SNC·LAVALIN

Management's Discussion and Analysis

Second Quarter and First Six Months of 2016 versus
Second Quarter and First Six Months of 2015

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August 3, 2016

All financial information in Canadian dollars, unless otherwise indicated

1 Second Quarter and First Six Months of 2016 Executive Summary

1.1 – Executive Summary – Key Financial Indicators

NET INCOME

Second Quarter

- For the second quarter of 2016, net income attributable to SNC-Lavalin shareholders was $88.5 million ($0.59 per share on a diluted basis), compared with $26.5 million ($0.17 per share on a diluted basis) for the second quarter of 2015.
- For the second quarter of 2016, net income attributable to SNC-Lavalin shareholders from Engineering and Construction and Operations and Maintenance activities ("E&C") was $52.9 million, compared with a net loss of $18.5 million for the corresponding period of 2015. The net income from E&C was mainly attributable to higher contributions from Infrastructure, Oil & Gas and Power, partially offset by a lower contribution from Mining & Metallurgy in the second quarter of 2016 compared with the corresponding period of 2015. Furthermore, in the second quarter of 2016, the Company incurred $17.5 million ($14.0 million after taxes) of amortization of intangible assets and integration costs in connection with the acquisition of Kentz, compared with $26.6 million ($20.7 million after taxes) for the corresponding quarter of 2015. The Company recognized $2.7 million ($2.5 million after taxes) of restructuring costs in the second quarter of 2016, compared with $7.7 million ($6.0 million after taxes) in the corresponding period of 2015.
- For the second quarter of 2016, net income attributable to SNC-Lavalin shareholders from Capital was $35.6 million, compared with $45.0 million for the same period last year, reflecting an increase in business development expenses on new prospects and other selling, general and administrative expenses.

First Six Months ended June 30, 2016

- For the first six months of 2016, net income attributable to SNC-Lavalin shareholders was $210.6 million ($1.40 per share on a diluted basis), compared with $130.9 million ($0.86 per share on a diluted basis) for the same period of 2015.
- For the first six months of 2016, net income attributable to SNC-Lavalin shareholders from E&C was $84.1 million, compared with $48.5 million for the corresponding period of 2015. The increase in net income from E&C was mainly attributable to a higher contribution from Infrastructure, partially offset by lower contributions from Mining & Metallurgy, Power and Oil & Gas in the first six months of 2016 compared with the corresponding period of 2015. In addition, in the first six months of 2016, the Company incurred $39.0 million ($30.7 million after taxes) of amortization of intangible assets and integration costs in connection with the acquisition of Kentz compared with $55.5 million ($42.7 million after taxes) for the corresponding period of 2015. In the first six months of 2016, the Company incurred $15.7 million ($11.8 million after taxes) of restructuring costs, compared with $8.2 million ($6.4 million after taxes) in the corresponding period of 2015. In the first six months of 2015, the Company recorded a non-recurring net foreign exchange gain of $37.0 million ($32.6 million after taxes).

- For the first six months of 2016, net income attributable to SNC-Lavalin shareholders from Capital was $126.5 million, compared with $82.4 million for the same period in 2015, principally reflecting the net gain after taxes of $51.1 million ($0.34 per diluted share) that was mainly due to the disposal of the Company's indirect ownership interest in MML Holdings Malta Limited [formerly, SNC-Lavalin (Malta) Limited ("SNCL Malta")] in the first quarter of 2016.

ADJUSTED NET INCOME

- Adjusted net income attributable to SNC-Lavalin shareholders from E&C was $71.4 million ($0.48 per share on a diluted basis) for the second quarter of 2016, compared with $8.2 million ($0.05 per share on a diluted basis) for the second quarter of 2015. Adjusted net income attributable to SNC-Lavalin shareholders from E&C was $128.6 million ($0.86 per share on a diluted basis) for the first six months of 2016, compared with $65.0 million ($0.43 per share on a diluted basis) for the same period of 2015. The variation was mainly due to an improved segment EBIT[(1)] from Infrastructure.

REVENUES

- Revenues for the first six months of 2016 were $4.1 billion, compared with $4.5 billion for the first six months of 2015, reflecting a decrease in revenues from E&C. The decrease in revenues from E&C was mainly attributable to a decrease in revenues from Mining & Metallurgy, Infrastructure and Power, partly offset by an increase in revenues from Oil & Gas.

CASH NET OF RECOURSE DEBT

- Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents of Capital investments and recourse debt) as at June 30, 2016 was $0.7 billion, compared with $1.2 billion as at December 31, 2015.

REVENUE BACKLOG

(IN MILLIONS OF CA$)	**JUNE 30 2016**	MARCH 31 2016	DECEMBER 31 2015
Revenue Backlog	**$ 12,544.3**	$ 13,417.3	$ 11,991.9

- The Company reported a revenue backlog of $12.5 billion at the end of June 2016, compared with $12.0 billion at the end of December 2015, mainly reflecting an increase in Power and Oil & Gas, partially offset by a decrease in Infrastructure.

- The increase in revenue backlog from Oil & Gas was mainly attributable to the addition of new major contract awards for the expansion of asphalt production facilities and for work on infrastructure and processing facilities for a gas field in the Middle East. The increase in revenue backlog from Power was largely due to a contract awarded to carry out the execution phase of the re-tube and feeder replacement as part of the refurbishment of a nuclear station in Canada.

[(1)] Segment EBIT, a non-IFRS financial measure, is discussed in section 7.

1.2 – Executive Summary – Other Items

CHANGE IN MANAGEMENT TEAM

- On April 5, 2016, SNC-Lavalin announced that, effective that day, Sylvain Girard has been appointed as Executive Vice-President and Chief Financial Officer, succeeding Alain-Pierre Raynaud. Mr. Girard joined SNC-Lavalin in August 2014 as Senior Vice-President, Finance, in the Power business sector. In June 2015, he took on the role of Senior Vice-President and Corporate Controller, overseeing the Company's global financial affairs.

- On July 12, 2016, Dale Clarke has been appointed Executive Vice-President, Operations & Maintenance, Infrastructure, reporting to Ian L. Edwards, President, Infrastructure, effective as of August 1. Mr. Clarke has joined SNC-Lavalin in 1996 and has held key roles, including Executive Vice-President, Mining & Metallurgy, and, most recently, Executive Vice-President, Integrated Management Systems, which he was appointed to in April 2015. Dale Clarke replaces Charlie Rate who retired on July 31 after 38 years of service.

- On July 13, 2016, SNC-Lavalin announced that Christian Brown has been appointed to the newly created position of Corporate Development Officer, and that Martin Adler will join the Company as President, Oil & Gas. Both positions will become effective August 15, 2016, and report directly to Neil Bruce, President and Chief Executive Officer, as part of the Company's Executive Committee. Mr. Brown became President of SNC-Lavalin's Oil & Gas sector in 2014, when the Company acquired Kentz Corporation Limited ("Kentz"), where he had been CEO since 2012. Prior to joining SNC-Lavalin, Mr. Adler held the position of Group Chief Executive Officer and Board Member at Seafox Contractors.

CAPITAL INVESTMENTS PORTFOLIO

- On March 30, 2016, SNC-Lavalin announced that it has reached financial close on the sale of its indirect ownership interest in SNCL Malta to an affiliate of Flughafen Wien AG for total cash consideration of approximately €64 million (approximately CA$98.7 million). SNCL Malta is the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c. The gain on disposal of SNC-Lavalin's indirect ownership interest in SNCL Malta amounted to $61.1 million ($53.6 million after taxes).

- In the first quarter of 2016, SNC-Lavalin has substantially completed the sale of its ownership interest of 36.9% in the Rayalseema Expressway Private Limited ("Rayalseema") concession in India for total cash consideration of approximately US$6 million (approximately CA$8 million). The net loss on disposal of SNC-Lavalin's ownership interest in Rayalseema amounted to $2.6 million.

REAL ESTATE FACILITIES MANAGEMENT

- On June 30, 2016, the Company announced that it has reached an agreement to sell its non-core Real Estate Facilities Management business in Canada to Brookfield Global Integrated Solutions for $45 million, which includes facilities management, property management, realty management and related project management. This business generated approximately $260 million in revenues in 2015 and had a revenue backlog of approximately $550 million as at June 30, 2016. The community mailboxes and P3s are not included in the agreement. The agreement is subject to customary regulatory and other approvals, and is expected to close by the end of 2016.

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 unaudited interim condensed consolidated financial statements for the second quarter of 2016 and accompanying notes, and should therefore be read in conjunction with these documents and with the Financial Report for the year ended December 31, 2015, and should also be **read together with the text in section 2 on caution regarding 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 SEDAR at **www.sedar.com** and on the Company's website at **www.snclavalin.com** under the "Investors" section. None of the information contained on, or connected to the SNC-Lavalin website is incorporated by reference or otherwise part of this MD&A.

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

2 Caution Regarding Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on August 3, 2016. The assumptions are set out throughout the Company's 2015 MD&A (particularly in the

sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2015 MD&A), as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (x) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (y) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (z) the Company may be required to impair certain of its goodwill, and it may

also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (aa) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (bb) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (cc) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (dd) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2015 MD&A filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com and on the Company's website at www.snclavalin.com under the "Investors" section, as updated in this MD&A.

The forward-looking statements herein reflect the Company's expectations as at August 3, 2016, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation 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.

3 Our Business

Founded in 1911, SNC-Lavalin is one of the leading engineering and construction groups in the world and a major player in the ownership of infrastructure. From offices in over 50 countries, SNC-Lavalin's employees are proud to build what matters. Our teams provide engineering, procurement construction, completions and commissioning services together with a range of sustaining capital services to clients in our four industry sectors, Oil & Gas, Mining & Metallurgy, Infrastructure and Power. SNC-Lavalin can also combine these services with its financing and operations and maintenance capabilities to provide complete end-to-end project solutions.

