2018 Management's Discussion and Analysis

February 21, 2019

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

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

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

Non-IFRS Financial Measures and Additional IFRS Measures

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE

Performance

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

Liquidity

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

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

Comparative figures

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

The Company modified its comparative figures for the following changes:

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

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

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

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

Forward-Looking Statements

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

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

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

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

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

Management's Discussion and Analysis – Table of Contents

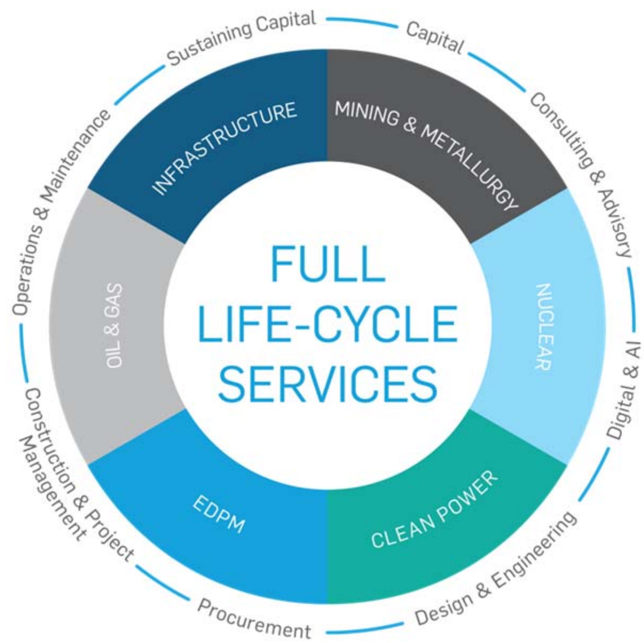
1 Overview of Our Business and Strategy

1.1 OUR BUSINESS

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

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

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



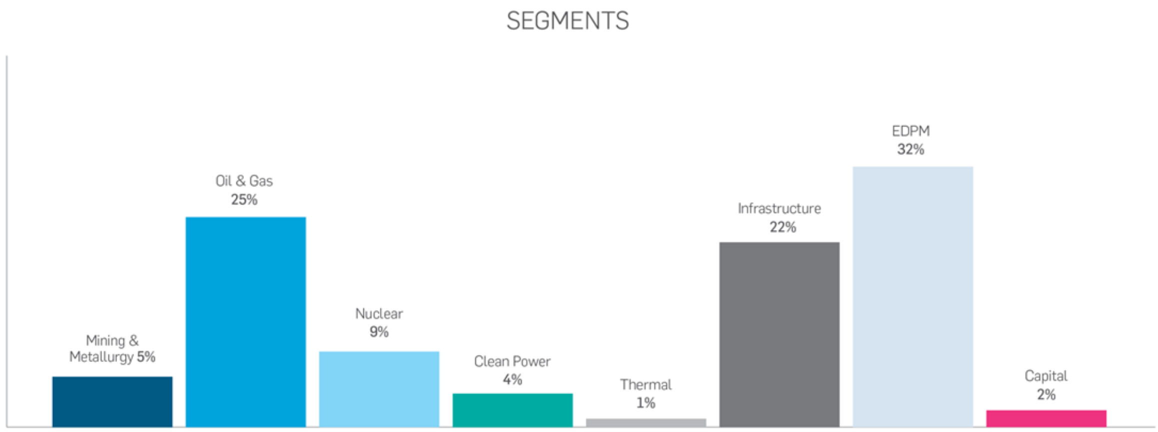
SNC-Lavalin maintains exceptionally high standards for health and safety, ethics and compliance and environmental protection, and is committed to delivering quality projects on budget and on schedule to the complete satisfaction of its clients.

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

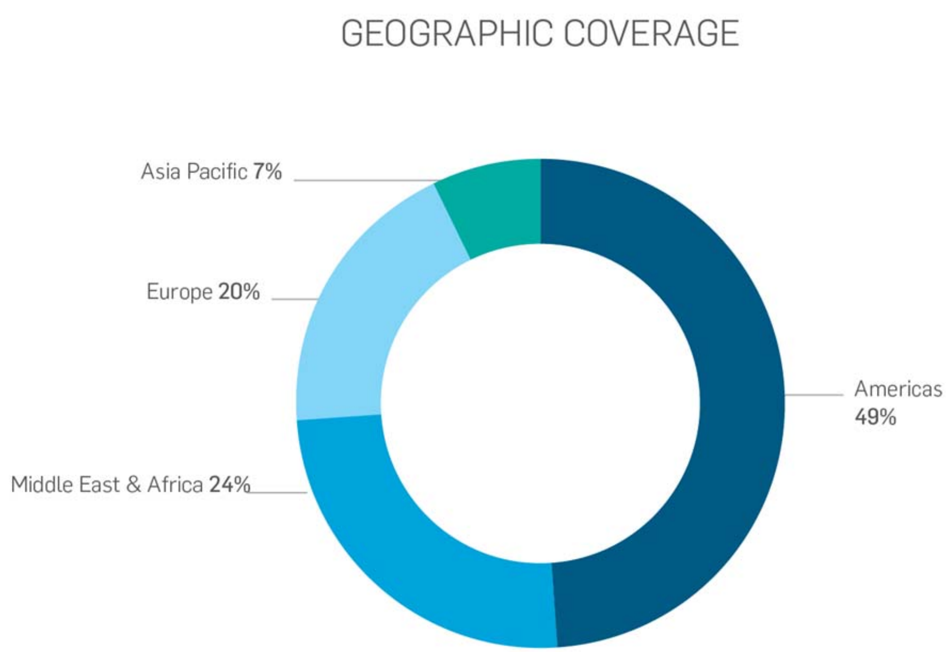
The **diversity of the Company's revenue base** and its capacity to operate in different industry segments and geographic areas are illustrated in the following 2018 revenue charts.

