Malaysia) Sdn. Bhd.	**100.0**	100.0	Malaysia
SNC-Lavalin (Proprietary) Limited	**100.0**	100.0	South Africa
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 Colombia S.A.S.	**100.0**	100.0	Colombia
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 Highway Holdings 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 Operations & Maintenance Inc.	**100.0**	100.0	Canada

39. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

SUBSIDIARIES	2018 %	2017 %	COUNTRY
SNC-Lavalin Peru S.A.	**100.0**	100.0	Peru
SNC-Lavalin Polska Sp. Z o.o.	**100.0**	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	**100.0**	100.0	Brazil
SNC-Lavalin Rail & Transit Limited	**100.0**	100.0	United Kingdom
SNC-Lavalin Romania S.A.	**100.0**	100.0	Romania
SNC-Lavalin Stavibel Inc.	**100.0**	100.0	Canada
SNC-Lavalin UK Limited	**100.0**	100.0	United Kingdom
The Atkins North America Holdings Corporation	**100.0**	100.0	United States
The SNC-Lavalin Corporation	**100.0**	100.0	United States
Valerus Field Solutions Holdings LLC	**100.0**	100.0	United States
WS Atkins Limited (previously WS Atkins plc)	**100.0**	100.0	United Kingdom

JOINT VENTURES	2018 %	2017 %	COUNTRY
Capital investments			
407 East Development Group General Partnership	**50.0**	50.0	Canada
407 International Inc. [1]	**16.77**	16.77	Canada
Crosslinx Transit Solutions General Partnership	**25.0**	25.0	Canada
McGill Healthcare Infrastructure Group, G.P.	**–**	50.0	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			
Canadian National Energy Alliance Ltd.	**50.0**	50.0	Canada
Comprehensive Decommissioning International, LLC	**40.0**	–	United States
SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company	**50.0**	50.0	Saudi Arabia

JOINT OPERATIONS	2018 %	2017 %	COUNTRY
407 East Construction General Partnership	**50.0**	50.0	Canada
Crosslinx Transit Solutions Constructors G.P.	**25.0**	25.0	Canada
NouvLR General Partnership	**24.0**	–	Canada
Signature on the Saint Lawrence Construction General Partnership	**45.0**	45.0	Canada
SLN-Aecon JV	**50.0**	50.0	Canada
SNC-Dragados-Pennecon G.P.	**40.0**	40.0	Canada
UGL Kentz Joint Venture	**50.0**	50.0	Australia

ASSOCIATES	2018 %	2017 %	COUNTRY
Capital investments			
Myah Tipaza S.p.A.	**25.5**	25.5	Algeria
Shariket Kahraba Hadjret En Nouss S.p.A.	**26.0**	26.0	Algeria
SNC-Lavalin Infrastructure Partners LP	**20.0**	20.0	Canada

[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 TC Dôme S.A.S. is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

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

As at December 31, 2017, the disposal group and non-current assets classified as held for sale included: i) a Capital investment accounted for by the equity method, namely MHIG, and its holding company (see Note 5A); and ii) other non-current assets, mainly project equipment, included in the Oil & Gas segment.

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

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

Glossary

Adjusted diluted earnings per share from E&C

Non-IFRS financial measure defined by the company as adjusted net income from E&C, divided by the diluted weighted average number of outstanding shares for the period.

Adjusted EBITDA

Non-IFRS financial measure defined by the Company as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes charges related to restructuring, right-sizing and other, the acquisition-related costs and integration costs, the net expense for the 2012 class action lawsuits settlement, the GMP equalization expense, as well as the gains (losses) on disposals of E&C businesses, Capital investments and the head office building.

Adjusted net income from E&C

Non-IFRS financial measure defined by the Company as net income attributable to SNC-Lavalin shareholders from E&C, excluding charges related to restructuring, right-sizing and other, acquisition-related costs and integration costs, as well as amortization of intangible assets related to business combinations, impairment of goodwill, the net expense for the 2012 class action lawsuits settlement, the GMP equalization expense, the gains (losses) on disposals of E&C businesses and the head office building, and also the impact of U.S corporate tax reform.