4 How we Analyze and Report Our Results

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

E&C

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

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

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

- **Reimbursable 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.

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

The Company presents the information in the way management performance is evaluated by regrouping its **E&C** projects within the following segments, which are as follows: i) **Mining & Metallurgy;** ii) **Oil & Gas**; iii) **Power;** and iv) **Infrastructure**. The Company also provides additional information by dividing the **Infrastructure** segment in two, namely the **Infrastructure & Construction** and **O&M** sub-segments.

CAPITAL

Capital is the investment arm of SNC-Lavalin and regroups the Company's equity investments and financing solutions services. The investments are typically in infrastructure from bridges, buildings and highways to mass transit systems, power facilities and water treatment plants. These types of infrastructure are commonly provided by government-owned entities; however, many countries are turning to the private sector to take ownership, finance, operate and maintain the assets, usually for a defined period of time. These public-private partnership arrangements allow for the transfer to the private sector of many of the risks associated with designing, building, operating, maintaining and financing of such assets. In return, the government 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.

Capital investments 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.

4.1 – Non-IFRS Financial Measures and Additional IFRS Measures

Some of the indicators used by the Company to analyze and evaluate its results represent non-IFRS financial 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. The Company also uses additional IFRS measures. Management believes that these indicators provide useful information because they allow for the evaluation of the performance of the Company and its components based on various aspects, such as past, current and expected profitability and financial position.

The non-IFRS financial measures and additional IFRS measures include the following indicators:

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Performance	
Diluted earnings per share from E&C and Diluted earnings per share from Capital	Section 5
Adjusted diluted earnings per share from E&C ("Adjusted diluted EPS from E&C")	Section 5.2
Adjusted net income from E&C	Section 5.2
Earnings before interest and income taxes ("EBIT")	Section 5.3
Earnings before interest, income taxes, depreciation and amortization ("EBITDA")	Section 5.3
Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")	Section 5.3
Gross margin from E&C and from Capital	Section 5.5
Revenue backlog	Section 6
Segment EBIT or sub-segment EBIT	Section 7
Return on average shareholders' equity ("ROASE")	Section 8.6

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	REFERENCE
Liquidity	
Cash net of recourse debt	Section 8.2

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in the referenced sections above to give the reader a better understanding of the indicators used by management and, 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.

5 Breakdown of Income Statement

(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE)	SECOND QUARTER 2016	SECOND QUARTER 2015	SIX MONTHS ENDED JUNE 30 2016	SIX MONTHS ENDED JUNE 30 2015
Revenues:				
From E&C	**$ 2,045.2**	$ 2,191.9	**$ 3,976.0**	$ 4,396.9
From Capital	**57.7**	58.5	**115.1**	110.6
	$ 2,103.0	$ 2,250.4	**$ 4,091.2**	$ 4,507.4
Gross margin:				
From E&C	**$ 289.2**	$ 247.9	**$ 527.1**	$ 537.4
From Capital	**51.6**	53.7	**105.6**	101.3
	$ 340.8	$ 301.5	**$ 632.7**	$ 638.7
Selling, general and administrative expenses:				
From E&C	**$ 190.5**	$ 218.2	**$ 348.7**	$ 417.2
From Capital	**10.5**	5.3	**20.5**	13.0
	$ 201.1	$ 223.6	**$ 369.2**	$ 430.2
Restructuring costs	**$ 2.7**	$ 7.7	**$ 15.7**	$ 8.2
Acquisition-related costs and integration costs	**1.7**	5.5	**3.0**	13.4
Amortization of intangible assets related to Kentz acquisition	**15.8**	21.1	**36.1**	42.1
Gain on disposals of Capital investments	**–**	–	**(58.5)**	–
Earnings before interest and income taxes	**$ 119.5**	$ 43.6	**$ 267.3**	$ 144.8
Net financial expenses (income):				
From E&C	**$ 8.6**	$ 12.8	**$ 14.8**	$ (21.3)
From Capital	**3.6**	1.0	**7.0**	2.4
	$ 12.3	$ 13.8	**$ 21.8**	$ (18.9)
Earnings before income taxes	**$ 107.2**	$ 29.9	**$ 245.5**	$ 163.7
Income taxes:				
From E&C	**$ 13.0**	$ (3.3)	**$ 15.7**	$ 24.5
From Capital	**1.8**	2.3	**10.1**	3.5
	$ 14.9	$ (1.0)	**$ 25.8**	$ 28.0
Net income for the period	**$ 92.3**	$ 30.9	**$ 219.7**	$ 135.7
Net income attributable to:				
SNC-Lavalin shareholders	**$ 88.5**	$ 26.5	**$ 210.6**	$ 130.9
Non-controlling interests	**3.8**	4.4	**9.1**	4.8
Net income for the period	**$ 92.3**	$ 30.9	**$ 219.7**	$ 135.7
Earnings per share ($):				
Basic	**$ 0.59**	$ 0.17	**$ 1.41**	$ 0.86
Diluted	**$ 0.59**	$ 0.17	**$ 1.40**	$ 0.86
Supplementary information:				
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ 52.9**	$ (18.5)	**$ 84.1**	$ 48.5
Net income attributable to SNC-Lavalin shareholders from Capital	**35.6**	45.0	**126.5**	82.4
Net income attributable to SNC-Lavalin shareholders for the period	**$ 88.5**	$ 26.5	**$ 210.6**	$ 130.9
Adjusted EBITDA from E&C	**$ 117.9**	$ 48.6	**$ 217.8**	$ 150.1
Diluted earnings per share from E&C ($)	**$ 0.35**	$ (0.12)	**$ 0.56**	$ 0.32
Adjusted diluted earnings per share from E&C ($)	**$ 0.48**	$ 0.05	**$ 0.86**	$ 0.43

5.1 – Net Income Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER 2016	SECOND QUARTER 2015	SIX MONTHS ENDED JUNE 30 2016	SIX MONTHS ENDED JUNE 30 2015
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ 52.9**	$ (18.5)	**$ 84.1**	$ 48.5
Net income attributable to SNC-Lavalin shareholders from Capital	**35.6**	45.0	**126.5**	82.4
Net income attributable to SNC-Lavalin shareholders	**$ 88.5**	$ 26.5	**$ 210.6**	$ 130.9

For the second quarter of 2016, net income attributable to SNC-Lavalin shareholders from E&C was $52.9 million, compared with a net loss of $18.5 million for the corresponding period of 2015. The net income from E&C was mainly attributable to higher contributions from Infrastructure, Oil & Gas and Power, partially offset by a lower contribution from Mining & Metallurgy in the second quarter of 2016 compared with the corresponding period of 2015. Furthermore, in the second quarter of 2016, the Company incurred $17.5 million ($14.0 million after taxes) of amortization of intangible assets and integration costs in connection with the acquisition of Kentz, compared with $26.6 million ($20.7 million after taxes) for the corresponding quarter of 2015. The Company recognized $2.7 million ($2.5 million after taxes) of restructuring costs in the second quarter of 2016, compared with $7.7 million ($6.0 million after taxes) in the corresponding period of 2015.

For the second quarter of 2016, net income attributable to SNC-Lavalin shareholders from Capital was $35.6 million, compared with $45.0 million for the same period last year, reflecting an increase in business development expenses on new prospects and other selling, general and administrative expenses.

For the first six months of 2016, net income attributable to SNC-Lavalin shareholders from E&C was $84.1 million, compared with $48.5 million for the corresponding period of 2015. The increase in net income from E&C was mainly attributable to higher contributions from Infrastructure, partially offset by lower contributions from Mining & Metallurgy, Power and Oil & Gas in the first six months of 2016 compared with the corresponding period of 2015. In addition, in the first six months of 2016, the Company incurred $39.0 million ($30.7 million after taxes) of amortization of intangible assets and integration costs in connection with the acquisition of Kentz compared with $55.5 million ($42.7 million after taxes) for the corresponding period of 2015. In the first six months of 2016, the Company incurred $15.7 million ($11.8 million after taxes) of restructuring costs, compared with $8.2 million ($6.4 million after taxes) in the corresponding period of 2015. In the first six months of 2015, the Company recorded a non-recurring net foreign exchange gain of $37.0 million ($32.6 million after taxes).

For the first six months of 2016, net income attributable to SNC-Lavalin shareholders from Capital was $126.5 million, compared with $82.4 million for the same period in 2015, principally reflecting the net gain after taxes of $51.1 million ($0.34 per diluted share) that was mainly due to the disposal of the Company's indirect ownership interest in SNCL Malta in the first quarter of 2016.

5.2 – Adjusted Net Income from E&C and Adjusted Diluted EPS from E&C

Adjusted net income from E&C is defined as net income attributable to SNC-Lavalin shareholders from E&C, excluding one-time net foreign exchange gains, charges related to restructuring, right-sizing and other, as well as amortization of intangible assets, and the financing, acquisition-related costs and integration costs incurred in connection with the acquisition of Kentz in 2014. The term "Adjusted net income from E&C" does not have any standardized meaning under IFRS. Therefore, it may not be comparable to similar measures presented by other issuers. 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. Management uses this measure as a more meaningful way to compare the Company's financial performance from period to period. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's 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 outstanding number of 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.