1.2 DIVERSITY OF THE COMPANY'S REVENUE BASE

Serving multiple industry **segments...**



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



1.3 BUSINESS STRATEGY

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

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

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

POSITION FOR THE FUTURE

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

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

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

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

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

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

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

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

SUPPORTING THE BUILDING BLOCKS OF OUR SUSTAINABLE AND PROFITABLE GROWTH

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

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

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

MEETING THE DIGITAL FUTURE HEAD-ON

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

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

PROGRESS ON DELIVERING ON OUR GROWTH STRATEGY

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

1.4 DELIVERING ON OUR GROWTH STRATEGY – SCORECARD

BE RECOGNIZED AS A CLIENT-CENTRIC DELIVERY-FOCUSED ORGANIZATION

STRONG, PERFORMANCE-DRIVEN CULTURE

CONTINUOUS FOCUS ON OPERATIONAL EXCELLENCE

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

2 How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

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

E&C

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

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

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

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

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

CAPITAL

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

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

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

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

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

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

PROJECT

The budget information is prepared for individual projects and/or prospects, which will form the primary basis for the Company's consolidated Annual Budget.

SECTOR LEVEL

The projects and prospects information is then compiled by each sector and approved by the Company's sector management.

CONSOLIDATED LEVEL

The sector budgets are subsequently reviewed by the Company's senior executives.

BOARD OF DIRECTORS

Final Approval is provided by the Board of Directors as part of the year end process of the current year.

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

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

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

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

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

Variations from plan may arise mainly from the following:

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

3 2018 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

APPOINTMENT OF CHAIRMAN

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

CLASS ACTION LAWSUITS SETTLEMENT AND MOTION

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

COMPREHENSIVE DECOMMISSIONING INTERNATIONAL LLC (CDI)

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

ACQUISITION OF LINXON PVT LTD

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

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

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

CAPITAL INVESTMENTS PORTFOLIO

SNCL IP Partnership

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

HIGHWAY 407 ETR

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

ASTORIA PROJECT PARTNERS II LLC

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

CHANGES TO THE LEADERSHIP TEAM IN 2018

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

- All Oil & Gas activities have been consolidated into one business led by Christian Brown. This combines the world-class capabilities from both SNC-Lavalin and Atkins, including Atkins' Offshore Upstream technology and capabilities, creating a highly compelling offering across the entire supply chain.
- The new EDPM activities were led by Nick Roberts, formerly the CEO of Atkins' U.K. and European business. Mr. Roberts oversees all infrastructure engineering and design services around the world, except for the Canadian market, which remained fully integrated within the Company's Infrastructure segment.
- The previous Power segment of SNC-Lavalin and the power element of Atkins' energy business created the foundation for two new segments in the newly integrated organization: Nuclear and Clean Power.
- Atkins' and SNC-Lavalin's nuclear businesses have been combined into a single Nuclear segment, under the leadership of Sandy Taylor, and leverages the unique skills of these respective teams, creating a market-leading capability in this fast-growing sector. The Company is now able to support clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.
- Clean Power activities are led by Marie-Claude Dumas. These incorporated SNC-Lavalin's activities in hydro, transmission & distribution, renewables and energy storage. The renewables market is growing at an unprecedented rate throughout the world and the Company has the skills and capabilities to deliver a fully integrated life of asset service to its clients.
- Since the Company exited the thermal business in 2018 to minimize execution risk, the Thermal power results were disclosed as a distinct segment.

