



SNC • LAVALIN

Q3

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2019 and 2018

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	September 30 2019	December 31 2018
ASSETS			
Current assets			
Cash and cash equivalents		\$ 938,911	\$ 634,084
Restricted cash		15,139	12,722
Trade receivables		1,512,656	1,503,824
Contract assets		2,004,002	1,751,068
Inventories		141,532	104,205
Other current financial assets		327,423	247,291
Other current non-financial assets		323,730	404,819
Total current assets		5,263,393	4,658,013
Property and equipment		460,970	482,619
Right-of-use assets	2B	462,292	–
Capital investments accounted for by the equity method	4	408,634	357,249
Capital investments accounted for by the cost method	4	4,030	10,663
Goodwill	15	3,323,575	5,369,723
Intangible assets related to business combinations		669,718	920,586
Deferred income tax asset		461,870	652,155
Non-current portion of receivables under service concession arrangements		369,085	327,299
Other non-current financial assets		113,837	30,023
Other non-current non-financial assets		113,900	131,362
Total assets		\$ 11,651,304	\$ 12,939,692
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 2,285,181	\$ 2,352,944
Contract liabilities		924,690	972,959
Other current financial liabilities		241,472	298,701
Other current non-financial liabilities		376,471	424,861
Current portion of provisions		316,145	381,848
Current portion of lease liabilities	2B	104,767	–
Short-term debt and current portion of long-term debt:			
Recourse		–	1,116,587
Non-recourse		93,257	60,168
Total current liabilities		4,341,983	5,608,068
Long-term debt:			
Recourse		1,172,352	1,171,433
Limited recourse		400,000	980,303
Non-recourse		395,666	339,537
Other non-current financial liabilities		37,343	53,505
Non-current portion of provisions		649,452	706,386
Non-current portion of lease liabilities	2B	512,484	–
Other non-current non-financial liabilities		405	61,508
Deferred income tax liability		278,145	363,087
Total liabilities		7,787,830	9,283,827
Equity			
Share capital		1,805,080	1,805,080
Retained earnings		1,853,901	1,346,624
Other components of equity	9	203,793	499,199
Equity attributable to SNC-Lavalin shareholders		3,862,774	3,650,903
Non-controlling interests		700	4,962
Total equity		3,863,474	3,655,865
Total liabilities and equity		\$ 11,651,304	\$ 12,939,692

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

		2019						
Equity attributable to SNC-Lavalin shareholders								
	Share Capital							
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 9)	Total	Non-controlling interests	Total equity	
Balance at beginning of the period	175,554	\$ 1,805,080	\$ 1,346,624	\$ 499,199	\$ 3,650,903	\$ 4,962	\$ 3,655,865	
Transitional adjustments on adoption of a new accounting standard (Note 2B)	—	—	(25,495)	—	(25,495)	—	(25,495)	
Adjusted balance at beginning of the period	175,554	1,805,080	1,321,129	499,199	3,625,408	4,962	3,630,370	
Net income (loss) for the period	—	—	621,089	—	621,089	(1,516)	619,573	
Other comprehensive income (loss) for the period	—	—	(49,695)	(295,406)	(345,101)	896	(344,205)	
Total comprehensive income (loss) for the period	—	—	571,394	(295,406)	275,988	(620)	275,368	
Dividends declared (Note 7)	—	—	(38,622)	—	(38,622)	—	(38,622)	
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(1)	(1)	
Additional non-controlling interests arising on acquisition of Linxon	—	—	—	—	—	(3,671)	(3,671)	
Capital contributions by non-controlling interests	—	—	—	—	—	30	30	
Balance at end of the period	175,554	\$ 1,805,080	\$ 1,853,901	\$ 203,793	\$ 3,862,774	\$ 700	\$ 3,863,474	

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

	2018						
	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 9)	Total	Non- controlling interests	Total equity
Balance at beginning of the period	175,488	\$ 1,801,733	\$ 3,145,424	\$ 277,974	\$ 5,225,131	\$ (1,909)	\$ 5,223,222
Transitional adjustments on adoption of new accounting standards	—	—	(327,387)	5,448	(321,939)	369	(321,570)
Adjusted balance at beginning of the period	175,488	1,801,733	2,818,037	283,422	4,903,192	(1,540)	4,901,652
Net income for the period	—	—	281,826	—	281,826	644	282,470
Other comprehensive income (loss) for the period	—	—	83,867	(189,163)	(105,296)	8	(105,288)
Total comprehensive income (loss) for the period	—	—	365,693	(189,163)	176,530	652	177,182
Dividends declared (Note 7)	—	—	(151,137)	—	(151,137)	—	(151,137)
Shares issued under stock option plans	66	3,347	(646)	—	2,701	—	2,701
Capital contributions by non-controlling interests	—	—	—	—	—	129	129
Measurement of a loan from a non-controlling interest at its initial fair value	—	—	—	—	—	5,155	5,155
Non-controlling interests arising on acquisition of Linxon (Note 15)	—	—	—	—	—	(2,040)	(2,040)
Balance at end of the period	175,554	\$ 1,805,080	\$ 3,031,947	\$ 94,259	\$ 4,931,286	\$ 2,356	\$ 4,933,642

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

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

		THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	Note	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾
Revenues from:					
E&C		\$ 2,352,559	\$ 2,496,819	\$ 6,853,006	\$ 7,333,936
Capital investments accounted for by the consolidation or cost methods		14,790	13,619	39,123	37,217
Capital investments accounted for by the equity method		64,814	52,552	187,404	150,350
		2,432,163	2,562,990	7,079,533	7,521,503
Direct cost of activities		2,224,255	2,322,708	6,888,089	6,836,866
Total segment EBIT ⁽²⁾		207,908	240,282	191,444	684,637
Corporate selling, general and administrative expenses		19,848	(8,414)	45,900	35,615
Impairment loss arising from expected credit losses		295	657	750	1,311
Loss (gain) arising on financial assets (liabilities) at fair value through profit or loss		(9,681)	4,822	11,840	4,424
Net 2012 class action lawsuits settlement expense		—	—	—	88,000
Restructuring costs		19,280	1,952	71,441	4,533
Acquisition-related costs and integration costs		(758)	10,576	8,264	34,067
Amortization of intangible assets related to business combinations		41,707	45,390	141,990	154,904
Gain on disposals of Capital investments	4A	(2,970,783)	—	(2,970,783)	(62,714)
Loss (gain) from adjustment on disposals of E&C businesses		4	(77)	178	235
Impairment of intangible assets related to business combinations	15	—	—	72,831	—
Impairment of goodwill	15	—	—	1,801,015	—
EBIT ⁽²⁾		3,107,996	185,376	1,008,018	424,262
Financial expenses	5	42,511	44,838	197,363	132,167
Financial income and net foreign exchange losses (gains)	5	(403)	(817)	(9,885)	(9,021)
Earnings before income taxes		3,065,888	141,355	820,540	301,116
Income taxes		309,279	20,381	200,967	18,646
Net income for the period		\$ 2,756,609	\$ 120,974	\$ 619,573	\$ 282,470
Net income (loss) attributable to:					
SNC-Lavalin shareholders		\$ 2,756,714	\$ 120,743	\$ 621,089	\$ 281,826
Non-controlling interests		(105)	231	(1,516)	644
Net income for the period		\$ 2,756,609	\$ 120,974	\$ 619,573	\$ 282,470
Earnings per share (in \$)					
Basic		\$ 15.70	\$ 0.69	\$ 3.54	\$ 1.61
Diluted		\$ 15.70	\$ 0.69	\$ 3.54	\$ 1.60
Weighted average number of outstanding shares (in thousands)	6				
Basic		175,554	175,554	175,554	175,537
Diluted		175,554	175,619	175,554	175,610

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

⁽²⁾ Earnings before interest and income taxes ("EBIT")