RECONCILIATION OF ADJUSTED NET INCOME FROM E&C AND ADJUSTED DILUTED EPS FROM E&C

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2016				2015			
				PER DILUTED SHARE				PER DILUTED SHARE
Net income	$	92.3		N/A	$	30.9		N/A
Less:								
Non-controlling interests		3.8		N/A		4.4		N/A
Net income attributable to SNC-Lavalin shareholders from Capital		35.6	$	0.24		45.0	$	0.29
Net income (loss) attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$	52.9	$	0.35	$	(18.5)	$	(0.12)
Adjustments (net of income taxes):								
Restructuring, right-sizing costs and other	$	4.5 [(1)]	$	0.03	$	6.0	$	0.04
Acquisition-related costs and integration costs		1.4		0.01		4.7		0.03
Amortization of intangible assets related to Kentz acquisition		12.6		0.09		16.0		0.10
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$	71.4	$	0.48	$	8.2	$	0.05

[(1)]This amount includes $4.3 million ($2.0 million after taxes) of net charges which did not meet the restructuring costs definition in accordance with IFRS.

N/A: Not applicable

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$, EXCEPT PER DILUTED SHARE INFORMATION ($))	2016				2015			
				PER DILUTED SHARE				PER DILUTED SHARE
Net income	$	219.7		N/A	$	135.7		N/A
Less:								
Non-controlling interests		9.1		N/A		4.8		N/A
Net income attributable to SNC-Lavalin shareholders from Capital		126.5		0.84		82.4		0.54
Net income attributable to SNC-Lavalin shareholders from E&C / Diluted EPS from E&C	$	84.1	$	0.56	$	48.5	$	0.32
Adjustments (net of income taxes):								
Restructuring, right-sizing costs and other	$	13.8 [(1)]	$	0.09	$	6.4	$	0.04
Acquisition-related costs and integration costs		2.3		0.02		10.7		0.07
Amortization of intangible assets related to Kentz acquisition		28.4		0.19		32.0		0.21
Non-recurring foreign exchange gain		–		–		(32.6)	$	(0.21)
Adjusted net income attributable to SNC-Lavalin shareholders from E&C / Adjusted diluted EPS from E&C	$	128.6	$	0.86	$	65.0	$	0.43

[(1)]This amount includes $4.3 million ($2.0 million after taxes) of net charges which did not meet the restructuring costs definition in accordance with IFRS.

N/A: Not applicable

5.3 – Earnings Before Interest and Income Taxes ("EBIT") and Earnings Before Interest, Income Taxes, Depreciation and Amortization ("EBITDA") Analysis

EBIT is a non-IFRS financial measure which 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 herein as earnings before net financial expenses (income) and income taxes. EBITDA, a non-IFRS financial measure, is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization. Adjusted EBITDA, a non-IFRS financial measure, is defined as income before net financial expenses (income), income taxes, depreciation and amortization, and excludes one-time net foreign exchange gains, charges related to restructuring, right-sizing and other, as well as the acquisition-related costs and integration costs incurred in connection with the acquisition of Kentz in 2014 and the gain on disposals of Capital investments. Management uses these measures as a more meaningful way to compare the Company's financial performance from period to period. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance.

RECONCILIATION OF EBIT, EBITDA AND ADJUSTED EBITDA TO NET INCOME

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income (loss)	$ 56.7	$ 35.6	$ 92.3	$ (14.1)	$ 45.0	$ 30.9
Net financial expenses	8.6	3.6	12.3	12.8	1.0	13.8
Income taxes	13.0	1.8	14.9	(3.3)	2.3	(1.0)
EBIT	$ 78.4	$ 41.1	$ 119.5	$ (4.7)	$ 48.3	$ 43.6
Depreciation and amortization	$ 15.0	1.7	$ 16.7	$ 19.0	$ –	$ 19.0
Amortization of intangible assets related to Kentz acquisition	15.8	–	15.8	21.1	–	21.1
EBITDA	$ 109.1	$ 42.8	$ 151.9	$ 35.4	$ 48.3	$ 83.7
(as % of Revenues)	5.3%	N/A	7.2%	1.6%	N/A	3.7%
Restructuring, right-sizing costs and other	$ 7.1 [(1)]	$ –	$ 7.1	$ 7.7	$ –	$ 7.7
Acquisition-related costs and integration costs	1.7	–	1.7	5.5	–	5.5
Adjusted EBITDA	$ 117.9	$ 42.8	$ 160.7	$ 48.6	$ 48.3	$ 96.9
(as % of Revenues)	5.8%	N/A	7.6%	2.2%	N/A	4.3%

(1) This amount includes $4.3 million ($2.0 million after taxes) of net charges which did not meet the restructuring costs definition in accordance with IFRS.

N/A: Not applicable

For the second quarter of 2016, EBIT from E&C amounted to $78.4 million, compared with a negative EBIT of $4.7 million in the corresponding period of 2015, mainly reflecting higher contributions from Infrastructure, Oil & Gas and Power, partially offset by a lower contribution from Mining & Metallurgy in the second quarter of 2016, compared with the corresponding period of 2015. EBIT from E&C included $30.7 million of amortization of intangible assets related to the acquisition of Kentz and depreciation and amortization in the second quarter of 2016, compared with $40.1 million for the second quarter of 2015. This resulted in an EBITDA from E&C of $109.1 million for the second quarter of 2016 compared with $35.4 million in the corresponding period of 2015. EBITDA from E&C included $7.1 million in

restructuring, right-sizing costs and other in the second quarter of 2016, compared with $7.7 million for the corresponding period of 2015. Also, in the second quarter of 2016, the Company incurred $1.7 million in acquisition-related costs and integration costs in connection with the acquisition of Kentz, compared with $5.5 million in the second quarter of 2015. As such, the **Adjusted EBITDA from E&C amounted to $117.9 million for the second quarter of 2016,** compared with $48.6 million for the second quarter of 2015.

For the second quarter of 2016, EBIT from Capital amounted to $41.1 million, compared with $48.3 million in the corresponding period of 2015, mainly due to an increase in selling, general and administrative expenses in the second quarter of 2016 compared with the corresponding period of 2015. **EBITDA from Capital amounted to $42.8 million in the second quarter of 2016,** compared with $48.3 million in the corresponding period of 2015.

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income	**$ 93.2**	**$ 126.5**	**$ 219.7**	$ 53.3	$ 82.4	$ 135.7
Net financial expenses (income)	**14.8**	**7.0**	**21.8**	(21.3)	2.4	(18.9)
Income taxes	**15.7**	**10.1**	**25.8**	24.5	3.5	28.0
EBIT	**$ 123.7**	**$ 143.6**	**$ 267.3**	$ 56.5	$ 88.2	$ 144.8
Depreciation and amortization	**$ 35.0**	**1.7**	**$ 36.7**	$ 29.8	$ –	$ 29.8
Amortization of intangible assets related to Kentz acquisition	**36.1**	**–**	**36.1**	42.1	–	42.1
EBITDA	**$ 194.7**	**$ 145.3**	**$ 340.0**	$ 128.5	$ 88.2	$ 216.7
(as % of Revenues)	**4.9%**	**N/A**	**8.3%**	2.9%	N/A	4.8%
Restructuring, right-sizing costs and other	**$ 20.1** [(1)]	**$ –**	**$ 20.1**	$ 8.2	$ –	$ 8.2
Acquisition-related costs and integration costs	**3.0**	**–**	**3.0**	13.4	–	13.4
Gain on disposals of Capital investments	**–**	**(58.5)**	**(58.5)**	–	–	–
Adjusted EBITDA	**$ 217.8**	**$ 86.8**	**$ 304.5**	$ 150.1	$ 88.2	$ 238.3
(as % of Revenues)	**5.5%**	**N/A**	**7.4%**	3.4%	N/A	5.3%

[(1)] This amount includes $4.3 million ($2.0 million after taxes) of net charges which did not meet the restructuring costs definition in accordance with IFRS.

N/A: Not applicable

For the first six months of 2016, EBIT from E&C amounted to $123.7 million, compared with $56.5 million in the corresponding period of 2015, mainly reflecting a higher contribution from Infrastructure, partially offset by lower contributions from Mining & Metallurgy, Power and Oil & Gas. EBIT from E&C included $71.1 million of amortization of intangible assets related to the acquisition of Kentz and depreciation and amortization in the first six months of 2016, compared with $71.9 million for the corresponding period of 2015. As a result, **for the first six months of 2016, EBITDA from E&C amounted to $194.7 million,** compared with $128.5 million in the corresponding period of 2015. EBITDA from E&C included $20.1 million in restructuring, right-sizing costs and other in the first six months of 2016, compared with $8.2 million in the corresponding period of 2015. Also, the Company incurred $3.0 million in acquisition-related costs and integration costs in connection with the acquisition of Kentz, compared with $13.4 million in the first six months of 2015. As such, the **Adjusted EBITDA from E&C amounted to $217.8 million for the first six months of 2016,** compared with $150.1 million for the first six months of 2015.

For the first six months of 2016, EBIT from Capital amounted to $143.6 million, compared with $88.2 million in the corresponding period of 2015, mainly due to the favourable impact of the disposal of the Company's indirect ownership interest in SNCL Malta, which generated a gain of $61.1 million. **EBITDA from Capital amounted to $145.3 million for the first six months of 2016** compared with $88.2 million in the corresponding period of 2015, mainly due to the gain on disposal described above.

5.4 – Revenue Analysis

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2016**		2015		**2016**		2015
Revenues	**$**	**2,103.0**	$	2,250.4	**$**	**4,091.2**	$	4,507.4

Revenues for the first six months of 2016 decreased to $4.1 billion, compared with $4.5 billion for the first six months of 2015, reflecting a decrease in revenues from E&C.