CHANGES TO THE LEADERSHIP TEAM IN 2019

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

4 Financial Performance Analysis

4.1 SELECTED ANNUAL INFORMATION

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

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

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

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

4.2 REVENUE ANALYSIS

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

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

E&C REVENUES

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

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

REVENUES FROM CAPITAL INVESTMENTS

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

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

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

4.3 NET INCOME ANALYSIS

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

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

NET INCOME FROM E&C

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

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

NET INCOME FROM CAPITAL INVESTMENTS

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

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

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

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

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

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

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

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

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

4.4 SEGMENT EBIT ANALYSIS

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

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

SEGMENT EBIT FROM E&C

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

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

SEGMENT EBIT CAPITAL INVESTMENTS

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

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

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

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

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

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

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

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

- **Net expense for the 2012 class action lawsuits settlement and related legal costs of $65.7 million ($0.37 per diluted share)** related to the class actions in Quebec and Ontario filed in 2012, further explained in section 3.2;
- **Acquisition-related costs and integration costs of $42.8 million ($0.24 per diluted share),** compared with $97.2 million ($0.60 per diluted share). These costs were mainly professional fees and other related costs that were incurred in connection with the acquisition of Atkins in 2017;
- **Guaranteed Minimum Pension ("GMP") equalization costs of $20.8 million ($0.12 per diluted share)** recognized by the Company in 2018. This expense relates to the estimated cost to equalize GMP for past services in the U.K.
- **Impact of U.S. corporate tax reform resulting in an increase of income taxes expense of $6.0 million ($0.03 per diluted share) in 2018** and $42.5 million ($0.26 per diluted share) in 2017; and
- **A gain of $101.5 million ($0.62 per diluted share) on the disposal of the head office building in 2017**, further explained in Section 4.10.

4.6 EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

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

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

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

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

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

4.7 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

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

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

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

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

4.8 RESTRUCTURING COSTS

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

The Company has launched its "Operational Excellence" program in 2016, a program whose objective is to sustain a culture of continuous improvement. Operational Excellence is an approach that will make the Company more agile, customer-focused and successful. Operational Excellence is a long-term, structured approach that focuses on improving every aspect of the business. Such efforts aimed at optimizing the Company's structure might result in a reduction of workforce.

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

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

4.9 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

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

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

4.10 NET GAINS (LOSSES) ON DISPOSALS

E&C BUSINESSES

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

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

CAPITAL INVESTMENTS

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

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

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

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

HEAD OFFICE BUILDING

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

4.11 NET FINANCIAL EXPENSES

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

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

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

4.12 INCOME TAXES ANALYSIS

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

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

The effective income tax recovery rate from E&C was lower than the Canadian statutory income tax rate of 26.7% in 2018, principally due to the impact of the non-tax deductible goodwill impairment, net losses that did not generate an income tax benefit and by adjustments to deferred income taxes due to the US tax reform and the net reversal of previously recognized deferred tax assets. These impacts were partially offset by the geographic mix of earnings before income taxes as well as earnings not affected by tax and other permanent items. In 2017, the effective income tax rate from E&C was higher than the Canadian statutory income tax rate of 26.6%, reflecting mainly adjustments to deferred income taxes due to the US tax reform. Excluding these adjustments, the effective income tax rate would have been lower than the Canadian statutory income tax rate mainly due to the geographic mix of earnings before income taxes and by the non-taxable portion of the gain on the disposal of the head office building, partially offset by the non-deductible expenses and other permanent items.

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

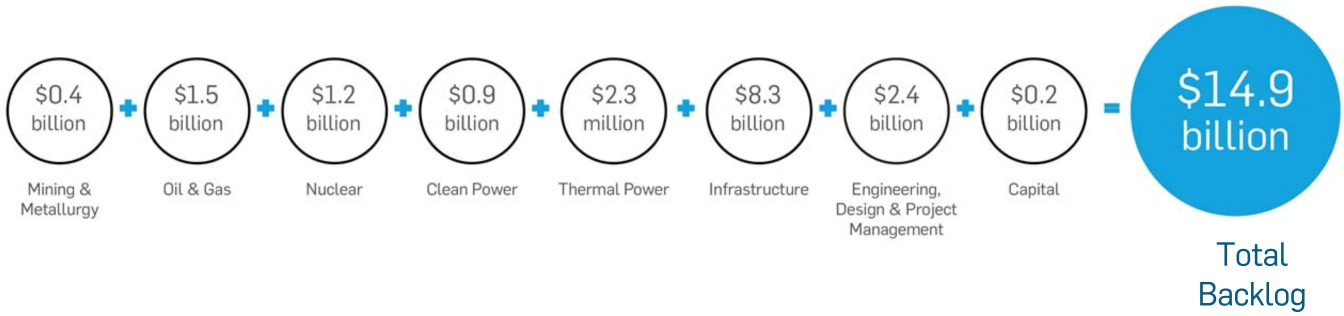
4.13 ACQUISITION OF NON-CONTROLLING INTEREST

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

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

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

5 Backlog (Remaining Performance Obligations)



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

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

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

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

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

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

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

BACKLOG RECONCILIATION

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

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

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

MAJOR CONTRACT AWARDS

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

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

BACKLOG BY TYPES OF CONTRACTS

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

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

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

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

6 Geographic Breakdown of Revenues by Category of Activity

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

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

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

AMERICAS:

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

MIDDLE EAST AND AFRICA:

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

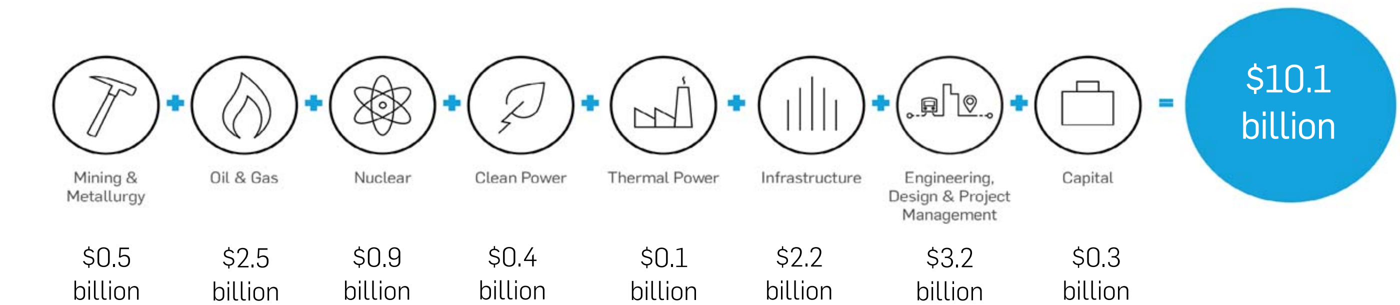
ASIA PACIFIC:

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

EUROPE:

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

7 Segmented Information



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

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

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

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

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

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

7.1 MINING & METALLURGY

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

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

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

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

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

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

7.2 OIL & GAS

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

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

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

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

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

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

7.3 NUCLEAR

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

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

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

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

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

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

7.4 CLEAN POWER

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

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

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

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

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

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

7.5 THERMAL POWER

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

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

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

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

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

7.6 INFRASTRUCTURE

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

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

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

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

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

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

7.7 ENGINEERING, DESIGN AND PROJECT MANAGEMENT (EDPM)

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

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

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

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

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

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

7.8 CAPITAL

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

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

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

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

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

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

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

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

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

REVENUES, SEGMENT EBIT AND DIVIDENDS OF THE CAPITAL SEGMENT

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

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

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

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

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

As a result, the Company recognized in its income statement dividends from Highway 407 ETR of $154.3 million in 2018 (2017: $141.7 million) and did not recognize its share of Highway 407 ETR's net income of $90.4 million (2017: $78.9 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was $nil at December 31, 2018 and December 31, 2017. The negative carrying value of the Company's investment in Highway 407 ETR, which is not recognized on the Company's statement of financial position, amounted to $642.0 million as at December 31, 2018 (2017: $577.9 million).

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

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

CAPITAL INVESTMENTS PORTFOLIO

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

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

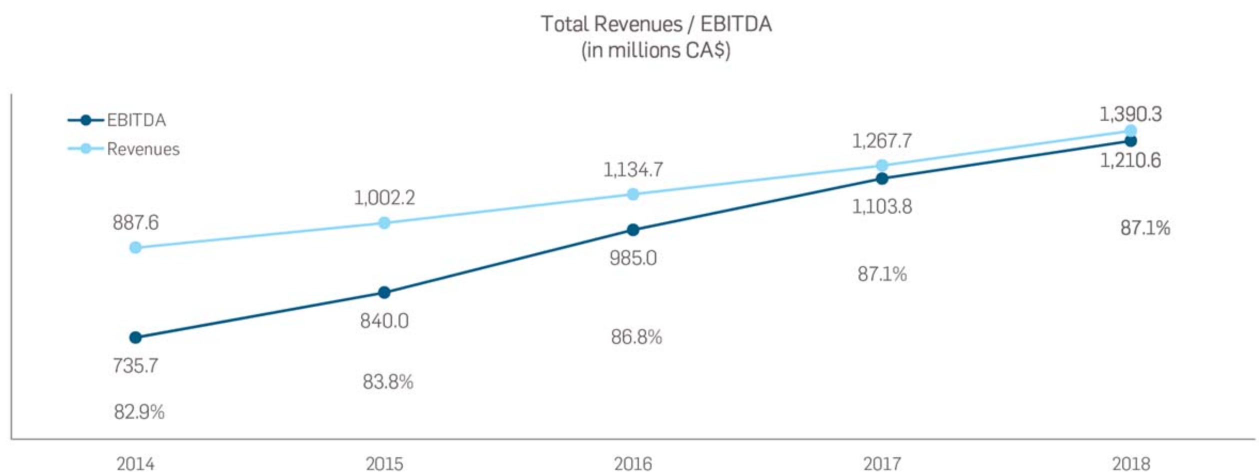
NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m^3/day seawater desalination plant in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