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2019			2018		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income (loss) for the period	\$ 2,756,714	\$ (105)	\$ 2,756,609	\$ 120,743	\$ 231	\$ 120,974
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 9)	(57,941)	4	(57,937)	(189,682)	5	(189,677)
Cash flow hedges (Note 9)	(9,323)	2,085	(7,238)	(1,707)	—	(1,707)
Share of other comprehensive income of investments accounted for by the equity method (Note 9)	101	—	101	771	—	771
Income taxes (Note 9)	1,605	—	1,605	(944)	—	(944)
Total of items that will be reclassified subsequently to net income	(65,558)	2,089	(63,469)	(191,562)	5	(191,557)
Financial assets at fair value through other comprehensive income (Note 9)	(2,412)	—	(2,412)	210	—	210
Income taxes (Note 9)	3	—	3	27	—	27
Remeasurement on defined benefit plans (Note 9)	88,553	—	88,553	35,080	—	35,080
Income taxes (Note 9)	(15,425)	—	(15,425)	(5,817)	—	(5,817)
Total of items that will not be reclassified subsequently to net income	70,719	—	70,719	29,500	—	29,500
Total other comprehensive income (loss) for the period	5,161	2,089	7,250	(162,062)	5	(162,057)
Total comprehensive income (loss) for the period	\$ 2,761,875	\$ 1,984	\$ 2,763,859	\$ (41,319)	\$ 236	\$ (41,083)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2019			2018		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income (loss) for the period	\$ 621,089	\$ (1,516)	\$ 619,573	\$ 281,826	\$ 644	\$ 282,470
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 9)	(279,346)	(130)	(279,476)	(180,435)	8	(180,427)
Cash flow hedges (Note 9)	(12,262)	1,026	(11,236)	(10,955)	—	(10,955)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 9)	(2,510)	—	(2,510)	672	—	672
Income taxes (Note 9)	(1,288)	—	(1,288)	1,555	—	1,555
Total of items that will be reclassified subsequently to net income	(295,406)	896	(294,510)	(189,163)	8	(189,155)
Financial assets at fair value through other comprehensive income (Note 9)	(2,357)	—	(2,357)	21	—	21
Income taxes (Note 9)	15	—	15	52	—	52
Remeasurement on defined benefit plans (Note 9)	(56,219)	—	(56,219)	100,837	—	100,837
Income taxes (Note 9)	8,866	—	8,866	(17,043)	—	(17,043)
Total of items that will not be reclassified subsequently to net income	(49,695)	—	(49,695)	83,867	—	83,867
Total other comprehensive income (loss) for the period	(345,101)	896	(344,205)	(105,296)	8	(105,288)
Total comprehensive income (loss) for the period	\$ 275,988	\$ (620)	\$ 275,368	\$ 176,530	\$ 652	\$ 177,182

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

		THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	Note	2019	2018	2019	2018
Operating activities					
Net income for the period		\$ 2,756,609	\$ 120,974	\$ 619,573	\$ 282,470
Income taxes received (paid)		(6,165)	9,425	4,589	6,017
Interest paid from E&C		(52,004)	(45,315)	(175,957)	(134,730)
Interest paid from Capital investments		(7,644)	(373)	(17,304)	(7,505)
Other reconciling items	10A	(2,539,595)	119,904	(504,426)	290,798
		151,201	204,615	(73,525)	437,050
Net change in non-cash working capital items	10B	(202,264)	(188,796)	(593,996)	(628,365)
Net cash generated from (used for) operating activities		(51,063)	15,819	(667,521)	(191,315)
Investing activities					
Acquisition of property and equipment		(10,000)	(36,061)	(71,306)	(104,729)
Payments for Capital investments		(30,000)	–	(39,967)	–
Refunds for Capital investments		4,391	–	4,391	–
Net cash inflow on acquisition of businesses	14	9,351	8,314	14,890	8,314
Change in restricted cash position		(3,504)	(5,192)	(5,062)	(1,069)
Increase in receivables under service concession arrangements		(18,672)	(21,893)	(124,893)	(98,850)
Recovery of receivables under service concession arrangements		1,470	16,320	63,172	53,656
Decrease in short-term and long-term investments		–	–	–	1,707
Net cash inflow on disposals of Capital investments accounted for by the equity method	4A	3,000,000	–	3,000,000	92,214
Payments for disposition-related costs on disposals of Capital investments ⁽¹⁾		(94,856)	(1,762)	(94,856)	(1,762)
Other ⁽¹⁾		(1,872)	(8,733)	(4,162)	(2,963)
Net cash generated from (used for) investing activities		2,856,308	(49,007)	2,742,207	(53,482)
Financing activities					
Increase in debt	10C	729,145	383,454	1,924,975	2,258,303
Repayment of debt and payment for debt issue costs	10C	(3,140,150)	(273,413)	(3,558,363)	(1,838,734)
Payment of lease liabilities	10C	(29,378)	–	(86,949)	–
Proceeds from exercise of stock options		–	–	–	2,701
Dividends paid to SNC-Lavalin shareholders	7, 10C	(3,511)	(50,384)	(38,622)	(151,137)
Other	10C	(1,135)	(357)	(4,389)	4,274
Net cash generated from (used for) financing activities		(2,445,029)	59,300	(1,763,348)	275,407
Decrease from exchange differences on translating cash and cash equivalents		(1,930)	(11,605)	(6,511)	(1,265)
Net increase in cash and cash equivalents		358,286	14,507	304,827	29,345
Cash and cash equivalents at beginning of period ⁽²⁾		580,625	721,408	634,084	706,570
Cash and cash equivalents at end of period		\$ 938,911	\$ 735,915	\$ 938,911	\$ 735,915

⁽¹⁾ In 2018, “Payments for disposition-related costs on disposals of Capital investments” were included in “Other” in investing activities.

⁽²⁾ The amount of \$706.6 million as at December 31, 2017 included \$39 thousand of cash and cash equivalents comprised within “Assets of disposal group classified as held for sale and assets held for sale”.

See accompanying notes to interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Notes to Interim Condensed Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS

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

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

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company’s annual audited consolidated financial statements for the year ended December 31, 2018 were consistently applied to all periods presented, except for the change in an accounting policy and the accounting policy affected by a new standard adopted in the nine-month period ended September 30, 2019, as described in Notes 2B and 2C.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company’s annual audited consolidated financial statements for the year ended December 31, 2018 and remained unchanged for the nine-month period ended September 30, 2019, except for the new judgments and estimates related to the adoption of IFRS 16, *Leases*, effective January 1, 2019, as described in Note 2D.

The Company’s financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for share unit plans, which are measured at fair value; ii) the defined benefit liabilities, which are measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets; iii) investments measured at fair value, which are held by SNC-Lavalin Infrastructure Partners LP, an investment entity accounted for by the equity method and for which SNC-Lavalin elected to retain the fair value measurement applied by that investment entity; and iv) liability resulting from a contingent consideration arrangement in a business combination, which is measured at its acquisition-date fair value. Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

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

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s 2018 annual audited consolidated financial statements.

These Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on October 30, 2019.

2. BASIS OF PREPARATION (CONTINUED)

B) NEW STANDARD, AMENDMENTS AND AN INTERPRETATION ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

The following standard, amendments to existing standards and interpretation have been adopted by the Company on January 1, 2019:

- 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 superseded IAS 17, *Leases*, (“IAS 17”) and its associated interpretative guidance.
- *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.

Except for IFRS 16, the amendments and interpretation listed above did not have a significant impact on the Company’s financial statements.

2. BASIS OF PREPARATION (CONTINUED)

ADOPTION OF IFRS 16

The Company adopted IFRS 16, *Leases*, on January 1, 2019. Until that date, the Company classified leases as operating or finance leases, in accordance with IAS 17, *Leases*, based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the lessee. Under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently measured at cost, unless it qualifies for fair value measurement, less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured to reflect changes in the lease payments, such as upon a lease modification that is not accounted for as a separate lease.

Based on the change in accounting for leases, depreciation expense on the right-of-use asset and interest expense on the lease liability are replacing the corresponding operating lease expense that was recognized under IAS 17.

The Company has elected to apply IFRS 16 using the modified retrospective method, which consists of applying such standard retrospectively with the cumulative effect being recognized in retained earnings at the date of initial application. Under this method, the lessee could elect, on a lease-by-lease basis, to measure the right-of-use asset based on two methodologies. The first methodology consisted 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 consisted 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. The Company used both methodologies when using the modified retrospective method.

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

OPTIONAL PRACTICAL EXPEDIENT OR EXEMPTION	BASIS FOR APPLICATION	COMPANY'S ELECTION AT THE DATE OF INITIAL APPLICATION
No reassessment on whether a contract is, or contains, a lease, based on current standards	All leases	Used such practical expedient
Use of the same discount rate for a portfolio of leases with similar characteristics	By portfolio of leases	Used such practical expedient when possible
Use of onerous lease provision instead of impairment review on the right-of-use asset	Lease by lease	Used on leases when applicable
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	Not applied to most of office real estate leases, applied to certain other leases
Exemption from recognizing a right-of-use asset and a lease liability when the underlying asset is of low value	Lease by lease	Did 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	Not applied to office real estate leases, applied to certain other 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	Applied to all leases for which the right-of-use asset was 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	Applied to all leases for which the right-of-use asset is not deemed equal to the lease liability at the date of initial application

2. BASIS OF PREPARATION (CONTINUED)

Since the Company elected to adopt IFRS 16 using the modified retrospective method, the following table summarizes the impacts of adopting IFRS 16 on the Company's consolidated statement of financial position as at January 1, 2019:

Impact on the consolidated statement of financial position

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	DECEMBER 31 2018	IFRS 16 ADOPTION	JANUARY 1 2019
ASSETS				
Right-of-use assets		\$ —	\$ 452,366	\$ 452,366
Deferred income tax asset		652,155	8,892	661,047
Other assets	(a)	12,287,537	26,573	12,314,110
Total assets		\$ 12,939,692	\$ 487,831	\$ 13,427,523
LIABILITIES				
Lease liabilities	(b), (c)	\$ —	\$ 614,152	\$ 614,152
Provisions	(d)	1,088,234	(19,042)	1,069,192
Deferred income tax liability		363,087	1,346	364,433
Other liabilities	(d)	7,832,506	(83,130)	7,749,376
Total liabilities		9,283,827	513,326	9,797,153
EQUITY				
Retained earnings		1,346,624	(25,495)	1,321,129
Other		2,309,241	—	2,309,241
Total equity		3,655,865	(25,495)	3,630,370
Total liabilities and equity		\$ 12,939,692	\$ 487,831	\$ 13,427,523

- Includes mainly net investments in subleases.
- Lease liabilities have been determined using incremental borrowing rates as at January 1, 2019 (weighted-average rate of 4.15%).
- The difference between the amount of lease liabilities and the \$840.4 million of future minimum lease payments under non-cancellable operating leases as at December 31, 2018 was mainly due to: (i) the discounting factors applied to the fixed lease payments; (ii) the exclusion of lease liabilities related to operating leases for which the Company had future committed payments but for which the leased space was not yet available as at January 1, 2019; and (iii) assumptions made on the probability of exercising early termination or renewal options.
- Includes mainly deferred lease incentives, deferred rent and provisions for onerous leases that were incorporated in the measurement of right-of-use assets and/or lease liabilities.