Backlog

Backlog was a non-IFRS measure used until December 31, 2017. It was a forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that were considered firm. Management could be required to make estimates regarding the revenue to be generated for long-term firm reimbursable contracts. In order to provide information that is comparable to the backlog of other categories of activity, the Company limited the O&M activities backlog, which can cover a period of up to 40 years, to the earlier of: i) the contract term awarded; and ii) the next five years. Starting January 1, 2018, backlog is an IFRS measure corresponding to remaining performance obligations, in accordance with IFRS 15.

Booking-to-revenue ratio

Ratio obtained by dividing the contract bookings by the revenues, for a given period.

Capital

Refers to the investment, financing and asset management arm of the Company, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure such as bridges, highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

Clean Power

Part of E&C activities, Clean Power combines the Company's established leadership in hydro, transmission and distribution and extensive renewable energy capabilities, including in energy storage, providing fully integrated life-of-asset services capabilities.

EBIT

Earnings before net financial expenses (income) and income taxes.

EBITDA

Earnings before net financial expenses (income), income taxes, depreciation and amortization.

EDPM

Part of E&C activities, EDPM incorporates all engineering, design and project management services around the world, except for the Canadian market which remains fully integrated within Infrastructure segment. It also harnesses our enhanced capabilities in intelligent mobility and digital asset management. Projects are mainly in transportation, which includes rail, mass transit and roads, along with infrastructure, project management, aerospace, defence and security & technology. Some projects are primarily funded by the public sector and include projects with several departments of transportation, as well as the water treatment, environment, city and county markets, and the intermodal business.

Engineering & Construction ("E&C")

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

EPC

Type of agreement whereby the Company provides Engineering, Procurement and Construction.

EPC Fixed-Price Contract

Type of EPC contract whereby the Company completes the work required for the project at a lump-sum price.

EPCM

Type of agreement whereby the Company provides services related to engineering, procurement, and construction management activities.

IFRS

International financial reporting standards.

Infrastructure

Part of E&C activities, Infrastructure provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects.

Mining & Metallurgy

Part of E&C activities, Mining & Metallurgy combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer, commodities related to rechargeable batteries for cars, mobile phone and other electronic devices, and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects. However, as announced by the Company in February 2019, Mining & Metallurgy will cease to bid on EPC fixed-price contracts going forward.

Net recourse debt (or Cash Net of Recourse Debt)

Cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt.

Nuclear

Part of the E&C activities, Nuclear supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

Oil & Gas

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

Reimbursable and engineering service contracts

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

ROASE

Return on Average Shareholders' Equity corresponds to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

Segment EBIT

Consists of revenues less i) direct cost of activities, ii) directly related selling, general and administrative expenses, iii) corporate selling, general and administrative expenses that are allocated to segments; and iv) non-controlling interests before taxes. Expenses that are not allocated to the Company's segments include: certain corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, gain (loss) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, impairment of goodwill, acquisition-related costs and integration costs, and amortization of intangible assets related to business combinations, the net expense for the 2012 class action lawsuits settlement, the GMP equalization expense, as well as gains (losses) on disposals of E&C businesses, Capital investments and the head office building.

Thermal Power

Part of E&C activities, Thermal Power includes projects in thermal power generation, a market that the Company has exited in 2018.