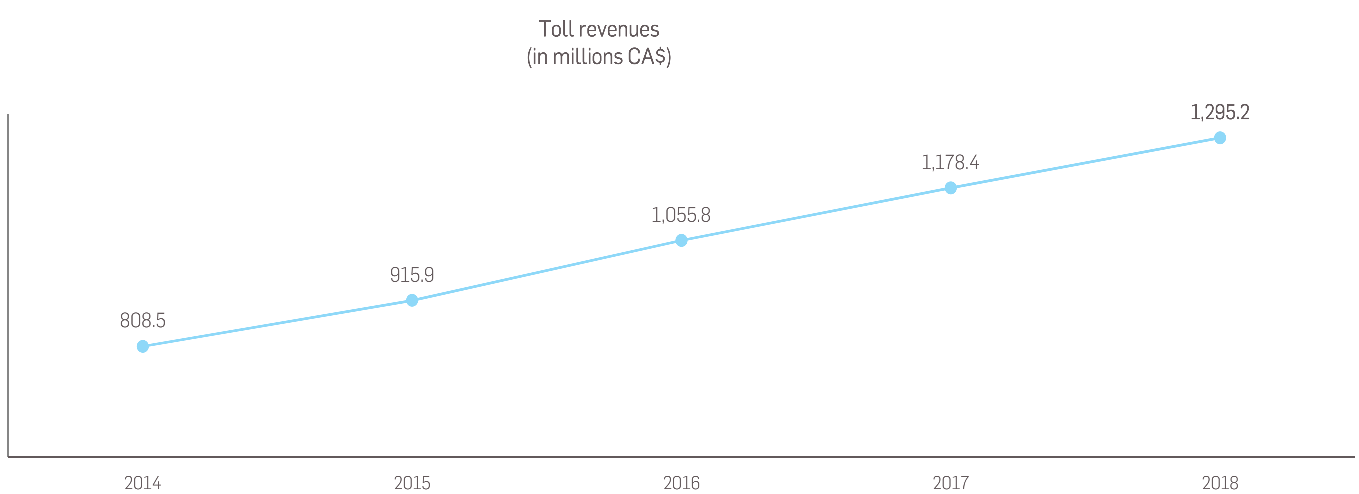
N/A: not applicable

HIGHWAY 407 ETR

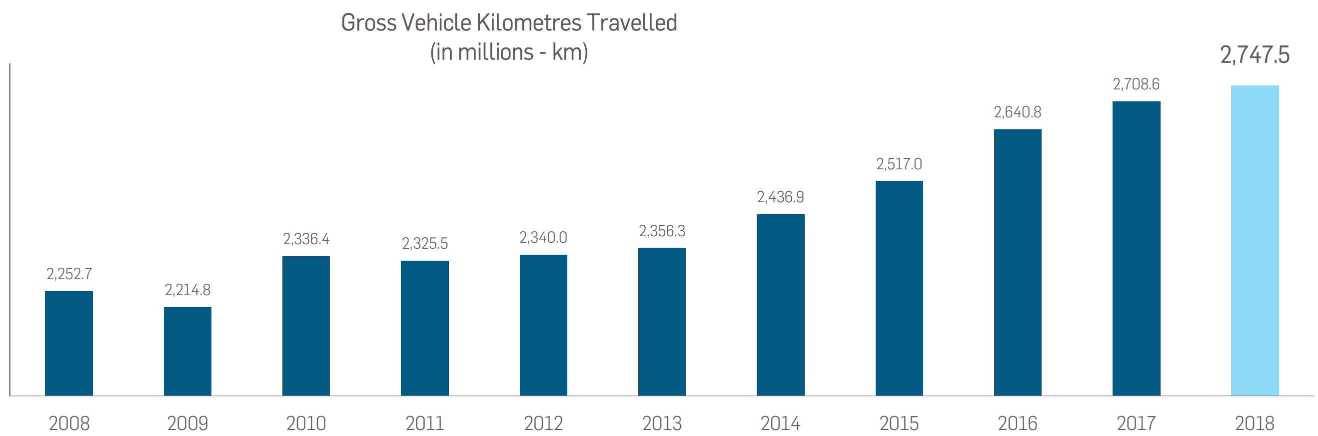
The following information is intended to provide the reader with a general understanding of the operations and key metrics of Highway 407 ETR. As 407 International Inc. issues public debt, 407 International Inc. financial statements, MD&A and other relevant financial materials can be found on www.sedar.com,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