Procedures and controls

The Company has updated and implemented revised procedures and controls in order to meet the requirements of IFRS 16, notably the recording of the transition adjustment and the change in presentation to be reported in the Company's interim condensed consolidated financial statements for the nine-month period ended September 30, 2019, as well as additional disclosures to be provided in the Company's 2019 audited annual consolidated financial statements.

C) CHANGES IN ACCOUNTING POLICIES AND IN PRESENTATION

LEASES

Accounting for leases as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, and represents a period ranging from 1 to 30 years for office real estate leases and 1 to 8 years for other leased assets. In addition, the right-of-use asset is reduced by impairment losses resulting from impairment tests conducted in accordance with IAS 36, *Impairment of Assets*, if any, and adjusted for certain remeasurements of the lease liability.

2. BASIS OF PREPARATION (CONTINUED)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments used for the calculations comprise mainly fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured to reflect changes in the lease payments, such as upon a lease modification that is not accounted for as a separate lease.

A lease modification is considered a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. Any other modification is not accounted for as a separate lease.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the modification, at its effective date, as follows:

- (a) for a lease modification resulting in a decrease in the scope of the lease, such as a reduction in the term of a lease or in the space being leased, the lease liability is remeasured to reflect the revised lease payments and the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss. Furthermore, the difference between the reduction in the lease liability and the reduction in the corresponding right-of-use asset's carrying value is recognized in profit or loss.
- (b) for all other lease modifications, the lease liability is remeasured to reflect the revised lease payments, with a corresponding adjustment to the right-of-use asset.

The remeasurement of a lease liability upon a lease modification, or upon any change to the lease payments resulting from a change in the lease term or in the assessment of an option to purchase the underlying asset, is based on a revised discount rate reflecting the remainder of the lease term. The remeasurement of a lease liability to reflect revised lease payments due to a change in the amounts expected to be payable to the lessor under a residual value guarantee or to a change in an index or a rate used to determine those payments, other than a change in floating interest rates, is based on an unchanged discount rate.

Accounting for leases as a lessor

When acting as a lessor, the Company determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Company subleases one of its leases and concludes that it is a finance lease, it derecognizes the right-of-use asset relating to the head lease being sublet, recognizes a receivable equal to the net investment in the sublease and retains the previously recognized lease liability in its capacity as lessee. The Company then recognizes interest expense on its lease liability and interest income on the receivable in its capacity as finance lessor.

SEGMENT DISCLOSURES

Effective January 1, 2019, 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: i) the contribution attributable to non-controlling interests before income taxes, whereas in the past it excluded such contribution attributable to non-controlling interests before income taxes; and ii) an allocation to the segments of certain other corporate selling, general and administrative expenses. As such, these changes resulted in: i) a reclassification of the contribution attributable to non-controlling interests before income taxes in segment EBIT of \$0.9 million for the three-month period ended September 30, 2018 and of \$1.4 million for the nine-month period ended September 30, 2018; and ii) a reclassification of certain other corporate selling, general and administrative expenses in segment EBIT of \$6.0 million for the three-month period ended September 30, 2018 and of \$17.1 million for the nine-month period ended September 30, 2018. The Company believes that such inclusions improve the measure of profitability of its reportable segments by better reflecting the overall performance of its reportable segments.

2. BASIS OF PREPARATION (CONTINUED)

At the same time, given the Company's aim to continue to simplify and de-risk its business, SNC-Lavalin further simplified its market-facing structure. This simplification became effective January 1, 2019 and resulted in a change to the Company's reportable segments, which were: i) Engineering, Design and Project Management ("EDPM"); ii) Infrastructure; iii) Nuclear; iv) Resources; and v) Capital. The Company's new strategic direction adopted for the second quarter of 2019 resulted in the restructuring of its activities into two distinct business lines, SNCL Engineering Services and SNCL Projects. From a segmented information standpoint, this change resulted in the split of the Infrastructure segment into two segments, Infrastructure Services and Infrastructure EPC Projects, all other segments remaining the same. As such, the Company's reportable segments are now EDPM, Nuclear, Infrastructure Services and Capital, all part of SNCL Engineering Services, and Resources and Infrastructure EPC projects, which form SNCL Projects. See Note 3 for description of each of the segments.

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

D) CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

LEASES

Estimate of the lease term

When the Company recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise its extension or termination option, if any. It then uses the expected modified term under such option if it is reasonably certain that it will be exercised. As such, a change in the assumption used could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Assessment of whether a right-of-use asset is impaired

The Company assesses whether a right-of-use asset is impaired in accordance with IAS 36, *Impairment of assets*. Such assessment occurs particularly when it vacates an office space and it must determine the recoverability of the asset, to the extent that the Company can sublease the assets or surrender the lease and recover its costs. The Company examines its lease conditions as well as local market conditions and estimates its recoverability potential for each vacated premise. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect its future results if the Company succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

Determining the discount rate for leases

IFRS 16 requires the Company to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate ("IBR"). The Company generally used its IBR when recording leases initially, since the implicit rates are not readily available due to information not being available from the lessor regarding the fair value of underlying assets and direct costs incurred by the lessor related to the leased assets. The determination of the IBR requires the use of various assumptions which, if different than those being used, could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Determining if a contract modification increasing the scope of a lease is a separate lease or not

When a lease modification increasing the scope of a lease occurs, the Company needs to determine if such modification is to be accounted for as a separate lease or not. Such determination requires the use of judgment on the stand-alone selling price and any appropriate adjustments to the stand-alone selling price reflecting the circumstance of the particular contract.

E) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 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.

2. BASIS OF PREPARATION (CONTINUED)

- *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.
- Amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*, are designed to support the provision of useful financial information by entities during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (“IBORs”). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

3. SEGMENT DISCLOSURES

SNC-Lavalin’s reportable segments are i) **Engineering, Design and Project Management** (“EDPM”); ii) **Nuclear**; iii) **Infrastructure Services**; iv) **Capital**; v) **Resources**; and vi) **Infrastructure EPC Projects**.

The description of each of the segments is as follows:

EDPM incorporates all consultancy, engineering, design and project management services around the world, (including for the Canadian market, which was in the Infrastructure segment prior to January 1, 2019). It also acts as the focal point for how we develop our digital future and use data and technology to improve delivery of our clients projects from conception through to completion. EDPM projects are mainly in transportation, (including rail, mass transit, roads and airports), civil infrastructure, aerospace, defence and security & technology.

Nuclear supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, engineering, procurement and construction management (“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.

Infrastructure Services provides services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, district cooling, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity as well as the Linxon subsidiary. In addition, Infrastructure Services also includes Operations & Maintenance (“O&M”) projects.

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects and then to manage such investments. All investments are structured with the intention 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.

Resources provides a full suite of delivery services to the oil & gas and metals & mining sectors, covering the project lifecycle from project development through project delivery and support services. Resources have ceased the new contracting of projects under the lump-sum turnkey contracting model. Resources is now focused on providing engineering, EPCM, Project Management Consultancy (“PMC”), construction & commissioning and technical support services through a lower risk contracting model. The operational delivery is focused on key regions and global clients.

Infrastructure EPC Projects includes lump-sum turnkey construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the lump-sum turnkey construction projects related to the former Clean Power segment, as well as from Thermal power activities which the Company exited in 2018.