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2016**		2015		**2016**		2015
Revenues from E&C	**$**	**2,045.2**	$	2,191.9	**$**	**3,976.0**	$	4,396.9

Revenues from E&C for the first six months of 2016 totalled $4.0 billion, compared with $4.4 billion for the corresponding period of 2015. The decrease was mainly due to a decrease in revenues from Mining & Metallurgy, Infrastructure and Power, partly offset by an increase in revenues from Oil & Gas.

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2016**		2015		**2016**		2015
Revenues from Capital	**$**	**57.7**	$	58.5	**$**	**115.1**	$	110.6

Revenues from Capital for the first six months of 2016 were in line with the corresponding period of 2015.

5.5 – Gross Margin Analysis

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2016**		2015		**2016**		2015
Gross margin from E&C	**$**	**289.2**	$	247.9	**$**	**527.1**	$	537.4
Gross margin from Capital		**51.6**		53.7		**105.6**		101.3
Gross margin	**$**	**340.8**	$	301.5	**$**	**632.7**	$	638.7
Gross margin-to-revenue ratio (%)		**16.2%**		13.4%		**15.5%**		14.2%

The gross margin amount from E&C for the second quarter of 2016 increased compared with the corresponding period of 2015, reflecting an increase in Infrastructure, partially offset by a decrease in Mining & Metallurgy. The increase in Infrastructure is primarily due to a higher gross margin-to-revenue ratio for the second quarter of 2016 compared with the corresponding period of 2015. In the second quarter of 2015, the gross margin-to-revenue ratio was negatively

impacted by a revised cost forecast on a mass transit project and additional costs on a major highway project, both in Canada. The decrease in Mining & Metallurgy mainly reflected a lower level of activity in the second quarter of 2016 compared with the corresponding period of 2015.

The gross margin amount from E&C for the first six months of 2016 was in line with the corresponding period of 2015, mainly due to an increase in gross margin-to-revenue ratio offset by a decrease in the level of activity due to the completion or near completion of certain major projects. In the first six months of 2015, the gross margin was negatively impacted by unfavourable reforecasts in Infrastructure and Power.

The gross margin amount from Capital for the second quarter of 2016 was in line with the corresponding period of 2015.

The gross margin amount from Capital for the first six months of 2016 increased compared with the corresponding period of 2015, mainly reflecting an increase in contributions from certain Capital Investments.

5.6 – Selling, General and Administrative Expenses Analysis

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2016**	2015	**2016**	2015
Selling, general and administrative expenses from E&C	**$ 190.5**	$ 218.2	**$ 348.7**	$ 417.2
Selling, general and administrative expenses from Capital	**10.5**	5.3	**20.5**	13.0
Selling, general and administrative expenses	**$ 201.1**	$ 223.6	**$ 369.2**	$ 430.2

For the first six months of 2016, selling, general and administrative expenses decreased to $369.2 million, compared with $430.2 million for the corresponding period of 2015, a decrease of 14.2% that was mainly attributable to the successful implementation of the "STEP Change" program in 2015.

Corporate selling, general and administrative expenses **that are not directly related to projects or segments** are analyzed in section 7.6.

5.7 – Restructuring Costs

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2016**	2015	**2016**	2015
Restructuring costs	**$ 2.7**	$ 7.7	**$ 15.7**	$ 8.2

The Company incurred restructuring costs totalling $2.7 million in the second quarter of 2016 (2015: $7.7 million) **and $15.7 million in the six-month period ended June 30, 2016** (2015: $8.2 million).

The restructuring costs recognized in the six-month periods ended June 30, 2016 and 2015 were mainly for severances.

5.8 – Acquisition-Related Costs and Integration Costs

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
(IN MILLIONS OF CA$)	**2016**	2015	**2016**	2015
Professional fees and other related costs	**$ 1.7**	$ 5.5	**$ 3.0**	$ 13.4
Acquisition-related costs and integration costs	**$ 1.7**	$ 5.5	**$ 3.0**	$ 13.4

In the first six months of 2016, the Company incurred $3.0 million in acquisition-related costs and integration costs, compared with $13.4 million in the corresponding period of 2015, attributable to the integration of Kentz.

5.9 – Gain on Disposals of Capital Investments

MALTA INTERNATIONAL AIRPORT

On March 30, 2016, SNC-Lavalin announced that it has reached financial close on the sale of its indirect ownership interest in SNCL Malta to an affiliate of Flughafen Wien AG for total cash consideration of approximately €64 million (approximately CA$98.7 million). SNCL Malta is the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c. The gain on disposal of SNC-Lavalin's indirect ownership interest in SNCL Malta amounted to $61.1 million ($53.6 million after taxes).

RAYALSEEMA

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

5.10 – Net Financial Expenses (Income) Analysis

SECOND QUARTER ENDED JUNE 30 (IN MILLIONS OF CA$)	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	**$ (3.2)**	**$ (3.3)**	**$ (6.5)**	$ (2.1)	$ (5.5)	$ (7.7)
Net foreign exchange losses (gains)	**2.0**	**–**	**2.0**	2.6	$ (0.3)	2.3
Interest on debt:						
Recourse	**5.5**	**–**	**5.5**	6.5	$ –	6.5
Non-recourse	**–**	**7.1**	**7.1**	–	$ 6.6	6.6
Other	**4.4**	**(0.2)**	**4.2**	5.8	$ 0.2	6.0
Net financial expenses	**$ 8.6**	**$ 3.6**	**$ 12.3**	$ 12.8	$ 1.0	$ 13.8

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)	2016			2015		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	**$ (5.9)**	**$ (6.7)**	**$ (12.7)**	$ (4.8)	$ (11.1)	$ (15.9)
Net foreign exchange losses (gains)	**2.6**	**–**	**2.6**	(38.5)	–	(38.5)
Interest on debt:						
Recourse	**11.0**	**–**	**11.0**	11.9	–	11.9
Non-recourse	**–**	**13.7**	**13.7**	–	13.2	13.2
Other	**7.2**	**0.1**	**7.2**	10.1	0.2	10.3
Net financial expenses (income)	**$ 14.8**	**$ 7.0**	**$ 21.8**	$ (21.3)	$ 2.4	$ (18.9)

For the second quarter of 2016, net financial expenses from E&C decreased to $8.6 million, compared with $12.8 million for the second quarter of 2015.

For the first six months of 2016, net financial expense from E&C amounted to $14.8 million, compared with net financial income of $21.3 million for the first six months of 2015, which was principally due to a net foreign exchange gain of $37.0 million in the first quarter of 2015 that was mainly related to intragroup loans used for repayment of recourse debt of Kentz. In the first quarter of 2015, the Company entered into foreign exchange derivative instruments to economically hedge the foreign exchange portion of the abovementioned intragroup loans.

For the second quarter of 2016, net financial expenses from Capital increased to $3.6 million, compared with $1.0 million for the second quarter of 2015.

For the first six months of 2016, net financial expenses from Capital increased to $7.0 million, compared with $2.4 million for the first six months of 2015, primarily due to a decrease in interest revenues earned in the first six months of 2016 compared with the corresponding period of 2015.

5.11 – Income Taxes Analysis

(IN MILLIONS OF CA$)	SECOND QUARTER 2016	SECOND QUARTER 2015	SIX MONTHS ENDED JUNE 30 2016	SIX MONTHS ENDED JUNE 30 2015
Earnings before income taxes from E&C	**$ 69.7**	$ (17.5)	**$ 108.9**	$ 77.9
Earnings before income taxes from Capital	**37.5**	47.3	**136.6**	85.9
Earnings before income taxes	**$ 107.2**	$ 29.9	**$ 245.5**	$ 163.7
Income taxes from E&C	**$ 13.0**	$ (3.3)	**$ 15.7**	$ 24.5
Income taxes from Capital	**1.8**	2.3	**10.1**	3.5
Income taxes	**$ 14.9**	$ (1.0)	**$ 25.8**	$ 28.0
Effective income tax rate from E&C (%)	**18.7%**	19.0%	**14.4%**	31.5%
Effective income tax rate from Capital (%)	**4.9%**	4.8%	**7.4%**	4.0%
Effective income tax rate (%)	**13.9%**	(3.4%)	**10.5%**	17.1%

For the second quarter of 2016, the income tax expense from E&C was $13.0 million, compared with an income tax benefit of $3.3 million in the corresponding period of 2015. **For the first six months of 2016, the income tax expense from E&C was $15.7 million,** compared with $24.5 million in the first six months of 2015. The effective income tax rate from E&C was lower than the Canadian statutory income tax rate in the first six months of 2016 mainly due to the geographic mix of earnings before income taxes and tax benefits arising from the use of previous losses on which no deferred tax asset was recognized, partially offset by net losses that did not generate an income tax benefit, non-deductible expenses and other permanent differences. In the first six months of 2015, the effective income tax rate from E&C was higher than the Canadian statutory income tax rate mainly due to losses in the first six months of 2015 that did not generate an income tax benefit, as well as the geographic mix of earnings before income taxes, partially offset by other permanent differences.

For the second quarter of 2016, the income tax expense from Capital was $1.8 million, compared with $2.3 million in the second quarter of 2015. **For the first six months of 2016, the income tax expense from Capital was $10.1 million,** compared with $3.5 million in the corresponding period of 2015. The increase in effective income tax rate from Capital in the first six months of 2016, compared with the first six months of 2015, was mainly attributable to the gain on disposal of the Company's indirect ownership interest in SNCL Malta.

While the effective income tax rate from E&C was low in the first six months of 2016, management expects that the annual effective income tax rate from E&C for the fiscal year 2016 will be closer to, but lower than, the Canadian statutory income tax rate.