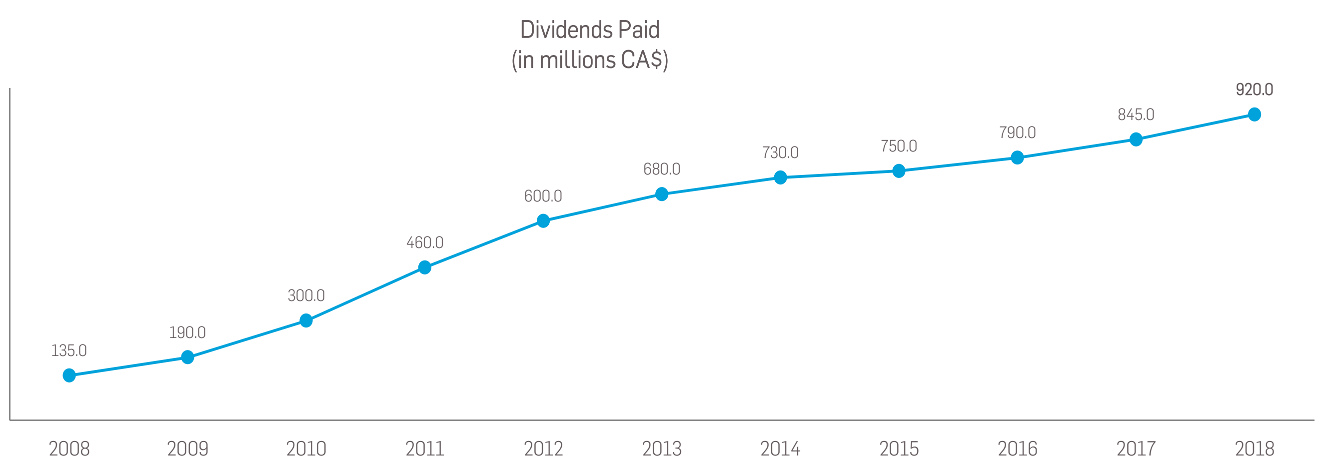
407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS



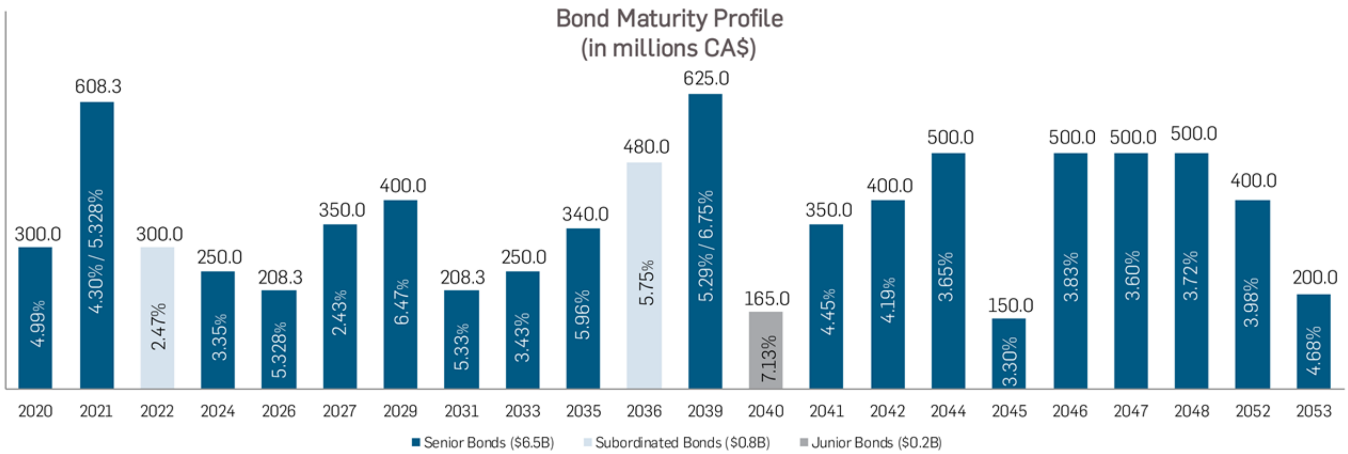


407 INTERNATIONAL INC. – KEY HISTORICAL INDICATORS





407 INTERNATIONAL INC. BOND MATURITY PROFILE



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

407 INTERNATIONAL INC. FINANCIAL HIGHLIGHTS

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

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

407 INTERNATIONAL INC. TRAFFIC RESULTS

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

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

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

DISPOSALS OF CAPITAL INVESTMENTS IN 2018

SNCL IP Partnership

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

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

Highway 407 ETR

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

Astoria Project Partners II LLC

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

ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

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

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

8 Fourth Quarter Results

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

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

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

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

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

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

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

- **At the end of December 2018, the Company's cash and cash equivalents amounted to $0.6 billion**, compared with $0.7 billion at the end of September 2018. The decrease is mainly attributable to cash used for operating activities.
- **Revenue backlog was $14.9 billion as at December 31, 2018,** compared with $15.2 billion as at September 30, 2018, mostly reflecting a decrease in Infrastructure. The Company's contract bookings during the quarter amounted to $2.2 billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

9 Liquidity and Capital Resources

$0.6 billion
Cash & Cash equivalents

($303.5) million
Operating cash flows

$201.5 million
Dividends paid to shareholders

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

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

9.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

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

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

OPERATING ACTIVITIES

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

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

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

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

INVESTING ACTIVITIES

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

(IN MILLIONS CA$)

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

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

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

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

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

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

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

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

FINANCING ACTIVITIES

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

(IN MILLIONS CA$)

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

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

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

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

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

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

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

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

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

9.2 CAPITAL STRUCTURE MANAGEMENT

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

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

› To drive organic and inorganic E&C growth;

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

› Return capital to shareholders.