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the three-month periods ended September 30, 2019 and 2018:

THREE MONTHS ENDED SEPTEMBER 30			2019			2018 ⁽¹⁾		
	REVENUES	SEGMENT EBIT			REVENUES	SEGMENT EBIT		
		E&C	CAPITAL	TOTAL		E&C	CAPITAL	TOTAL
EDPM	\$ 969,844	\$ 102,599	\$ –	\$ 102,599	\$ 912,998	\$ 83,812	\$ –	\$ 83,812
Nuclear	213,416	39,548	–	39,548	217,512	35,524	–	35,524
Infrastructure Services	318,677	33,595	–	33,595	222,172	10,326	–	10,326
Capital	79,604	–	77,137	77,137	66,171	–	55,125	55,125
SNCL Engineering Services	1,581,541	175,742	77,137	252,879	1,418,853	129,662	55,125	184,787
Resources	561,971	(47,289)	–	(47,289)	844,141	49,564	–	49,564
Infrastructure EPC projects	288,651	2,318	–	2,318	299,996	5,931	–	5,931
SNCL Projects	850,622	(44,971)	–	(44,971)	1,144,137	55,495	–	55,495
	\$ 2,432,163				\$ 2,562,990			
Total segment EBIT		130,771	77,137	207,908		185,157	55,125	240,282
Corporate selling, general and administrative expenses		(12,758)	(7,090)	(19,848)		15,015	(6,601)	8,414
Impairment loss arising from expected credit losses		(295)	–	(295)		(657)	–	(657)
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		9,681	–	9,681		(4,822)	–	(4,822)
Restructuring costs		(18,255)	(1,025)	(19,280)		(1,952)	–	(1,952)
Acquisition-related costs and integration costs		758	–	758		(10,576)	–	(10,576)
Amortization of intangible assets related to business combinations		(41,707)	–	(41,707)		(45,390)	–	(45,390)
Gain on disposal of a Capital investment (Note 4A)		–	2,970,783	2,970,783		–	–	–
Gain (loss) from adjustment on disposals of E&C businesses		(4)	–	(4)		77	–	77
EBIT		68,191	3,039,805	3,107,996		136,852	48,524	185,376
Net financial expenses (Note 5)		37,553	4,555	42,108		39,755	4,266	44,021
Earnings before income taxes		30,638	3,035,250	3,065,888		97,097	44,258	141,355
Income taxes		(86,167)	395,446	309,279		20,281	100	20,381
Net income for the period	\$	116,805	\$ 2,639,804	\$ 2,756,609	\$	76,816	\$ 44,158	\$ 120,974
Net income (loss) attributable to:								
SNC-Lavalin shareholders	\$	116,910	\$ 2,639,804	\$ 2,756,714	\$	76,585	\$ 44,158	\$ 120,743
Non-controlling interests		(105)	–	(105)		231	–	231
Net income for the period	\$	116,805	\$ 2,639,804	\$ 2,756,609	\$	76,816	\$ 44,158	\$ 120,974

⁽¹⁾ Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and changes made to the Company's reporting structure (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the nine-month periods ended September 30, 2019 and 2018:

NINE MONTHS ENDED SEPTEMBER 30		2019			2018 ⁽¹⁾			
	REVENUES	SEGMENT EBIT			REVENUES	SEGMENT EBIT		
		E&C	CAPITAL	TOTAL		E&C	CAPITAL	TOTAL
EDPM	\$ 2,924,891	\$ 264,369	\$ –	\$ 264,369	\$ 2,705,612	\$ 256,020	\$ –	\$ 256,020
Nuclear	678,976	82,250	–	82,250	680,890	105,340	–	105,340
Infrastructure Services	839,833	53,261	–	53,261	632,304	33,604	–	33,604
Capital	226,527	–	211,725	211,725	187,567	–	162,369	162,369
SNCL Engineering Services	4,670,227	399,880	211,725	611,605	4,206,373	394,964	162,369	557,333
Resources	1,626,357	(290,303)	–	(290,303)	2,395,888	117,709	–	117,709
Infrastructure EPC projects	782,949	(129,858)	–	(129,858)	919,242	9,595	–	9,595
SNCL Projects	2,409,306	(420,161)	–	(420,161)	3,315,130	127,304	–	127,304
	\$ 7,079,533				\$ 7,521,503			
Total segment EBIT		(20,281)	211,725	191,444		522,268	162,369	684,637
Corporate selling, general and administrative expenses		(24,396)	(21,504)	(45,900)		(15,538)	(20,077)	(35,615)
Impairment loss arising from expected credit losses		(750)	–	(750)		(1,311)	–	(1,311)
Loss arising on financial assets (liabilities) at fair value through profit or loss		(11,840)	–	(11,840)		(3,939)	(485)	(4,424)
Net 2012 class action lawsuits settlement expense		–	–	–		(88,000)	–	(88,000)
Restructuring costs		(67,847)	(3,594)	(71,441)		(4,533)	–	(4,533)
Acquisition-related costs and integration costs		(8,264)	–	(8,264)		(34,067)	–	(34,067)
Amortization of intangible assets related to business combinations		(141,990)	–	(141,990)		(154,904)	–	(154,904)
Gain on disposals of Capital investments (Note 4A)		–	2,970,783	2,970,783		–	62,714	62,714
Loss from adjustment on disposals of E&C businesses		(178)	–	(178)		(235)	–	(235)
Impairment of intangible assets related to business combinations (Note 15)		(72,831)	–	(72,831)		–	–	–
Impairment of goodwill (Note 15)		(1,801,015)	–	(1,801,015)		–	–	–
EBIT		(2,149,392)	3,157,410	1,008,018		219,741	204,521	424,262
Net financial expenses (Note 5)		174,005	13,473	187,478		115,950	7,196	123,146
Earnings (loss) before income taxes		(2,323,397)	3,143,937	820,540		103,791	197,325	301,116
Income taxes		(187,664)	388,631	200,967		11,830	6,816	18,646
Net income (loss) for the period	\$ (2,135,733)	\$ 2,755,306	\$ 619,573		\$ 91,961	\$ 190,509	\$ 282,470	
Net income (loss) attributable to:								
SNC-Lavalin shareholders		\$ (2,134,217)	\$ 2,755,306	\$ 621,089		\$ 91,317	\$ 190,509	\$ 281,826
Non-controlling interests		(1,516)	–	(1,516)		644	–	644
Net income (loss) for the period	\$ (2,135,733)	\$ 2,755,306	\$ 619,573		\$ 91,961	\$ 190,509	\$ 282,470	

⁽¹⁾ Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and changes made to the Company's reporting structure (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below supplementary information such as its net income (loss) from E&C, its dividends from 407 International Inc. ("Highway 407 ETR"), and its net income from other Capital investments, as this information may be useful in assessing the Company's value.

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

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
Supplementary information:				
Net gain (loss) from adjustment on disposals of E&C businesses	\$ (4)	\$ 77	\$ (178)	\$ (235)
Net 2012 class action lawsuits settlement expense, after income taxes	—	—	—	(64,504)
Impairment of intangible assets related to business combinations (Note 15)	—	—	(60,135)	—
Impairment of goodwill (Note 15)	—	—	(1,720,889)	—
Excluding the items listed above	116,914	76,508	(353,015)	156,056
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	116,910	76,585	(2,134,217)	91,317
Net gain on disposals of Capital investments (Note 4A)	2,587,834	—	2,587,834	58,403
Highway 407 ETR dividends	41,935	39,266	125,805	115,170
Excluding the items listed above	10,035	4,892	41,667	16,936
Net income attributable to SNC-Lavalin shareholders from Capital	2,639,804	44,158	2,755,306	190,509
Net income attributable to SNC-Lavalin shareholders for the period	\$ 2,756,714	\$ 120,743	\$ 621,089	\$ 281,826

3. SEGMENT DISCLOSURES (CONTINUED)

REVENUES BY GEOGRAPHIC AREA

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

THREE MONTHS ENDED SEPTEMBER 30	2019			2018		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	\$ 669,357	\$ 57,021	\$ 726,378	\$ 671,014	\$ 56,582	\$ 727,596
United States	462,384	5,510	467,894	421,333	7,310	428,643
Latin America	37,117	—	37,117	130,113	—	130,113
Middle East and Africa:						
Saudi Arabia	240,837	—	240,837	229,697	—	229,697
Other Middle East countries	201,980	2,039	204,019	268,237	1,128	269,365
Africa	100,501	12,388	112,889	149,451	4,334	153,785
Asia Pacific:						
Australia	38,641	—	38,641	117,389	—	117,389
Other	96,398	12	96,410	53,605	7	53,612
Europe:						
United Kingdom	424,074	2,512	426,586	370,727	64	370,791
Other	81,199	193	81,392	81,999	—	81,999
	\$ 2,352,488	\$ 79,675	\$ 2,432,163	\$ 2,493,565	\$ 69,425	\$ 2,562,990

NINE MONTHS ENDED SEPTEMBER 30	2019			2018		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	\$ 1,895,361	\$ 181,454	\$ 2,076,815	\$ 1,962,594	\$ 163,380	\$ 2,125,974
United States	1,361,327	9,478	1,370,805	1,235,928	19,751	1,255,679
Latin America	144,412	—	144,412	318,279	—	318,279
Middle East and Africa:						
Saudi Arabia	659,053	—	659,053	723,560	—	723,560
Other Middle East countries	606,158	4,984	611,142	666,137	3,116	669,253
Africa	250,774	25,398	276,172	344,146	9,038	353,184
Asia Pacific:						
Australia	141,457	—	141,457	462,490	—	462,490
Other	224,257	24	224,281	169,438	25	169,463
Europe:						
United Kingdom	1,325,105	2,839	1,327,944	1,209,897	4,790	1,214,687
Other	247,259	193	247,452	228,934	—	228,934
	\$ 6,855,163	\$ 224,370	\$ 7,079,533	\$ 7,321,403	\$ 200,100	\$ 7,521,503

In the three-month and nine-month periods ended September 30, 2019 and 2018, Canada, the United States and the United Kingdom were the only countries where the Company derived more than 10% of its revenues.