6 Revenue Backlog

The Company reports revenue backlog, which is a non-IFRS financial measure, for E&C. Revenue backlog is a forward-looking indicator of anticipated revenues to be recognized by the Company. It is determined based on contract awards that are considered firm.

The Company aims to provide a revenue backlog that is both meaningful and current. As such, the Company regularly reviews its backlog to ensure that it reflects any modifications, which include awards of new projects, changes of scope on current projects, and project cancellations, if any.

Revenue backlog includes reimbursable contracts (45% as at June 30, 2016) and fixed-price contracts (55% as at June 30, 2016). The revenue backlog for reimbursable contracts includes management's estimates of revenues to be generated from firm contract awards.

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

(IN MILLIONS OF CA$)	JUNE 30 2016	MARCH 31 2016	DECEMBER 31 2015
BY SEGMENT			
Mining & Metallurgy	**$ 303.0**	$ 297.0	$ 279.0
Oil & Gas	**4,018.1**	4,523.5	3,594.5
Power	**2,828.6**	3,052.5	2,320.7
Infrastructure			
Infrastructure & Construction	**3,374.1**	3,625.8	3,819.0
O&M	**2,020.4**	1,918.5	1,978.7
Subtotal - Infrastructure	**$ 5,394.5**	$ 5,544.4	$ 5,797.7
Total	**$ 12,544.3**	$ 13,417.3	$ 11,991.9

At June 30, 2016, the Company reported a revenue backlog of $12.5 billion, compared with $12.0 billion at the end of December 2015, mainly reflecting an increase in Power and Oil & Gas, partially offset by a decrease in Infrastructure. On June 30, 2016, the Company announced that it has reached an agreement to sell its non-core Real Estate Facilities Management business in Canada for which an amount of approximately $550 million is included in the O&M backlog as at June 30, 2016 presented in the table above.

In the first six months of 2016, major contract awards in the Oil & Gas segment included a project for the expansion of asphalt production facilities and a contract for work on infrastructure and processing facilities for a gas field in the Middle East, whereas in the Power segment the Company was awarded a contract to carry out the execution phase of the re-tube and feeder replacement as part of the refurbishment of a nuclear station in Canada.

It should be noted that O&M activities are provided under contracts that can cover a period of up to 40 years. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M revenue backlog to the earlier of: i) the contract term; and ii) the next five years.

The following table shows the proportions of reimbursable contracts and fixed-price contracts included in each segment's backlog as at June 30, 2016:

	REIMBURSABLE CONTRACTS[(1)]	FIXED-PRICE CONTRACTS[(1)]
BY SEGMENT		
Mining & Metallurgy	**35%**	**65%**
Oil & Gas	**70%**	**30%**
Power	**55%**	**45%**
Infrastructure	**20%**	**80%**
Infrastructure & Construction	10%	90%
O&M	40%	60%
Total	**45%**	**55%**

[(1)]Note that the percentages provided in the table above are rounded and therefore provide an approximation of the proportion of reimbursable contracts versus fixed-price contracts included in each segment's backlog.

7 Segmented Information

As mentioned in section 4, the Company's results are analyzed by segment, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated.

The Company evaluates segment performance, using **segment EBIT**, which consists of gross margin less i) directly related selling, general and administrative expenses; and ii) non-controlling interests before taxes. Corporate selling, general and administrative expenses not directly related to projects or segments, restructuring costs, goodwill impairment, acquisition-related costs and integration costs as well as amortization of intangible assets related to the Kentz acquisition are not allocated to the Company's segments.

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

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

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

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

The Company derives its revenues from both reimbursable contracts (55% in the first six months of 2016) and fixed-price contracts (45% in the first six months of 2016).

The following table summarizes the Company's **revenues and segment EBIT and reconciles the segment EBIT to the Company's EBIT** for the **second quarters** ended June 30, 2016 and 2015:

(IN MILLIONS OF CA$)	SECOND QUARTER 2016				2015			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	**$ 92.1**	**$ 15.2**	**$ –**	**$ 15.2**	$ 228.6	$ 19.5	$ –	$ 19.5
Oil & Gas	**900.0**	**71.4**	**–**	**71.4**	891.0	65.2	–	65.2
Power	**415.2**	**28.7**	**–**	**28.7**	409.3	25.2	–	25.2
Infrastructure								
Infrastructure & Construction	**412.4**	**14.1**	**–**	**14.1**	443.1	(43.2)	–	(43.2)
Operations & Maintenance	**225.5**	**15.2**	**–**	**15.2**	219.8	12.1	–	12.1
Subtotal - Infrastructure	**$ 637.9**	**$ 29.3**	**$ –**	**$ 29.3**	$ 662.9	$ (31.2)	$ –	$ (31.2)
Total E&C segments	**$ 2,045.2**	**$ 144.6**	**$ –**	**$ 144.6**	$ 2,191.9	$ 78.7	$ –	$ 78.7
Capital	**57.7**	**–**	**46.8**	**46.8**	58.5	–	51.9	51.9
Total revenues and segment EBIT	**$ 2,103.0**	**$ 144.6**	**$ 46.8**	**$ 191.4**	$ 2,250.4	$ 78.7	$ 51.9	$ 130.6
Less:								
Corporate selling, general and administrative expenses and others not allocated to the segments		**$ (49.8)**	**$ (5.7)**	**$ (55.5)**		$ (55.9)	$ (3.5)	$ (59.5)
Restructuring costs		**(2.7)**	**–**	**(2.7)**		(7.7)	–	(7.7)
Acquisition-related costs and integration costs		**(1.7)**	**–**	**(1.7)**		(5.5)	–	(5.5)
Amortization of intangible assets related to Kentz acquisition		**(15.8)**	**–**	**(15.8)**		(21.1)	–	(21.1)
Reversal of non-controlling interests before income taxes included above		**3.8**	**–**	**3.8**		6.9	–	6.9
EBIT		**$ 78.4**	**$ 41.1**	**$ 119.5**		$ (4.7)	$ 48.3	$ 43.6

The following table summarizes the Company's **revenues and segment EBIT and reconciles the segment EBIT to the Company's EBIT** for the **first six months** ended June 30, 2016 and 2015:

(IN MILLIONS OF CA$)	SIX MONTHS ENDED JUNE 30 2016				2015			
BY SEGMENT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
Mining & Metallurgy	**$ 209.6**	**$ 20.9**	**$ –**	**$ 20.9**	$ 451.0	$ 37.6	$ –	$ 37.6
Oil & Gas	**1,753.5**	**113.5**	**–**	**113.5**	1,651.2	119.4	–	119.4
Power	**798.4**	**57.9**	**–**	**57.9**	879.9	68.9	–	68.9
Infrastructure								
Infrastructure & Construction	**779.7**	**30.9**	**–**	**30.9**	837.5	(53.9)	–	(53.9)
Operations & Maintenance	**434.8**	**29.8**	**–**	**29.8**	577.2	24.1	–	24.1
Subtotal - Infrastructure	**$ 1,214.5**	**$ 60.7**	**$ –**	**$ 60.7**	$ 1,414.8	$ (29.7)	$ –	$ (29.7)
Total E&C segments	**$ 3,976.0**	**$ 253.0**	**$ –**	**$ 253.0**	$ 4,396.9	$ 196.2	$ –	$ 196.2
Capital	**115.1**	**–**	**155.7**	**155.7**	110.6	–	94.6	94.6
Total revenues and segment EBIT	**$ 4,091.2**	**$ 253.0**	**$ 155.7**	**$ 408.7**	$ 4,507.4	$ 196.2	$ 94.6	$ 290.8
Less:								
Corporate selling, general and administrative expenses and others not allocated to the segments		**$ (83.7)**	**$ (12.1)**	**$ (95.8)**		$ (83.5)	$ (6.4)	$ (89.9)
Restructuring costs		**(15.7)**	**–**	**(15.7)**		(8.2)	–	(8.2)
Acquisition-related costs and integration costs		**(3.0)**	**–**	**(3.0)**		(13.4)	–	(13.4)
Amortization of intangible assets related to Kentz acquisition		**(36.1)**	**–**	**(36.1)**		(42.1)	–	(42.1)
Reversal of non-controlling interests before income taxes included above		**9.1**	**–**	**9.1**		7.6	–	7.6
EBIT		**$ 123.7**	**$ 143.6**	**$ 267.3**		$ 56.5	$ 88.2	$ 144.8

7.1 – Mining & Metallurgy

(IN MILLIONS OF CA$)	SECOND QUARTER 2016	SECOND QUARTER 2015	SIX MONTHS ENDED JUNE 30 2016	SIX MONTHS ENDED JUNE 30 2015
Revenues from Mining & Metallurgy	**$ 92.1**	$ 228.6	**$ 209.6**	$ 451.0
Segment EBIT from Mining & Metallurgy	**$ 15.2**	$ 19.5	**$ 20.9**	$ 37.6
Segment EBIT over revenues from Mining & Metallurgy (%)	**16.5%**	8.5%	**10.0%**	8.3%

Mining & Metallurgy revenues in the second quarter of 2016 decreased to $92.1 million, compared with $228.6 million for the corresponding period of 2015. **For the first six months of 2016, revenues decreased to $209.6 million,** compared with $451.0 million for the first six months of 2015, primarily reflecting a lower level of activity due to lower commodity prices impacting capital investment in this segment and to the completion or near completion of certain major projects, notably sulphuric acid plants in the Middle East and Europe, as well as projects related to potash in Western Canada.

Mining & Metallurgy segment EBIT was $15.2 million in the second quarter of 2016, compared with $19.5 million in the corresponding period of 2015, mainly due to a lower volume of activity, partially offset by an increased gross margin-to-revenue ratio driven mainly by the close out process of certain major international projects.