Ten-year statistical summary

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS[1]									CANADIAN GAAP
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009 [3]
Revenues:										
From E&C	9,819.3	9,096.7	8,223.1	9,363.5	7,334.7	7,149.3	7,525.9	6,708.5	5,521.6	5,721.5
From Capital	264.7	238.0	247.7	223.4	904.1	763.8	565.1	501.4	442.7	380.2
	10,084.0	9,334.7	8,470.8	9,587.0	8,238.8	7,913.2	8,091.0	7,209.9	5,964.3	6,101.7
Restructuring costs and goodwill impairment	1,309.0	26.4	115.4	116.4	109.9	123.5	–	–	–	–
Acquisition-related costs and integration costs	54.9	124.3	4.4	19.6	62.5	–	–	–	–	–
EBIT	(1,160.4)	603.4	312.1	521.6	1,877.4	228.8	499.5	595.6	717.8	605.5
Net income attributable to:										
SNC-Lavalin shareholders	(1,316.9)	382.0	255.5	404.3	1,333.3	35.8	305.9	377.4	475.5	359.4
Non-controlling interests	0.6	1.1	1.0	33.2	1.2	0.6	0.4	8.5	10.7	–
Net income	(1,316.3)	383.2	256.6	437.5	1,334.6	36.4	306.3	385.9	486.3	359.4
Acquisition of property and equipment:										
From E&C	152.9	124.8	151.4	116.0	70.2	55.5	96.2	67.2	46.0	32.4
From Capital	–	–	–	–	1,522.4	1,545.9	849.2	545.8	402.0	274.1
	152.9	124.8	151.4	116.0	1,592.5	1,601.5	945.4	613.0	448.0	306.5
Depreciation of property and equipment and amortization of other non-current assets:										
From E&C	324.6	215.6	140.6	162.4	113.7	67.9	61.6	45.4	39.6	43.5
From Capital	–	–	2.5	–	53.5	133.1	99.2	93.1	86.9	86.6
	324.6	215.6	143.1	162.4	167.2	201.0	160.8	138.5	126.5	130.1
Net financial expenses:										
From E&C	156.0	107.8	27.9	(7.7)	38.9	19.5	13.7	15.5	26.0	16.0
From Capital	11.5	10.0	14.2	8.0	180.9	131.2	112.5	99.7	85.1	112.2
	167.5	117.8	42.1	0.3	219.8	150.7	126.2	115.2	111.1	128.2
EBITDA:										
From E&C	140.5	589.4	219.1	333.7	(160.0)	(131.6)	273.1	389.9	513.7	482.7
From Capital	264.1	229.6	236.1	350.3	2,233.1	617.8	387.2	344.1	330.6	252.9
	404.6	818.9	455.2	684.0	2,073.1	486.2	660.3	734.0	844.3	735.6
Return on average shareholders' equity[2]	(27.9)%	9.5%	7.1%	12.0%	58.7%	1.6%	14.6%	19.1%	28.2%	27.3%

Certain totals, subtotals and percentages may not reconcile due to rounding.

[1] Certain indicators used by the Company to analyze and evaluate its results, which are listed in the ten-year statistical summary table, are non-IFRS financial measures or additional IFRS measures. Consequently, they do not have a standardized meaning as prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS financial measures provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Definitions of all non-IFRS financial measures and additional IFRS measures are provided in the Company's 2018 Management's Discussion and Analysis ("MD&A") to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS in its 2018 MD&A.

[2] Excluding other components of equity.

[3] The figures for 2009 have been prepared in accordance with Canadian GAAP, and have not been restated as they relate to periods prior to the Date of Transition to International Financial Reporting Standards ("IFRS"). The net income for this period does not include non-controlling interests, as they were presented outside shareholders' equity under Canadian GAAP.

Ten-year statistical summary (continued)

YEAR ENDED DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS									CANADIAN GAAP
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Supplementary information:										
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	(1,563.0)	176.0	46.3	95.8	(300.5)	(245.8)	149.0	246.2	340.6	322.5
Net income attributable to SNC-Lavalin shareholders from Capital investments:										
From Highway 407 ETR	154.3	141.7	132.5	125.8	122.5	114.1	100.6	77.2	50.3	9.8
From AltaLink	–	–	–	–	175.6	91.8	54.5	33.8	22.9	20.7
From other Capital investments	91.8	64.3	76.7	182.7	1,335.9	75.7	1.8	20.2	61.7	6.4
Net income (loss) attributable to SNC-Lavalin shareholders	(1,316.9)	382.0	255.5	404.3	1,333.3	35.8	305.9	377.4	475.5	359.4
Earnings (loss) per share ($):										
Basic	(7.50)	2.35	1.70	2.68	8.76	0.24	2.03	2.50	3.15	2.38
Diluted	(7.50)	2.34	1.70	2.68	8.74	0.24	2.02	2.48	3.12	2.36
Weighted average number of outstanding shares (in thousands):										
Basic	175,541	162,910	150,077	150,918	152,218	151,497	151,058	150,897	151,020	151,042
Diluted	175,541	163,029	150,279	150,988	152,605	151,814	151,304	151,940	152,277	151,992
Annual dividends declared per share ($)	0.961	1.106	1.053	1.01	0.97	0.93	0.89	0.85	0.72	0.62