3. SEGMENT DISCLOSURES (CONTINUED)

REVENUES BY TYPES OF CONTRACTS

The Company's revenues are derived primarily from three major types of contracts. The types of contracts presented are defined as follow:

Reimbursable and engineering service contracts: Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap. Engineering service contracts include: i) time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks; and ii) O&M contracts.

Standardized EPC contracts: Under standardized EPC contracts, the Company provides its unique, repetitive Engineering, Procurement and Construction ("EPC") offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary.

Lump-sum turnkey construction contracts: Under lump-sum turnkey construction 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.

3. SEGMENT DISCLOSURES (CONTINUED)

The following tables present revenues by type of contract:

THREE MONTHS ENDED SEPTEMBER 30					2018 ⁽¹⁾				
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	
EDPM	\$ 970,094	\$ –	\$ –	\$ 970,094	\$ 913,028	\$ –	\$ –	\$ 913,028	
Nuclear	203,889	–	1,708	205,597	209,965	–	1,157	211,122	
Infrastructure Services	179,234	139,443	–	318,677	147,344	74,640	–	221,984	
Revenue from contracts with customers -									
SNCL Engineering Services, excluding Capital	1,353,217	139,443	1,708	1,494,368	1,270,337	74,640	1,157	1,346,134	
Resources	386,875	–	172,382	559,257	540,093	–	302,618	842,711	
Infrastructure EPC projects	–	–	288,863	288,863	–	–	299,996	299,996	
Revenue from contracts with customers -									
SNCL Projects	386,875	–	461,245	848,120	540,093	–	602,614	1,142,707	
	\$ 1,740,092	\$ 139,443	\$ 462,953	\$ 2,342,488	\$ 1,810,430	\$ 74,640	\$ 603,771	\$ 2,488,841	
Revenue from E&C investments accounted for by the equity method				10,071				7,978	
Revenue from contracts with customers - Capital segment				10,000				4,724	
Other revenue - Capital segment				69,604				61,447	
				\$ 2,432,163				\$ 2,562,990	

NINE MONTHS ENDED SEPTEMBER 30					2018 ⁽¹⁾				
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	
EDPM	\$ 2,924,760	\$ –	\$ –	\$ 2,924,760	\$ 2,700,421	\$ –	\$ –	\$ 2,700,421	
Nuclear	645,018	–	23,085	668,103	657,615	–	6,014	663,629	
Infrastructure Services	504,881	334,952	–	839,833	516,986	115,130	–	632,116	
Revenue from contracts with customers -									
SNCL Engineering Services, excluding Capital	4,074,659	334,952	23,085	4,432,696	3,875,022	115,130	6,014	3,996,166	
Resources	1,071,951	–	548,085	1,620,036	1,543,976	–	848,579	2,392,555	
Infrastructure EPC projects	–	–	782,949	782,949	–	–	919,242	919,242	
Revenue from contracts with customers -									
SNCL Projects	1,071,951	–	1,331,034	2,402,985	1,543,976	–	1,767,821	3,311,797	
	\$ 5,146,610	\$ 334,952	\$ 1,354,119	\$ 6,835,681	\$ 5,418,998	\$ 115,130	\$ 1,773,835	\$ 7,307,963	
Revenue from E&C investments accounted for by the equity method				17,325				25,973	
Revenue from contracts with customers - Capital segment				19,482				13,440	
Other revenue - Capital segment				207,045				174,127	
				\$ 7,079,533				\$ 7,521,503	

⁽¹⁾ Comparative figures have been revised to reflect changes made to the Company's reporting structure (see Note 2C).

4. CAPITAL INVESTMENTS

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

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) are all accounted for under the financial asset model.

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

TRANSITNEXT GENERAL PARTNERSHIP

On March 29, 2019, SNC-Lavalin announced that its wholly-owned subsidiary, TransitNEXT General Partnership (“TransitNEXT”), signed an agreement with the City of Ottawa to design, build, finance and maintain the new Trillium Line extension, and to also assume responsibility for the long-term maintenance of the existing Trillium Line, under a 30-year contract.

Also, TransitNEXT entered into a credit facility agreement, which is non-recourse to SNC-Lavalin. The aggregate maximum principal amount of the credit facility is \$149.0 million. The credit facility bears interest at a rate of CDOR plus an applicable margin and is repayable the latest on February 10, 2024. The credit facility is secured by all assets of TransitNEXT.

Furthermore, in relation to the credit facility above, TransitNEXT entered into an interest rate swap agreement with financial institutions under which TransitNEXT pays interest at a fixed rate and receives interest at a rate of CDOR.

In addition, a wholly-owned entity indirectly holding TransitNEXT entered into a term loan facility agreement, which is non-recourse to SNC-Lavalin. The aggregate principal amount of the term loan facility is \$99.7 million and cannot be drawn until substantial completion of the Trillium project is achieved. The term loan facility bears interest at a rate of: i) 4.82% prior to August 10, 2026; and ii) CDOR plus an applicable margin from and after August 10, 2026. The maturity of the term loan facility is the earlier of: i) the date that is 4 years after the substantial completion date of the Trillium project; and ii) March 29, 2028. The term loan facility is secured by all assets of such entity indirectly holding TransitNEXT.

SNC-Lavalin’s investment in TransitNEXT is accounted for by the consolidation method.

407 INTERNATIONAL INC. (“HIGHWAY 407 ETR”)

On April 5, 2019, SNC-Lavalin announced that the Company entered into an agreement with Ontario Municipal Employees Retirement System (“OMERS”) to sell 10.01% of the shares of Highway 407 ETR (the “Subject Shares”), subject to shareholders’ rights, including rights of first refusal in favour of certain other shareholders of Highway 407 ETR.

On May 17, 2019, SNC-Lavalin announced, prior to the expiry of the relevant notice and acceptance period, that another shareholder of Highway 407 ETR exercised its right of first refusal to purchase all of the Subject Shares on the same terms and conditions as those set out in the transaction documents with OMERS. On the basis of the shareholder exercising such a right of first refusal and in accordance with the sale contract, SNC-Lavalin terminated the transaction with OMERS and became subject to the payment of a break fee once the sale is completed.

On August 15, 2019, SNC-Lavalin announced that it completed the sale of 10.01% of the shares of Highway 407 ETR to a company controlled by Canada Pension Plan Investment Board. Based on the terms of the agreement, SNC-Lavalin received on closing the base purchase price proceeds of \$3.0 billion, with up to an additional \$250 million contingently payable over a period of 10 years, conditional on the attainment of certain financial thresholds related to the ongoing performance of Highway 407 ETR. The Company was also entitled to receive additional consideration based on the dividend to be declared in October 2019, for which the fair value was determined at \$12.3 million.

After the completion of the sale, SNC-Lavalin paid a break fee of \$81.3 million to OMERS.

SNC-Lavalin’s remaining 6.76% ownership interest in Highway 407 ETR continues to be accounted for under the equity method of accounting.

4. CAPITAL INVESTMENTS (CONTINUED)

Net gain on partial disposal of Highway 407 ETR

AT AUGUST 15	2019
Consideration received in cash	\$ 3,000,000
Consideration receivable	12,256
Contingent consideration receivable ⁽¹⁾	56,143
Total consideration	3,068,399
Carrying amount of the investment sold	—
Disposition-related costs ⁽²⁾	(97,616)
Gain on partial disposal of Highway 407 ETR	2,970,783
Income taxes	(382,949)
Net gain on partial disposal of Highway 407 ETR	\$ 2,587,834

⁽¹⁾ Under the sale agreement, SNC-Lavalin is entitled to receive up to \$250 million over a period of 10 years, conditional on the attainment of certain financial thresholds related to the ongoing performance of Highway 407 ETR. The amount of \$56.1 million represents the preliminary estimated fair value of this receivable at the date of sale.

⁽²⁾ Disposition-related costs included a break fee of \$81.3 million related to the termination of the transaction with OMERS.

II) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

MCGILL HEALTHCARE INFRASTRUCTURE GROUP

On June 28, 2018, SNC-Lavalin announced that it has finalized the transfer of its investment in McGill Healthcare Infrastructure Group (“MHIG”) and its holding company to SNC-Lavalin Infrastructure Partners LP (the “SNCL IP Partnership”).

Net gain on disposal of MHIG

NINE MONTHS ENDED SEPTEMBER 30	2018
Consideration received in cash	\$ 92,214
Consideration received in equity instruments of the SNCL IP Partnership	23,054
Total consideration received	115,268
Net assets disposed of ⁽³⁾	(50,792)
Disposition-related costs	(1,762)
Gain on disposal of MHIG	62,714
Income taxes	(4,311)
Net gain on disposal of MHIG	\$ 58,403

⁽³⁾ Net assets disposed of mainly included a loan receivable of \$88.9 million, a Capital investment accounted for by the equity method of \$17.5 million, a deferred income tax liability of \$59.3 million and other current net assets of \$3.7 million.