For the first six months of 2016, Mining & Metallurgy segment EBIT was $20.9 million, compared with $37.6 million in the first six months of 2015, mainly attributable to a lower level of activity, partially offset by an increase in gross margin-to-revenue ratio driven in part by the close out process of certain major international projects and a decrease in selling, general and administrative expenses.

The Mining & Metallurgy segment derives its revenues from both reimbursable contracts (35% in the first six months of 2016) and fixed-price contracts (65% in the first six months of 2016).

7.2 – Oil & Gas

(IN MILLIONS OF CA$)	SECOND QUARTER 2016	SECOND QUARTER 2015	SIX MONTHS ENDED JUNE 30 2016	SIX MONTHS ENDED JUNE 30 2015
Revenues from Oil & Gas	**$ 900.0**	$ 891.0	**$ 1,753.5**	$ 1,651.2
Segment EBIT from Oil & Gas	**$ 71.4**	$ 65.2	**$ 113.5**	$ 119.4
Segment EBIT over revenues from Oil & Gas (%)	**7.9%**	7.3%	**6.5%**	7.2%

Revenues from Oil & Gas were $900.0 million in the second quarter of 2016, in line with the second quarter of 2015. **For the first six months of 2016, revenues increased to $1,753.5 million,** compared with $1,651.2 million for the first six months of 2015, primarily reflecting an increase in revenues generated from projects in the Middle East and from work on Liquefied Natural Gas ("LNG") projects in Australia, partially offset by a lower volume of activity due to challenging market conditions in production and processing solutions.

In the second quarter of 2016, Oil & Gas segment EBIT was $71.4 million, compared with $65.2 million in the second quarter of 2015, as the decrease in revenues and gross margin-to-revenue ratio from activities related to production and processing solutions was more than offset by a decrease in selling, general and administrative expenses and an increase in the level of activity and gross margin-to-revenue ratio from other Oil & Gas activities compared to the second quarter of 2015.

For the first six months of 2016, Oil & Gas segment EBIT was $113.5 million, compared with $119.4 million in the corresponding period of 2015, primarily due to a decrease in revenues and in gross margin-to-revenue ratio from activities related to production and processing solutions, partially offset by a decrease in selling, general and administrative expenses and an increase in the level of activity from other Oil & Gas activities.

The Oil & Gas segment derives its revenues from both reimbursable contracts (80% in the first six months of 2016) and fixed-price contracts (20% in the first six months of 2016).

7.3 – Power

(IN MILLIONS OF CA$)	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
		2016		2015		**2016**		2015
Revenues from Power	**$**	**415.2**	$	409.3	**$**	**798.4**	$	879.9
Segment EBIT from Power	**$**	**28.7**	$	25.2	**$**	**57.9**	$	68.9
Segment EBIT over revenues from Power (%)		**6.9%**		6.1%		**7.2%**		7.8%

Power revenues were $415.2 million in the second quarter of 2016, in line with the second quarter of 2015. **For the first six months of 2016, revenues decreased to $798.4 million,** compared with $879.9 million for the corresponding period of 2015, mainly attributable to lower revenues from work performed on transmission lines in Western Canada, partially offset by an increase in revenues from projects related to gas-fired combined cycle power plants in the United States.

For the second quarter of 2016, Power segment EBIT was $28.7 million, compared with $25.2 million in the corresponding quarter of 2015, reflecting a decrease in selling, general and administrative expenses in the second quarter of 2016. An unfavourable reforecast on a project related to a power plant outside Canada had a negative impact on the gross margin-to-revenue ratio for the second quarter of 2016, whereas the gross margin-to-revenue ratio for the second quarter of 2015 was negatively impacted by an unfavourable reforecast on a power plant project outside Canada.

For the first six months of 2016, Power segment EBIT was $57.9 million, compared with $68.9 million in the corresponding period of 2015, mainly reflecting a lower level of activity in the first six months of 2016 compared with the first six months of 2015, due to the completion or the near completion of certain major projects. In the first six months of 2015, a favourable reforecast on a major project nearing completion with a positive impact of $16.9 million on gross margin more than offset an unfavourable reforecast on a power plant project outside Canada.

The Power segment derives its revenues from both reimbursable contracts (40% in the first six months of 2016) and fixed-price contracts (60% in the first six months of 2016).

7.4 – Infrastructure

INFRASTRUCTURE & CONSTRUCTION

(IN MILLIONS OF CA$)	SECOND QUARTER 2016	SECOND QUARTER 2015	SIX MONTHS ENDED JUNE 30 2016	SIX MONTHS ENDED JUNE 30 2015
Revenues from Infrastructure & Construction	**$ 412.4**	$ 443.1	**$ 779.7**	$ 837.5
Sub-segment EBIT from Infrastructure & Construction	**$ 14.1**	$ (43.2)	**$ 30.9**	$ (53.9)
Sub-segment EBIT over revenues from Infrastructure & Construction (%)	**3.4%**	(9.8%)	**4.0%**	(6.4%)

Infrastructure & Construction revenues for the second quarter of 2016 decreased to $412.4 million, compared with $443.1 million for the corresponding period of 2015. **For the first six months of 2016, revenues decreased to $779.7 million,** compared with $837.5 million for the first six months of 2015, mainly due to a lower level of activity due to substantial or near completion of a mass transit system in Western Canada and certain projects related to work performed on social infrastructure, partially offset by revenues from major contracts awarded in 2015 for work carried out on a new bridge corridor in Eastern Canada and for a mass transit system project in Central Canada.

For the second quarter of 2016, Infrastructure & Construction sub-segment EBIT was $14.1 million, compared with a negative sub-segment EBIT of $43.2 million in the corresponding quarter of 2015, primarily reflecting an increase in gross margin-to-revenue ratio combined with a decrease in selling, general and administrative expenses for the second quarter of 2016. In the second quarter of 2015, the gross margin-to-revenue ratio was negatively impacted by a revised cost forecast with a total adverse impact of $37.8 million on gross margin, principally due to challenging soil conditions relating to the tunnel portion of a mass transit project and additional costs on a major highway project, both in Canada.

For the first six months of 2016, Infrastructure & Construction sub-segment EBIT was $30.9 million, compared with a negative sub-segment EBIT of $53.9 million in the first six months of 2015, principally due to an increase in gross margin-to-revenue ratio combined with a decrease in selling, general and administrative expenses. The higher gross margin-to-revenue ratio was explained by the positive impact of a major project in Canada. In the first six months of 2015, the gross margin included the adverse impact of unfavourable reforecasts and additional costs on two major transportation projects in Canada, as described above.

The Infrastructure & Construction sub-segment derives its revenues from both reimbursable contracts (20% in the first six months of 2016) and fixed-price contracts (80% in the first six months of 2016).

O&M

(IN MILLIONS OF CA$)	SECOND QUARTER 2016	SECOND QUARTER 2015	SIX MONTHS ENDED JUNE 30 2016	SIX MONTHS ENDED JUNE 30 2015
Revenues from O&M	**$ 225.5**	$ 219.8	**$ 434.8**	$ 577.2
Sub-segment EBIT from O&M	**$ 15.2**	$ 12.1	**$ 29.8**	$ 24.1
Sub-segment EBIT over revenues from O&M (%)	**6.7%**	5.5%	**6.8%**	4.2%

O&M revenues in the second quarter of 2016 were $225.5 million, in line with the corresponding period of 2015. **For the first six months of 2016, revenues were $434.8 million,** compared with $577.2 million in the corresponding period of 2015, principally due to a lower level of activity that was mainly attributable to the non-renewal of an unprofitable contract for the management of government buildings, facilities and land in Canada in 2015.

O&M sub-segment EBIT was $15.2 million in the second quarter of 2016, compared with $12.1 million in the second quarter of 2015, mainly reflecting a higher gross margin-to-revenue ratio due to a favourable business mix.

For the first six months of 2016, O&M sub-segment EBIT was $29.8 million, compared with $24.1 million in the corresponding period of 2015, mainly reflecting a higher gross margin-to-revenue ratio, due to a favourable business mix, partially offset by a lower volume of activity.

The O&M sub-segment derives its revenues from both reimbursable contracts (60% in the first six months of 2016) and fixed-price contracts (40% in the first six months of 2016).

7.5 – 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 the engineering and construction, as well as operations and maintenance areas. 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 from bridges, buildings and highways, to mass transit systems, power facilities and water treatment plants. These are grouped together in the Capital segment and described in section 8.5 of the Company's 2015 annual Management's Discussion and Analysis.

SNCL MALTA

On March 30, 2016, SNC-Lavalin announced that it has reached financial close on the sale of its indirect ownership interest in SNCL Malta to an affiliate of Flughafen Wien AG for total cash consideration of approximately €64 million (approximately CA$98.7 million). SNCL Malta is the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c. The net gain on disposal of SNC-Lavalin's indirect ownership interest in SNCL Malta amounted to $53.6 million.

RAYALSEEMA

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

NET BOOK VALUE OF CAPITAL INVESTMENTS

The Company provides additional information on the net book value of its Capital investments in Note 4 to its unaudited interim condensed consolidated financial statements for the second quarter of 2016.

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

(IN MILLIONS OF CA$)		JUNE 30 2016		DECEMBER 31 2015
Capital investments accounted for by the consolidation method	**$**	**(15.0)**	$	(15.9)
Capital investments accounted for by the equity method		**389.5**		419.5
Capital investments accounted for by the cost method		**45.9**		48.3
Total net book value of Capital investments	**$**	**420.4**	$	452.0

The decrease in net book value as at June 30, 2016 compared with December 31, 2015 is mainly due to the disposal of the Company's indirect ownership interest in SNCL Malta and of its ownership interest in Rayalseema in the first quarter of 2016. As at June 30, 2016, the Company estimated that the fair value of its Capital investments portfolio was much higher than its net book value, with the Company's investment in Highway 407 having the highest estimated fair value of its portfolio. As at June 30, 2016 and as at December 31, 2015, the net book value of the Company's investment in Highway 407 was $ nil.