AT DECEMBER 31 (IN MILLIONS CA$, UNLESS OTHERWISE INDICATED)	IFRS									CANADIAN GAAP
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of employees	52,435	52,448	34,952	36,754	42,003	29,714	33,909	28,100	23,923	21,948
Revenue backlog[4]	14,885.0	10,406.4	10,677.4	11,991.9	12,325.5	8,287.8	10,133.4	10,088.0	9,715.9	8,258.5
Cash and cash equivalents	634.1	706.5	1,055.5	1,581.8	1,702.2	1,108.7	1,174.9	1,231.0	1,235.1	1,218.2
Working capital	(950.1)	111.9	227.9	108.1	(365.4)	(527.0)	(267.9)	32.0	679.9	544.1
Property and equipment:										
From E&C	482.6	414.1	298.3	265.1	246.1	180.4	193.1	159.9	115.2	114.0
From Capital	–	–	–	–	–	5,132.0	3,470.0	2,637.7	2,072.8	2,217.0
	482.6	414.1	298.3	265.1	246.1	5,312.4	3,663.1	2,797.6	2,188.0	2,331.0
Recourse long-term debt	1,171.4	1,026.8	349.4	349.1	348.9	348.7	348.5	348.4	348.2	452.9
Limited recourse long-term debt	980.3	1,475.2	–	–	–	–	–	–	–	–
Non-recourse long-term debt	339.5	297.4	472.6	525.8	530.7	3,536.9	2,000.7	1,561.4	1,529.0	2,005.5
Equity attributable to SNC-Lavalin shareholders	3,650.9	5,225.1	3,873.2	3,868.2	3,313.8	2,036.7	2,075.4	1,883.1	1,816.8	1,434.7
Book value per share ($)	20.80	29.77	25.76	25.83	21.73	13.42	13.74	12.47	12.03	9.50
Number of outstanding common shares (in thousands)	175,554	175,488	150,357	149,772	152,465	151,807	151,069	151,034	151,034	151,033
Closing market price per share ($)	45.92	57.05	57.79	41.12	44.31	47.79	40.32	51.08	59.77	53.99
Market capitalization	8,061.5	10,011.6	8,689.1	6,158.6	6,755.7	7,254.8	6,091.1	7,714.8	9,027.3	8,154.3

Certain totals, subtotals and percentages may not reconcile due to rounding.

[4] Effective January 1, 2018, the Company's definition of backlog ("backlog") has been changed and now corresponds to the concept of remaining performance obligations, which is based on *IFRS 15, Revenue from Contracts with Customers*, without restatement of the prior periods.

Information for shareholders

Common Share Information

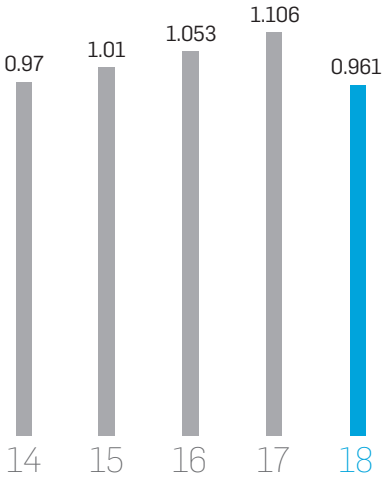
LISTED: Toronto Stock Exchange
SYMBOL: SNC
SHARES OUTSTANDING: 175.6 million (December 31, 2018)
MARKET CAPITALIZATION: $8,061 million (December 31, 2018)

Trading Activity and Market Capitalization

	VOLUME (M)	HIGH ($)	LOW ($)	CLOSE ($)	MARKET CAPITALIZATION AT DECEMBER 31 (M$)
2018	170.3	61.54	43.73	45.92	8,061
2017	137.5	59.38	50.28	57.05	10,012
2016	138.1	59.63	36.47	57.79	8,689
2015	178.1	47.40	35.89	41.12	6,159
2014	166.3	59.63	38.70	44.31	6,756