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

9.3 CAPITAL RESOURCES

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

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

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

While liquidity remains subject to numerous risks and limitations, including but not limited to the risks described under Section 15 “Risks and Uncertainties” and in this section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations over the foreseeable future. Due to the nature of the Company’s activities and the fact that its operations are conducted through multiple entities and joint operations on an international level, the Company’s cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various pooling agreements with financial institutions and may transfer cash balances between subsidiaries, joint arrangements or investees or use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

9.4 DEBT AND FINANCING AGREEMENTS

NON-RECOURSE AND LIMITED RECOURSE DEBT

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

9.5 CAPITAL MANAGEMENT INDICATORS

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

NET RECOURSE DEBT

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

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

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

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

NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO

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

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

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

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

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

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

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

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

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

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

9.6 CREDIT RATING

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

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

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

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

9.7 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

CONTRACTUAL OBLIGATIONS

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

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

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

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects related to energy, power and other natural resources that include a significant amount of greenfield development, construction or other capital expenditures programs. As at December 31, 2018, the accounting conditions required to recognize a liability of US$7.5 million (approximately CA$10.3 million) in relation to this agreement have been met (2017: $nil).

FINANCIAL INSTRUMENTS

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

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

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

9.8 DIVIDENDS DECLARED

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

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

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

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

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

9.9 NORMAL COURSE ISSUER BID

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

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

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

10 Financial Position

10.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

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

ASSETS (CONTINUED)

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

LIABILITIES

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

LIABILITIES (CONTINUED)

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

EQUITY

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

WORKING CAPITAL

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

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

11 Related Party Transactions

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

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

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

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

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

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

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

12 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the Company's 2018 audited annual consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the Company's 2018 audited annual consolidated financial statements.

13 Accounting Policies and Changes

13.1 CHANGE IN SEGMENT DISCLOSURES & INCOME STATEMENT PRESENTATION

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

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

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

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

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

13.2 STANDARDS, AMENDMENTS AND INTERPRETATION ADOPTED IN 2018

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

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

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

ADOPTION OF IFRS 9

Transition

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

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

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

Main changes

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

Classification and measurement of financial assets and financial liabilities

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

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

(1) FVTPL: Fair value through profit or loss
FVTOCI: Fair value through other comprehensive income

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

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

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

(2) FVTPL: Fair value through profit or loss

(3) Presented as part of "Contract assets/Contract liabilities" in 2018

New impairment model

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

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

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

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

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

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

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

Hedge accounting

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

ADOPTION OF IFRS 15 AND AMENDMENTS TO IFRS 15

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

Transition

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

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

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

Change orders and claims

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

Measure of anticipated revenues and determination of progress

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

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

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

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

Presentation

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

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

Procedures and controls

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

2018 impacts of adopting IFRS 15

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

Impact on the consolidated statement of financial position

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

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

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

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

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

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

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

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

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

ADOPTION OF AMENDMENTS TO IFRS 2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 16

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

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

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

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

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

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

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

14 Non-IFRS Financial Measures and Additional IFRS Measures

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

Performance

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

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

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

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

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

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

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

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

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

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

Liquidity

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

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

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

15 Risks and Uncertainties

15.1 PRINCIPAL RISKS AND UNCERTAINTIES

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

RISKS RELATED TO LITIGATION, REGULATORY MATTERS AND INVESTIGATIONS

Outcome of pending and future claims and litigations

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

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

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

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

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

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

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

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

In addition to the appeal of the decision, a recourse in warranty was filed against another party seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. This recourse, which is scheduled for trial beginning March 2019, may result in reduction of SNC-Lavalin's share of the damages.

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

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

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

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

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

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

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

Charges and RCMP investigations

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

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

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

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

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

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

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

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

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

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

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

World Bank Settlement

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

African Development Bank Settlement

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

Canada's Integrity Regime

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

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

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

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

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

Other Investigations

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

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

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

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

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

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

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

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

In addition, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of the Company's employees, agents or partners could have a significant negative impact on SNC-Lavalin's business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal control over financial reporting, environmental laws and any other applicable laws or regulations. For example, the CFPOA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, SNC-Lavalin provides services that may be highly sensitive or that could relate to critical national security matters; if a security breach were to occur, the Company's ability to procure future government contracts could be severely limited.