SEGMENT EBIT - CAPITAL

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
(IN MILLIONS OF CA$)		**2016**		2015		**2016**		2015
Revenues from Capital	**$**	**57.7**	$	58.5	**$**	**115.1**	$	110.6
Segment EBIT:								
From Highway 407	**$**	**31.5**	$	31.5	**$**	**62.9**	$	62.9
From other Capital investments [(1)]		**15.3**		20.4		**34.3**		31.7
From gain on disposals of Capital investments		**–**		–		**58.5**		–
Segment EBIT from Capital	**$**	**46.8**	$	51.9	**$**	**155.7**	$	94.6

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

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

The Capital segment EBIT amounted to $46.8 million in the second quarter of 2016, compared with $51.9 million for the same period last year, as the increase in selling, general and administrative expenses was partially offset by an increase in contributions from certain Capital investments.

The Capital segment EBIT increased to $155.7 million for the first six months of 2016, compared with $94.6 million for the corresponding period of 2015, mainly reflecting a $58.5 million gain before taxes on disposals of Capital investments in the first quarter of 2016, mainly due to the disposal of the Company's indirect ownership interest in SNCL Malta.

7.6 – Corporate selling, general and administrative expenses and others not allocated to segments

Corporate selling, general and administrative expenses that are not directly related to projects or segments are not allocated to the Company's segments.

Corporate selling, general and administrative expenses and others not allocated to projects or segments amounted to $55.5 million for the second quarter of 2016, compared with $59.5 million for the second quarter of 2015.

Corporate selling, general and administrative expenses and others not allocated to projects or segments amounted to $95.8 million for the first six months of 2016, compared with $89.9 million for the corresponding period of 2015. The increase of $5.9 million was mainly due to a lower amount of allocation of benefits, incentives, social security charges and other costs to projects or segments in the first six months of 2016, compared with the corresponding period of 2015.

8 Liquidity and Capital Resources

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

- A discussion on the Company's **financial position** at the end of the second quarter of 2016, compared with its financial position as at December 31, 2015;
- A review of the **cash net of recourse debt** of the Company;
- A **cash flows analysis**, providing details on how the Company generated and used its cash and cash equivalents;
- The presentation of the Company's dividends declared and Return on Average Shareholders' Equity ("ROASE"); and
- An update on the Company's credit ratings.

8.1 – Financial Position

The following is an analysis of the changes to the Company's consolidated statements of financial position between December 31, 2015 and June 30, 2016:

(IN MILLIONS OF CA$)	JUNE 30 2016	DECEMBER 31 2015	CHANGE ($)	EXPLANATIONS
Current assets	**$ 4,607.4**	$ 5,197.8	$ (590.4)	The decrease in current assets was mainly due to a decrease in cash and cash equivalents (refer to section 8.3 for details).
Non-current assets	**5,017.9**	5,305.3	(287.4)	The decrease in non-current assets was principally due to the foreign currency translation on goodwill and the amortization and foreign currency translation of the intangible assets related to Kentz acquisition.
Total assets	**$ 9,625.4**	$ 10,503.2	$ (877.8)	
Current liabilities	**$ 4,314.4**	$ 5,089.8	$ (775.3)	The decrease in current liabilities was mainly due to a decrease in trade payables, advances under contract financing arrangement and deferred revenues.
Non-current liabilities	**1,506.6**	1,509.9	(3.3)	-
Total liabilities	**$ 5,821.0**	$ 6,599.7	$ (778.7)	
Equity attributable to SNC-Lavalin shareholders	**$ 3,768.8**	$ 3,868.2	$ (99.4)	The decrease in equity attributable to SNC-Lavalin shareholders was mainly reflecting a decrease in other components of equity, mainly attributable to foreign exchange differences on translating foreign operations, partly offset by an increase in retained earnings mainly due to the net income for the first six months of 2016.
Non-controlling interests	**35.6**	35.3	0.3	-
Total equity	**$ 3,804.4**	$ 3,903.5	$ (99.1)	
Total liabilities and equity	**$ 9,625.4**	$ 10,503.2	$ (877.8)	

8.2 – Cash Net of Recourse Debt

The Company's **cash net of recourse debt**, which is a non-IFRS financial measure, is arrived at by excluding cash and cash equivalents from Capital investments and its recourse debt from its cash and cash equivalents, and was as follows:

(IN MILLIONS OF CA$)		**JUNE 30 2016**		DECEMBER 31 2015
Cash and cash equivalents	**$**	**1,064.6**	$	1,581.8
Less:				
Cash and cash equivalents of Capital investments accounted for by the consolidation method		**14.1**		17.1
Recourse debt:				
Debentures		**349.3**		349.1
Other		**3.7**		-
Cash net of recourse debt	**$**	**697.6**	$	1,215.6

Cash net of recourse debt (cash and cash equivalents less cash and cash equivalents of Capital investments and recourse debt) as at June 30, 2016 was $0.7 billion, compared with $1.2 billion as at December 31, 2015, mainly due to a decrease in cash and cash equivalents as explained in section 8.3.

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

8.3 – Cash Flows Analysis

SIX MONTHS ENDED JUNE 30 (IN MILLIONS OF CA$)		**2016**		2015
Net cash flows generated from (used for):				
Operating activities	**$**	**(321.6)**	$	(925.7)
Investing activities		**18.6**		(6.9)
Financing activities		**(175.7)**		143.5
Increase (decrease) from exchange differences on translating cash and cash equivalents		**(5.1)**		21.5
Net decrease in cash and cash equivalents		**(483.9)**		(767.7)
Cash and cash equivalents at beginning of period		**1,581.8**		1,702.2
Cash and cash equivalents at end of period		**1,098.0**		934.5
Less: Cash and cash equivalents included in the disposal group classified as held for sale		**(33.4)**		–
Cash and cash equivalents at end of period, as presented on the consolidated statement of financial position	**$**	**1,064.6**	$	934.5

Cash and cash equivalents, including $33.4 million in cash and cash equivalents held for sale, totaled $1,098.0 million at June 30, 2016, compared with $934.5 million at June 30, 2015, as discussed further below.

CASH FLOWS RELATED TO OPERATING ACTIVITIES

Net cash used for operating activities was $321.6 million for the first six months of 2016, compared with $925.7 million for the corresponding period of 2015. The major elements impacting operating activities were as follows:

- Net cash generated from operating activities before net change in non-cash working capital items, totalled $70.6 million in the first six months of 2016, compared with net cash used of $200.9 million in the first six months of 2015, mainly reflecting:
  - A net income of $219.7 million in the first six months of 2016, compared with $135.7 million in the corresponding period of 2015;
  - Income taxes paid of $28.6 million in the first six months of 2016, compared with $310.3 million paid in the corresponding period of 2015, mainly due to income taxes paid in the first quarter of 2015 on the gain on disposal of AltaLink which was completed in December 2014;
  - Non-cash net gain totalling $58.5 million in the first six months of 2016 resulting primarily from the disposal of the Company's indirect ownership interest in SNCL Malta in the first quarter of 2016;
  - A net financial expense recognized in net income of $21.8 million in the first six months of 2016, compared with a net financial income of $18.9 million recorded in net income for the first six months of 2015, primarily due to a net foreign exchange gain in the first quarter of 2015 on intragroup loans used for repayment of recourse debt of Kentz;
  - Depreciation of property and equipment and amortization of other non-current assets of $72.8 million in the first six months of 2016 compared with $71.9 million in the corresponding period of 2015;
  - A non-cash income tax expense of $25.8 million in the first six months of 2016 compared with $28.0 million in the first six months of 2015,
  - Income from Capital investments accounted for by the equity method of $91.0 million in the first six months of 2016 compared with $78.2 million for the corresponding period of 2015;
  - A decrease in non-cash provisions related to forecasted losses on certain contracts of $47.5 million in the first six months of 2016, compared with $29.1 million for the same period of 2015; and
  - Restructuring costs paid in excess of restructuring costs recognized in net income of $45.4 million in the first six months of 2016, compared with $17.5 million in the corresponding period of 2015.
- As detailed in Note 11 B) to the unaudited interim condensed consolidated financial statements for the second quarter of 2016, changes in non-cash working capital items used cash of $392.2 million in the first six months of 2016, compared with $724.8 million in the corresponding period of 2015, mainly reflecting working capital requirements on certain major projects.

CASH FLOWS RELATED TO INVESTING ACTIVITIES

Net cash generated from investing activities was $18.6 million for the first six months of 2016, compared with net cash used for investing activities of $6.9 million for the corresponding period of 2015. The major investing activities were as follows:

- Net cash inflow on disposals of Capital investments of $101.9 million in the first six months of 2016, mainly resulting from the disposal of the Company's indirect ownership interest in SNCL Malta, compared with $ nil for the corresponding period of 2015, as described in Note 4 A) to the unaudited interim condensed consolidated financial statements for the second quarter of 2016;
- The acquisition of property and equipment amounted to a total cash outflow of $57.7 million in the first six months of 2016, compared with $40.8 million in the first six months of 2015;
- The increase in receivables under service concession arrangements, net of recovery, amounted to $42.9 million for the first six months of 2016, compared with $17.4 million for the corresponding period of 2015; and
- In the first six months of 2016 there was a decrease of $41.2 million in short-term and long-term investments, compared with a decrease of $38.2 million in the first six months of 2015.