Dividends

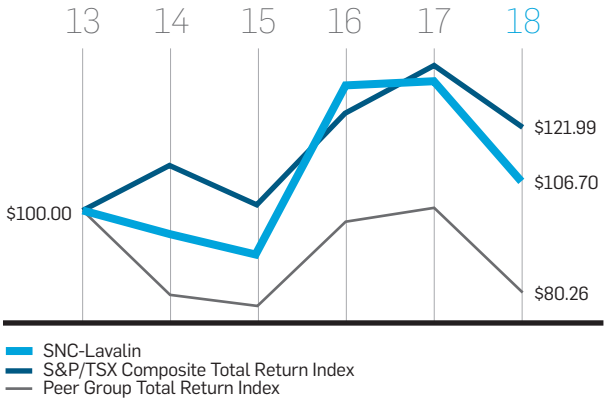
Dividends Declared for the Last Five Years
(IN CA$)



Performance Graph

The following performance graph illustrates the five-year cumulative total return assuming $100 was invested on December 31, 2013, in common shares of SNC-Lavalin, in the S&P/TSX Composite Total Return Index, and in an index composed of a peer group of Engineering and Construction Companies.

Five-Year Cumulative Total Return on $100 Invested
(ASSUMES DIVIDENDS ARE REINVESTED)



Credit Ratings

RATING AGENCY	RATING AND OUTLOOK
Standard & Poor's Ratings Services	BBB- / stable
DBRS	BBB / stable

Annual Meeting

The Annual Shareholders' Meeting will be held at 11:00 a.m. Eastern Daylight Time on Thursday, May 2, 2019, at Palais des congrès, 1001 Place Jean-Paul-Riopelle.

Normal Course Issuer Bid

The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

Registrar and Transfer Agent

If you would like to modify your address, eliminate multiple mailings, transfer SNC-Lavalin shares, or for other information on your shareholder account such as dividends and registration, please contact:

Computershare Investor Services Inc.
100 University Ave., 8th Floor, North Tower, Toronto ON, M5J 2Y1
Telephone: 1-800-564-6253
Website: www.investorcentre.com

Independent Auditor

Deloitte LLP
Montreal QC

Investor Relations

Denis Jasmin, Vice-President, Investor Relations
denis.jasmin@snclavalin.com
514-393-1000

Corporate Governance

Our website provides information on our corporate governance practices, including our Code of Conduct, and the mandates for the Board of Directors and the Board committees as well as various position descriptions. To learn more, go to www.snclavalin.com and click on About Us.

Code of Conduct

Our Code of Conduct seeks to promote integrity and transparency in the conduct of our business and in our relations with our colleagues, directors, shareholders and business partners, including customers, associates and suppliers. To learn more on our Code of Conduct, go to www.snclavalin.com/en/code-of-ethics.

Proxy Circular

The proxy circular contains information about our directors, Board committee reports and further details of our corporate governance practices. This document is available online at www.snclavalin.com.

Have Your Say

If you would like to ask a question at our annual meeting of shareholders, you can submit it in person. You can also send your question in by writing to the Vice-President and Corporate Secretary at:

Vice-President and Corporate Secretary
455 René-Lévesque Blvd. West, Montreal QC, H2Z 1Z3, Canada

Head Office

SNC-Lavalin Group Inc.
455 René-Lévesque Blvd West, Montreal QC, H2Z 1Z3, Canada

www.snclavalin.com

We invite you to visit our website at www.snclavalin.com to learn more about SNC-Lavalin, our governance practices, our continuous disclosure materials and to obtain electronic copies of this and other reports.

Exemplaires en français

Pour télécharger la version française de ce rapport ou en demander un exemplaire, veuillez consulter la section Investisseurs au www.snclavalin.com.

References to “Company” or “SNC-Lavalin”

Reference in this Annual Report 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.

At SNC-Lavalin, we recognize the importance of helping protect the environment.

Our financial report is available online. We invite you to visit our website at www.snclavalin.com for a list of our offices and to learn more about SNC-Lavalin.

Cover picture: SNC-Lavalin is a partner of the Signature on the Saint Lawrence consortium responsible for the design, construction, and operations and maintenance of the New Champlain Bridge Corridor Project under a public-private partnership with the Government of Canada. Photo credit: Infrastructure Canada
New Champlain Bridge Corridor Project – Canada

SNC·LAVALIN

Head Office

455 René-Lévesque Blvd. West
Montreal, QC, H2Z 1Z3, Canada
Tel.: 514-393-1000 Fax: 514-866-0795

snclavalin.com