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

Reputation of the Company

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

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

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

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

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

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

Contract awards and timing

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

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

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

Remaining performance obligations

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

Being a provider of services to government agencies

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

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

International operations

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

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

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

In addition, the Company's activities outside Canada expose SNC-Lavalin to foreign currency exchange risks, which could adversely impact its operating results. The Company is particularly vulnerable to fluctuations in British pounds, in U.S. dollars and in currencies pegged to U.S. dollars. While SNC-Lavalin has a hedging strategy in place to mitigate some of the effects of certain foreign currency exposures, there can be no assurance that such hedging strategy will be effective. Furthermore, the volatility of the Company's financial results and cash flows could increase if certain countries no longer peg their currencies to the U.S. dollar. The Company does not have hedging strategies in place with respect to all currencies in which it does business. The Company's hedging strategy includes the use of forward foreign exchange contracts, which also contain an inherent credit risk related to default on obligations by the counterparties to such contracts.

Brexit

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

Ownership interests in Capital investments

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

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

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

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

Dependence on third parties

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

Joint ventures and partnerships

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

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

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

Competition

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

Professional liability or liability for faulty services.

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

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

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

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

Insurance coverage

As part of SNC-Lavalin's business operations, the Company maintains insurance coverage. There can be no assurance that the Company has in place sufficient insurance coverage to satisfy its needs, or that it will be able to secure all necessary or sufficient insurance coverage in the future. The Company's insurance is purchased from a number of third-party insurers, often in layered insurance arrangements. If any of its third-party insurers fail, refuse to renew or revoke coverage or otherwise cannot satisfy their insurance requirements to SNC-Lavalin, then the Company's overall risk exposure and operational expenses could be increased and its business operations could be interrupted.

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

Health & Safety

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

Qualified personnel

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

Work stoppages, union negotiations and other labour matters

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

Information systems and data

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

Cyber-attacks have become more frequent and sophisticated and the Company's information technology and other defences must be adequate to repel them. Cyber-attacks include insertion of malware, hacking, industrial espionage, unauthorized access to confidential or proprietary information, phishing or other security breaches and system disruptions. If the Company is unable to protect its information systems, they could be interrupted or delayed. The Company's information systems and operations could also be interrupted or damaged by natural disasters, failures, acts of war, terrorism or cyber-attacks, among others.

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

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

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

Acquisitions or other investments

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

Divestitures and the sale of significant assets

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

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

Liquidity and financial position

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

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

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

Indebtedness

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

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

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

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

The credit facilities and instruments governing the Company's consolidated debt contain certain financial covenants requiring the Company, on a consolidated basis, to satisfy net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratios. Such credit facilities and instruments also contain covenants restricting the Company's ability to incur liens on its assets, incur additional debt or effect dispositions of assets or fundamental changes in its business, pay dividends and make certain other disbursements, or use the proceeds from the sale of assets and capital stock of subsidiaries. These covenants limit the Company's discretion and financial flexibility in the operation of its business. Under the terms of these credit facilities and instruments, the Company and its subsidiaries are permitted to incur additional debt in certain circumstances. However, doing so could increase the risks described above. In addition, if the Company or its subsidiaries incur additional debt in the future, the Company may be subject to additional covenants, which may be more restrictive than those that it is subject to now.

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

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

Security under the SNC-Lavalin Highway Holdings Loan

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

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

Dependence on subsidiaries to help repay indebtedness

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

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

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

Dividends

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

Post-Employment Benefit Obligations, Including Pension-Related Obligations

The Company operates certain defined benefits plans and provides other post-employment benefits. More specifically, Atkins operates two significant defined benefit plans, namely the Atkins Pension Plan and the Railways Pension Scheme, with combined net significant retirement benefit liabilities. The majority of Atkins' post-employment benefits obligations sits within its U.K. business and is comprised of defined benefit pension obligations. In the U.K., defined benefit pension schemes funding requirements are based on actuarial valuations of the assets and liabilities of each scheme. A scheme's assets are determined by the value of investments held by the scheme and the returns. The valuation of plan liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Changes in a number of key assumptions can have a material impact on the calculation of the liability. There is also some judgement in the measurement of the fair value of pension assets giving rise to a risk of material misstatement in their valuation.

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

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

Working capital requirements

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

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

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

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

Collection from customers

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

Impairement of goodwill and other assets

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

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

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

GLOBAL / MACROECONOMIC RISKS

Global economic conditions

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

Fluctuations in commodity prices

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

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework

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

Environmental laws and regulations

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

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

16 Legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings. See also Section 15 "Risks and Uncertainties – Risks Related to Litigation, Regulatory Matters and Investigations", including the general cautionary language relating to the risks inherent to all litigation and proceedings against SNC-Lavalin, which is equally applicable to the legal proceedings described below.

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

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

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

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

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

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

17 Controls and Procedures

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

17.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

Remedial Measures

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

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

17.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

18 Quarterly Information

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