CASH FLOWS RELATED TO FINANCING ACTIVITIES

Net cash used for financing activities was $175.7 million in the first six months of 2016, compared with net cash generated from financing activities of $143.5 million for the corresponding period of 2015. The major financing activities were as follows:

- An increase of $4.9 million in recourse credit facility in the first six months of 2016, compared with an increase of $235.0 million in the corresponding period of 2015;
- The repayment of non-recourse debt from Capital amounted to $3.9 million in the first six months of 2016, compared with $4.8 million in the first six months of 2015;
- Net repayments of advances under contract financing arrangements, amounted to $113.8 million in the first six months of 2016, compared with an increase in advances under contract financing arrangements of $75.1 million in the corresponding period of 2015. These advances under contract financing arrangements are related to the Ste-Justine and Evergreen projects for both periods;
- Dividends paid to SNC-Lavalin shareholders amounted to $78.0 million for the first six months of 2016, compared with $76.0 million in the corresponding period of 2015;
- The redemption of shares for $86.6 million (1,979,500 shares at an average price of $43.73) in the first six months of 2015; and
- The issuance of shares pursuant to the exercise of stock options generated $15.7 million in cash in the first six months of 2016 (406,812 stock options at an average price of $38.58), compared with $3.8 million in the corresponding period of 2015 (99,605 stock options at an average price of $38.14). As at July 26, 2016, there were

785,013 stock options outstanding with exercise prices varying from $37.04 to $51.55 per common share. At that same date, there were 150,204,803 common shares issued and outstanding.

8.4 – Dividends

On March 3, 2016 and May 5, 2016, quarterly cash dividends of $0.26 per share were declared and paid on March 31, 2016 and June 2, 2016, respectively, representing an increase of 4.0% compared with the corresponding quarterly cash dividends of $0.25 per share paid in 2015.

8.5 – Normal course issuer bid

On June 2, 2016, SNC-Lavalin announced that its Board of Directors has filed a notice to renew, for a 12-month period, its normal course issuer bid, which expired on June 4, 2016. In the notice, the Company stated that a maximum of 3,000,000 common shares, representing approximately 2% of the issued and outstanding Common Shares as of May 18, 2016, may be purchased for cancellation.

8.6 – Return on Average Shareholders' Equity ("ROASE")

ROASE is a non-IFRS financial measure of the Company's return on equity. ROASE, as calculated by the Company, 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".

ROASE was 13.9% for the 12-month period ended June 30, 2016, compared with 47.3% for the 12-month period ended June 30, 2015, which included the favourable impact of the net gain of $1,320.7 million on disposal of AltaLink L.P. in December 2014.

8.7 – Financial Instruments

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 29 to the Company's 2015 annual audited consolidated financial statements and in Note 13 to its unaudited interim condensed consolidated financial statements for the second quarter of 2016. In the first six months of 2016, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

8.8 – Recourse debenture-Credit rating

On April 25, 2016, Standard & Poor's ("S&P") revised its outlook on SNC-Lavalin to stable from negative. At the same time, S&P affirmed its ratings on SNC-Lavalin, including its "BBB" long-term corporate credit and issue-level ratings. The outlook revision to stable reflects S&P's view that although the negative operational and financial risks that SNC-Lavalin might face in response to the charges laid against it have not been removed, S&P expects the impact of these risks, if any, on SNC-Lavalin to be beyond its outlook horizon. The revision also acknowledges that SNC-Lavalin's operations have not been negatively affected following the charges and there have been no changes to SNC-Lavalin's right and ability to bid or work on any public or private projects. SNC-Lavalin has continued to do so throughout the past year while exhibiting growing EBITDA margins.

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

9 Related Party Transactions

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

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

The accounting treatment of intragroup profits is summarized below:

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

For the second quarter and the first six months of 2016, SNC-Lavalin recognized revenues of $192.6 million (2015: $158.0 million) and $366.2 million (2015: $293.0 million), respectively, from contracts with Capital investments accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these Capital investments

accounted for by the equity method of $46.5 million for the second quarter of 2016 (2015: $39.0 million) and $91.0 million for the six months of 2016 (2015: $78.2 million), respectively.

SNC-Lavalin's trade receivables from Capital investments accounted for by the equity method amounted to $82.7 million as at June 30, 2016 (December 31, 2015: $65.4 million). SNC-Lavalin's other current financial assets receivable from these Capital investments accounted for by the equity method amounted to $114.0 million as at June 30, 2016 (December 31, 2015: $94.2 million). SNC-Lavalin's remaining commitment to invest in these Capital investments accounted for by the equity method was $103.3 million at June 30, 2016 (December 31, 2015: $113.9 million).

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

10 Accounting Policies and Changes

The Company established its accounting policies used in the preparation of its unaudited interim condensed consolidated financial statements for the second quarter of 2016 in accordance with IAS 34, *Interim Financial Reporting*. See Note 2 to the Company's 2015 annual audited consolidated financial statements for more information about the significant accounting policies used to prepare the financial statements, as they remain unchanged for the second quarter of 2016, except for accounting policies affected by the amendments adopted in 2016, as described in section 10.1 below.

The key judgments, assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements were disclosed in the Company's 2015 annual audited consolidated financial statements and remain unchanged for the second quarter of 2016.

10.1 – Amendments Adopted in the Six-Month Period Ended June 30, 2016

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

- *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*): i) amendments to IAS 16, *Property, Plant and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment; and ii) amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, except in two limited circumstances.
- *Disclosure Initiative* (Amendments to IAS 1, *Presentation of Financial Statements*) comprises several narrow-scope amendments to improve presentation and disclosure requirements in existing standards.

- Annual Improvements to IFRS (2012-2014 Cycle):

  - Amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

  - Amendments to IFRS 7, *Financial Instruments: Disclosure*, provide: i) additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets; and ii) guidance as to whether the disclosure requirements on offsetting financial assets and financial liabilities should be included in condensed interim financial statements.

  - Amendments to IAS 19, *Employee Benefits*, clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.

  - Amendments to IAS 34, *Interim Financial Reporting*, ("IAS 34") clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

10.2 – Standards and Amendments Issued to be Adopted at a Later Date

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

- *Disclosure Initiative* (Amendments to IAS 7, *Statement of Cash Flows*) require disclosures of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities.

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

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

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

- Amendments to IFRS 15 clarify how to: i) identify a performance obligation in a contract; ii) determine whether a company is a principal or an agent; and iii) determine whether the revenue from granting a license should be

recognized at a point in time or over time. In addition, the amendments to IFRS 15 include two additional transition reliefs.

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

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

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

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

In December 2015, the International Accounting Standards Board postponed the effective date of the following amendments to the standards indefinitely pending the outcome of its research project on the equity method of accounting:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*).

11 Risks and Uncertainties

Risks and uncertainties and certain risk management practices of the Company are described in section 13 of the Company's 2015 Financial Report under "Management's Discussion and Analysis". The risk management practices have not materially changed in the first six months of 2016; nor have the risks and uncertainties except that the preliminary inquiry in respect of the RCMP Charges against the Company has been scheduled for a court hearing in September 2018. In addition, the Company announced on May 10, 2016, through a Notice of Intention filed with the Director of the Voluntary Reimbursement Program ("Program"), its participation in the Program which was put into force by the Government of Quebec on November 2, 2015. The Program provides for a period of 90 days within which the Government of Quebec and various municipalities, governmental agencies and others can assess settlement proposals by program participants. As at August 3, 2016, the delay period for assessment of the Company's proposal has not yet elapsed.

12 Quarterly Information

	2016		2015				2014	
(IN MILLIONS OF CA$, EXCEPT EARNINGS PER SHARE AND DIVIDENDS PER SHARE)	**SECOND QUARTER**	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER
Revenues	**$ 2,103.0**	$ 1,988.2	$ 2,646.3	$ 2,433.2	$ 2,250.4	$ 2,257.1	$ 2,818.0	$ 2,004.1
EBIT	**$ 119.5**	$ 147.8	$ 73.5	$ 303.3	$ 43.6	$ 101.2	$ 1,439.1	$ 155.7
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	**$ 52.9**	$ 31.2	$ 14.0	$ 33.3	$ (18.5)	$ 67.0	$ (255.6)	$ (28.9)
Net income attributable to SNC-Lavalin shareholders from Capital:								
From Highway 407	**31.5**	31.5	31.5	31.5	31.5	31.5	34.4	29.4
From AltaLink	**–**	–	–	–	–	–	48.8	58.9
From other Capital investments	**4.2**	59.5	3.8	159.4	13.6	5.9	1,319.0	0.7
Net income attributable to SNC-Lavalin shareholders	**88.5**	122.1	49.2	224.2	26.5	104.4	1,146.6	60.0
Net income attributable to non-controlling interests	**3.8**	5.3	19.3	9.1	4.4	0.4	0.3	0.7
Net income	**$ 92.3**	$ 127.4	$ 68.6	$ 233.3	$ 30.9	$ 104.8	$ 1,147.0	$ 60.8
Basic earnings per share ($)	**$ 0.59**	$ 0.82	$ 0.33	$ 1.50	$ 0.17	$ 0.68	$ 7.52	$ 0.39
Diluted earnings per share ($)	**$ 0.59**	$ 0.81	$ 0.33	$ 1.49	$ 0.17	$ 0.68	$ 7.51	$ 0.39
Dividends declared per share ($)	**$ 0.26**	$ 0.26	$ 0.26	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.24

13 Controls and Procedures

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

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

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

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

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

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2016 and ended on June 30, 2016, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.