B) NET BOOK VALUE OF CAPITAL INVESTMENTS

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

	SEPTEMBER 30 2019	DECEMBER 31 2018
Net assets (liabilities) from Capital investments accounted for by the consolidation method	\$ (13,206)	\$ 1,200
Net book value of Capital investments accounted for by the equity method ⁽⁴⁾	408,634	357,249
Net book value of Capital investments accounted for by the cost method	4,030	10,663
Total net book value of Capital investments	\$ 399,458	\$ 369,112

⁽⁴⁾ Includes the Company’s investment in Highway 407 ETR, for which the net book value was \$nil as at September 30, 2019 and December 31, 2018.

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, subject to certain conditions. Such commitment to invest amounted to US\$91.6 million (approximately CA\$121.7 million) as at September 30, 2019 (December 31, 2018: US\$92.5 million [approximately CA\$126.0 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

5. NET FINANCIAL EXPENSES

THREE MONTHS ENDED SEPTEMBER 30			2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL		
Interest on debt:								
Recourse	\$ 20,710	\$ —	\$ 20,710	\$ 20,883	\$ —	\$ 20,883		
Limited recourse	8,753	—	8,753	18,234	—	18,234		
Non-recourse	1,421	4,834	6,255	700	4,003	4,703		
Interest on lease liability	5,537	38	5,575	—	—	—		
Other	1,218	—	1,218	1,026	(8)	1,018		
Financial expenses	37,639	4,872	42,511	40,843	3,995	44,838		
Financial income	(2,867)	(89)	(2,956)	(2,068)	(17)	(2,085)		
Net foreign exchange losses (gains)	2,781	(228)	2,553	980	288	1,268		
Financial income and net foreign exchange losses (gains)	(86)	(317)	(403)	(1,088)	271	(817)		
Net financial expenses	\$ 37,553	\$ 4,555	\$ 42,108	\$ 39,755	\$ 4,266	\$ 44,021		

NINE MONTHS ENDED SEPTEMBER 30			2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL		
Interest on debt:								
Recourse	\$ 74,656	\$ —	\$ 74,656	\$ 55,267	\$ —	\$ 55,267		
Limited recourse	40,114	—	40,114	66,346	—	66,346		
Non-recourse	4,427	13,707	18,134	700	11,684	12,384		
Interest on lease liabilities	16,922	115	17,037	—	—	—		
Other ⁽¹⁾	47,422	—	47,422	(1,830)	—	(1,830)		
Financial expenses	183,541	13,822	197,363	120,483	11,684	132,167		
Financial income	(6,407)	(129)	(6,536)	(6,293)	(4,422)	(10,715)		
Net foreign exchange losses (gains)	(3,129)	(220)	(3,349)	1,760	(66)	1,694		
Financial income and net foreign exchange losses (gains)	(9,536)	(349)	(9,885)	(4,533)	(4,488)	(9,021)		
Net financial expenses	\$ 174,005	\$ 13,473	\$ 187,478	\$ 115,950	\$ 7,196	\$ 123,146		

⁽¹⁾ In the nine-month period ended September 30, 2019, “Other” included \$33.8 million of loss related to the amendments of the CDPQ Loan (see Note 8A) and \$3.7 million related to other E&C financing arrangements in connection with the agreement to sell 10.01% of the shares of Highway 407 ETR.

6. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the third quarters and nine-month periods ended September 30, 2019 and 2018 used to calculate the basic and diluted earnings (loss) per share were as follows:

(IN THOUSANDS)	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
Weighted average number of outstanding shares - basic	175,554	175,554	175,554	175,537
Dilutive effect of stock options	—	65	—	73
Weighted average number of outstanding shares - diluted	175,554	175,619	175,554	175,610

No dilutive effect of stock options has been calculated in the third quarter of 2019 as no stock options were outstanding during that period. In the nine-month period ended September 30, 2019, 260,866 outstanding stock options have not been included in the computation of diluted loss per share because they were anti-dilutive. In the third quarter and nine-month period ended September 30, 2018, all outstanding stock options have been included in the computation of diluted earnings per share.

7. DIVIDENDS

During the nine-month period ended September 30, 2019, the Company recognized as distributions to its equity shareholders dividends of \$38.6 million or \$0.22 per share (2018: \$151.1 million or \$0.861 per share).

NINE MONTHS ENDED SEPTEMBER 30	2019	2018
Dividends payable at January 1	\$ –	\$ –
Dividends declared during the period	38,622	151,137
Dividends paid during the period	(38,622)	(151,137)
Dividends payable at September 30	\$ –	\$ –

8. SHORT-TERM DEBT AND LONG-TERM DEBT

A) AMENDMENTS TO THE CDPQ LOAN AND TO THE CREDIT AGREEMENT

In the first quarter of 2019, the Company and its lenders amended the Credit Agreement to modify the calculation of a covenant and to provide that such covenant be temporarily increased.

In the second quarter of 2019, the Company and CDPQ renegotiated certain terms of the CDPQ Loan, which included, among others, the following amendments:

- modification of the covenant to align it with the Credit Agreement and delay the application of such covenant from March 31, 2019 to June 30, 2019;
- following the then expected disposal of 10.01% of the shares of Highway 407 ETR (see note 4A), the Company committed to repay an amount of \$600 million out of \$1,000 million outstanding under the tranche A of the CDPQ Loan; and
- decrease of the margin applicable to the base rate and payment by the Company of fees of \$15 million.

The amendments were accounted for as an extinguishment of financial liability with the issuance of a new financial liability, giving rise to a loss of \$33.8 million recognized in “Net financial expenses” (see Note 5), which includes the \$15 million cash outflow corresponding to the fees disclosed above and the amount of \$18.8 million representing the unamortized balance of deferred financing costs of the CDPQ Loan on the date of its amendment.

Furthermore, the Company amended its Credit Agreement modifying the calculation of the net recourse debt to earnings before interest, taxes, depreciation and amortization ratio to a pro-forma basis to include the sale of 10.01% of the shares of Highway 407 ETR for the second quarter of 2019. The same amendment was made to the CDPQ Loan agreement for the second quarter of 2019.

The terms “net recourse debt to earnings before interest, taxes, depreciation and amortization ratio” are defined in the Credit Agreement and in the CDPQ Loan agreement and do not correspond to the specific terms used in the Management’s Discussion and Analysis for the nine-month period ended September 30, 2019.

In the third quarter of 2019, the Company and its lenders amended the Credit Agreement to extend the temporary increase in the covenant described above from June 30, 2019 to December 31, 2019. The same amendment was made to the CDPQ Loan agreement.

B) UNSECURED BRIDGE FACILITY

In July 2019, SNC-Lavalin and a group of financial institutions entered into a new credit agreement, which made available to SNC-Lavalin an unsecured non-revolving bridge term facility (the “Bridge Facility”) in the principal amount of \$300 million and having a maturity of 1 year. The Bridge Facility was repayable in full upon receipt by SNC-Lavalin of the proceeds from the sale of its 10.01% interest in Highway 407 ETR. Borrowings under the Bridge Facility were available by way of prime rate loans or acceptances. In the three-month period ended September 30, 2019, SNC-Lavalin borrowed and repaid \$300 million under the Bridge Facility.

9. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at September 30, 2019 and December 31, 2018:

	SEPTEMBER 30 2019	DECEMBER 31 2018
Exchange differences on translating foreign operations	\$ 225,951	\$ 505,297
Cash flow hedges	(22,203)	(7,989)
Share of other comprehensive income of investments accounted for by the equity method	45	1,891
Other components of equity	\$ 203,793	\$ 499,199

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

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

A) ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

The following table provides a reconciliation of each element of other components of equity for the third quarters and the nine-month periods ended September 30, 2019 and 2018:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$ 283,892	\$ 290,066	\$ 505,297	\$ 266,497
Transitional adjustment on adoption of a new accounting standard	—	—	—	14,322
Current period losses	(60,345)	(202,534)	(285,796)	(167,100)
Net investment hedge - current period gains (losses)	2,404	12,852	6,450	(13,335)
Balance at end of period	225,951	100,384	225,951	100,384
Available-for-sale financial assets:				
Balance at beginning of period	—	—	—	8,874
Transitional adjustment on adoption of a new accounting standard	—	—	—	(8,874)
Balance at end of period	—	—	—	—
Cash flow hedges:				
Balance at beginning of period	(14,512)	(7,341)	(7,989)	(566)
Current period losses	(2,160)	(1,499)	(10,052)	(9,134)
Income tax relating to current period losses	2,178	(1,430)	680	1,445
Reclassification to net income	(7,163)	(208)	(2,210)	(1,821)
Income taxes relating to amounts reclassified to net income	(546)	690	(2,632)	288
Balance at end of period	(22,203)	(9,788)	(22,203)	(9,788)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	(29)	3,096	1,891	3,169
Current period share	101	771	(2,510)	507
Income taxes relating to current period share	(27)	(204)	664	(134)
Reclassification to net income	—	—	—	165
Income taxes relating to amounts reclassified to net income	—	—	—	(44)
Balance at end of period	45	3,663	45	3,663
Other components of equity	\$ 203,793	\$ 94,259	\$ 203,793	\$ 94,259

B) ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

Remeasurement recognized in other comprehensive income

The following tables provide changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the third quarters and the nine-month periods ended September 30, 2019 and 2018:

THREE MONTHS ENDED SEPTEMBER 30		2019			2018		
		BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (254,880)	\$ 42,897	\$ (211,983)	\$ 13,581	\$ (2,948)	\$ 10,633	
Gains (losses) recognized during the period	88,553	(15,425)	73,128	35,080	(5,817)	29,263	
Cumulative amount at end of period	\$ (166,327)	\$ 27,472	\$ (138,855)	\$ 48,661	\$ (8,765)	\$ 39,896	

NINE MONTHS ENDED SEPTEMBER 30		2019			2018		
		BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (110,108)	\$ 18,606	\$ (91,502)	\$ (52,176)	\$ 8,278	\$ (43,898)	
Gains (losses) recognized during the period	(56,219)	8,866	(47,353)	100,837	(17,043)	83,794	
Cumulative amount at end of period	\$ (166,327)	\$ 27,472	\$ (138,855)	\$ 48,661	\$ (8,765)	\$ 39,896	

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

Financial assets at fair value through other comprehensive income

THREE MONTHS ENDED SEPTEMBER 30	2019			2018		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ 54	\$ 61	\$ 115	\$ (189)	\$ 25	\$ (164)
Gains (losses) recognized during the period	(2,412)	3	(2,409)	210	27	237
Cumulative amount at end of period	\$ (2,358)	\$ 64	\$ (2,294)	\$ 21	\$ 52	\$ 73

NINE MONTHS ENDED SEPTEMBER 30	2019			2018		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (1)	\$ 49	\$ 48	\$ —	\$ —	\$ —
Gains (losses) recognized during the period	(2,357)	15	(2,342)	21	52	73
Cumulative amount at end of period	\$ (2,358)	\$ 64	\$ (2,294)	\$ 21	\$ 52	\$ 73

10. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
Depreciation of property and equipment and amortization of intangible assets	\$ 71,302	\$ 74,113	\$ 231,392	\$ 236,948
Depreciation of right-of-use assets	27,956	—	80,383	—
Income taxes recognized in net income	309,279	20,381	200,967	18,646
Net financial expenses recognized in net income (Note 5)	42,108	44,021	187,478	123,146
Share-based expense	4,655	751	21,583	25,086
Income from Capital investments accounted for by the equity method	(64,814)	(52,552)	(187,404)	(150,350)
Dividends and distributions received from Capital investments accounted for by the equity method	41,757	39,467	128,688	120,129
Income from E&C investments accounted for by the equity method ⁽¹⁾	(10,071)	(7,978)	(17,325)	(25,973)
Dividends and distributions received from E&C investments accounted for by the equity method ⁽¹⁾	3,273	1,211	15,136	7,681
Net change in provisions related to forecasted losses on certain contracts	(15,153)	3,947	(69,930)	(40,916)
Gain on disposals of Capital investments (Note 4A)	(2,970,783)	—	(2,970,783)	(62,714)
Restructuring costs recognized in net income	19,280	1,952	71,441	4,533
Restructuring costs paid	(2,517)	(6,076)	(42,131)	(18,658)
Loss (gain) from adjustment on disposals of E&C businesses	4	(77)	178	235
Net 2012 class action lawsuits settlement	—	(1,200)	—	86,800
Impairment of intangible assets related to business combinations (Note 15)	—	—	72,831	—
Impairment of goodwill (Note 15)	—	—	1,801,015	—
Other ⁽¹⁾	4,129	1,944	(27,945)	(33,795)
Other reconciling items	\$ (2,539,595)	\$ 119,904	\$ (504,426)	\$ 290,798

⁽¹⁾ In 2018, "Income from E&C investments accounted for by the equity method" and "Dividends and distributions received from E&C investments accounted for by the equity method" were included in "Other" in "Other reconciling items".

10. STATEMENTS OF CASH FLOWS (CONTINUED)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
Decrease (increase) in trade receivables	\$ 10,271	\$ (14,238)	\$ 12,562	\$ 79,362
Increase in contract assets	(116,466)	(324,710)	(275,794)	(600,047)
Decrease (increase) in inventories	4,135	14,010	(39,897)	11,659
Increase in other current financial assets	(41,161)	(7,383)	(85,093)	(16,963)
Decrease (increase) in other current non-financial assets	6,931	16,290	2,730	(17,225)
Increase (decrease) in trade payables	(68,937)	11,227	(80,659)	(47,877)
Increase (decrease) in contract liabilities	4,786	135,641	(52,977)	89,795
Increase (decrease) in other current financial liabilities	(619)	(2,248)	11,504	(14,855)
Decrease in other current non-financial liabilities	(1,204)	(17,385)	(86,372)	(112,214)
Net change in non-cash working capital items	\$ (202,264)	\$ (188,796)	\$ (593,996)	\$ (628,365)

C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the nine-month period ended September 30, 2019:

	Recourse debt ⁽¹⁾	Limited recourse debt	Non-recourse debt ⁽²⁾	Lease liabilities ⁽³⁾	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities ⁽⁴⁾	Other non-current non-financial liabilities ⁽⁴⁾
Balance at January 1, 2019	\$ 2,288,020	\$ 980,303	\$ 399,705	\$ –	\$ –	\$ 53,505	\$ 61,508
Transitional adjustments on adoption of a new accounting standard (Note 2B)	–	–	–	614,152	–	(2,929)	(60,044)
Adjusted balance at January 1, 2019	2,288,020	980,303	399,705	614,152	–	50,576	1,464
Changes arising from cash flows:							
Increase	1,829,988	–	94,987	–	–	157	5,345
Repayment	(2,952,302)	(600,000)	(6,061)	(86,949)	(38,622)	(2,954)	(6,501)
Total - changes arising from cash flows	(1,122,314)	(600,000)	88,926	(86,949)	(38,622)	(2,797)	(1,156)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	–	–	–	–	38,622	–	–
Effect of foreign currency exchange differences	(3,316)	–	(1,772)	(10,008)	–	(970)	97
Amortization of deferred financing costs and discounts	4,010	19,697	2,064	–	–	–	–
Loss on derivatives used for hedges	–	–	–	–	–	(6,348)	–
Change in fair value of contingent consideration related to the Linxon transaction	–	–	–	–	–	(3,118)	–
Reclassification of deferred financing costs to “Other current non-financial assets” and “Other non-current non-financial assets” upon repayment of Revolving Facility	5,952	–	–	–	–	–	–
Net increase in lease liabilities	–	–	–	100,056	–	–	–
Balance at September 30, 2019	\$ 1,172,352	\$ 400,000	\$ 488,923	\$ 617,251	\$ –	\$ 37,343	\$ 405

(1), (2), (3), (4) See Notes 1, 2, 3 and 4 on the following page

10. STATEMENTS OF CASH FLOWS (CONTINUED)

CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT, LIMITED RECOURSE DEBT AND NON-RECOURSE DEBT

NINE MONTHS ENDED SEPTEMBER 30

2019

	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 1,529,988	(1,942,052)	\$ –
Bridge Facility (Note 8B)	300,000	(300,000)	(1,060)
Series 2 Debentures	–	(150,000)	–
Series 5 Debentures	–	(150,000)	–
2019 Debentures	–	(350,000)	–
Bank overdraft	–	(59,190)	–
Total – Recourse debt	1,829,988	(2,951,242)	(1,060)
Limited recourse debt:			
CDPQ Loan (Note 8A)	–	(600,000)	–
Total – Limited recourse debt	–	(600,000)	–
Non-recourse debt:			
Credit facility – InPower BC General Partnership	14,895	–	–
Senior Bonds – InPower BC General Partnership	–	(1,350)	–
Credit facility – TransitNEXT General Partnership (Note 4A)	73,480	–	(998)
Senior Secured Notes of an E&C investment	6,612	(3,713)	–
Total – Non-recourse debt	94,987	(5,063)	(998)
Total	\$ 1,924,975	\$ (3,556,305)	\$ (2,058)

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

	SEPTEMBER 30 2019	JANUARY 1 2019
Recourse short-term debt	\$ –	\$ 1,116,587
Recourse long-term debt	1,172,352	1,171,433
Total	\$ 1,172,352	\$ 2,288,020

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

	SEPTEMBER 30 2019	JANUARY 1 2019
Non-recourse short-term debt	93,257	60,168
Non-recourse long-term debt	395,666	339,537
Total	\$ 488,923	\$ 399,705

- (3) Lease liabilities were presented in the Company's consolidated statements of financial position as follows:

	SEPTEMBER 30 2019	JANUARY 1 2019
Current portion of lease liabilities	\$ 104,767	\$ –
Non-current portion of lease liabilities	512,484	–
Total	\$ 617,251	\$ –

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

	2019
Other non-current financial liabilities	\$ (2,797)
Other non-current non-financial liabilities	(1,156)
Other	(436)
Total	\$ (4,389)

10. STATEMENTS OF CASH FLOWS (CONTINUED)

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the nine-month period ended September 30, 2018:

	Recourse debt ⁽¹⁾	Limited recourse debt	Non-recourse debt ⁽²⁾	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities ⁽³⁾	Other non-current non-financial liabilities ⁽³⁾
Balance at January 1, 2018	\$ 1,345,539	\$ 1,475,177	\$ 312,964	\$ —	\$ 15,425	\$ 53,367
Changes arising from cash flows:						
Increase	2,166,274	—	92,029	—	6,445	11,279
Repayment	(1,331,491)	(500,000)	(7,243)	(151,137)	(1,886)	(11,700)
Total - changes arising from cash flows	834,783	(500,000)	84,786	(151,137)	4,559	(421)
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	151,137	—	—
Effect of foreign currency exchange differences	37,809	—	(248)	—	(142)	55
Amortization of deferred financing costs and discounts	4,736	4,251	730	—	—	—
Loss on derivatives used for hedges	—	—	—	—	6,241	—
Measurement of a loan from a non-controlling interest at its initial fair value	—	—	(5,155)	—	—	—
Contingent consideration related to the Linxon transaction	—	—	—	—	16,470	—
Balance at September 30, 2018	\$ 2,222,867	\$ 979,428	\$ 393,077	\$ —	\$ 42,553	\$ 53,001

(1), (2), (3) See Notes 1, 2 and 3 on the following page

CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT, LIMITED RECOURSE DEBT AND NON-RECOURSE DEBT

NINE MONTHS ENDED SEPTEMBER 30

2018

	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 965,981	\$ (929,663)	\$ (1,585)
Term Facility	—	(397,553)	—
Term Loan	500,000	—	(1,375)
2020 Debentures	—	—	(357)
Series 2, 3 and 4 Debentures	523,713	—	(800)
Series 5 Debentures	149,850	—	(158)
Bank overdraft	26,730	—	—
Total – Recourse debt	2,166,274	(1,327,216)	(4,275)
Limited recourse debt:			
CDPQ Loan	—	(500,000)	—
Total – Limited recourse debt	—	(500,000)	—
Non-recourse debt:			
Credit facility – InPower BC General Partnership	39,034	—	—
Senior Secured Notes of an E&C investment	40,850	—	—
Unsecured loan from Linxon	12,145	—	—
Other	—	(7,243)	—
Total – Non-recourse debt	92,029	(7,243)	—
Total	\$ 2,258,303	\$ (1,834,459)	\$ (4,275)

10. STATEMENTS OF CASH FLOWS (CONTINUED)

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

	SEPTEMBER 30 2018	JANUARY 1 2018
Recourse short-term debt	\$ 1,051,725	\$ 318,757
Recourse long-term debt	1,171,142	1,026,782
Total	\$ 2,222,867	\$ 1,345,539

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

	SEPTEMBER 30 2018	JANUARY 1 2018
Non-recourse short-term debt	56,213	15,566
Non-recourse long-term debt	336,864	297,398
Total	\$ 393,077	\$ 312,964

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

NINE MONTHS ENDED SEPTEMBER 30	2018
Other non-current financial liabilities	\$ 4,559
Other non-current non-financial liabilities	(421)
Other	136
Total	\$ 4,274

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 third quarters and nine-month periods ended September 30, 2019 and 2018, SNC-Lavalin recognized the following transactions with its related parties:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
E&C revenue from contracts with investments accounted for by the equity method	\$ 193,937	\$ 283,589	\$ 530,173	\$ 835,196
Income from Capital investments accounted for by the equity method	64,814	52,552	187,404	150,350
Dividends and distributions received from Capital investments accounted for by the equity method	41,757	39,467	128,688	120,129
Income from E&C investments accounted for by the equity method	10,071	7,978	17,325	25,973
Dividends and distributions received from E&C investments accounted for by the equity method	\$ 3,273	\$ 1,211	\$ 15,136	\$ 7,681

As at September 30, 2019 and December 31, 2018, SNC-Lavalin has the following balances with its related parties:

	SEPTEMBER 30 2019	DECEMBER 31 2018
Trade receivables from investments accounted for by the equity method	\$ 157,522	\$ 117,359
Other current financial assets receivable from investments accounted for by the equity method	100,154	131,694
Remaining commitment to invest in Capital investments accounted for by the equity method	\$ 68,050	\$ 108,312

In the second quarter of 2018, SNC-Lavalin transferred its investment in MHIG and its holding company to an investment accounted for by the equity method, namely SNCL IP LP, which resulted in a gain on disposal of \$62.7 million before income taxes (\$58.4 million after income taxes) (see Note 4A).

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

12. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at September 30, 2019 and December 31, 2018 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30

2019

	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY							
	FVTPL ⁽¹⁾	FVTOCI ⁽²⁾	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL		FAIR VALUE	
Cash and cash equivalents	\$ 938,911	\$ —	\$ —	\$ —	\$ 938,911	\$	938,911	
Restricted cash	15,139	—	—	—	15,139		15,139	
Trade receivables	—	—	1,512,656	—	1,512,656		1,512,656	
Other current financial assets	18,030	—	296,476	12,917	327,423		331,230	
Capital investments accounted for by the cost method	—	4,030	—	—	4,030		4,030	
Non-current portion of receivables under service concession arrangements ⁽³⁾	—	—	369,085	—	369,085		407,835	
Other non-current financial assets ⁽³⁾	56,143	307	51,849	5,538	113,837		113,837	
Total	\$ 1,028,223	\$ 4,337	\$ 2,230,066	\$ 18,455	\$ 3,281,081	\$	3,323,638	

AT DECEMBER 31

2018

	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY									
	FVTPL ⁽¹⁾		FVTOCI ⁽²⁾		AMORTIZED		DERIVATIVES		TOTAL	FAIR VALUE
					COST	USED FOR HEDGES				
Cash and cash equivalents	\$	634,084	\$	—	\$	—	\$	—	\$	634,084
Restricted cash		12,722		—		—		—		12,722
Trade receivables		—		—		1,503,824		—		1,503,824
Other current financial assets		11,574		—		195,765		39,952		247,291
Capital investments accounted for by the cost method		—		10,663		—		—		10,663
Non-current portion of receivables under service concession arrangements ⁽³⁾		—		—		327,299		—		327,299
Other non-current financial assets ⁽³⁾		—		657		23,385		5,981		30,023
Total	\$	658,380	\$	11,320	\$	2,050,273	\$	45,933	\$	2,765,906
										\$ 2,781,334

⁽¹⁾ Fair value through profit or loss ("FVTPL")

⁽²⁾ Fair value through other comprehensive income ("FVTOCI")

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

12. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at September 30, 2019 and December 31, 2018 by category and classification, with the corresponding fair value, when available:

AT SEPTEMBER 30	2019						
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY						
	DERIVATIVES USED FOR HEDGES		FVTPL ⁽¹⁾	AMORTIZED COST		TOTAL	FAIR VALUE
Trade payables	\$	—	\$	—	\$	2,285,181	\$ 2,285,181
Other current financial liabilities		33,949		—		207,523	241,472
Provisions		—		—		116,775	116,775
Lease liabilities ⁽²⁾		—		—		617,251	N/A
Short-term debt and long-term debt ⁽³⁾		—		—		2,061,275	2,061,275
Other non-current financial liabilities		9,246		14,345		13,752	37,343
Total	\$	43,195	\$	14,345	\$	5,301,757	\$ 5,359,297
							\$ 4,770,822

AT DECEMBER 31	2018					
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY					
	DERIVATIVES USED FOR HEDGES	FVTPL ⁽¹⁾	AMORTIZED COST	TOTAL	FAIR VALUE	
Trade payables	\$ —	\$ —	\$ 2,352,944	\$ 2,352,944	\$ 2,352,944	
Other current financial liabilities	60,254	—	238,447	298,701	298,701	
Provisions	—	—	98,502	98,502	98,502	
Short-term debt and long-term debt ⁽³⁾	—	—	3,668,028	3,668,028	3,686,562	
Other non-current financial liabilities	15,594	17,889	20,022	53,505	53,505	
Total	\$ 75,848	\$ 17,889	\$ 6,377,943	\$ 6,471,680	\$ 6,490,214	

⁽¹⁾ Fair value through profit or loss ("FVTPL")

⁽²⁾ N/A: not applicable

⁽³⁾ The fair value of short-term debt and long-term debt was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the Capital investments, depending on which entity has issued the debt instrument, for debt with the similar terms and conditions.

For the nine-month periods ended September 30, 2019 and 2018, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

13. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

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

13. CONTINGENT LIABILITIES (CONTINUED)

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. On March 8, 2019, judgement of the court was rendered in favor of the Director of the PPSC’s motion to strike out the Company’s application. On April 4, 2019, the Company filed to appeal the Federal Court’s decision.

The preliminary inquiry into the Charges against the Company began in the Court of Quebec from October 29, 2018 to April 1, 2019. The judgement of the court in respect of the preliminary inquiry was delivered on May 29, 2019; it determined that there is sufficient evidence to set the matter down for a full trial. The trial on the Charges has yet to be scheduled but may commence in 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 any 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 the persistent negative publicity associated therewith, have an adverse effect on the Company’s share valuation, business, results of operations, reputation and staff morale and retention, 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 or by certain administrative organizations under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue from government and government-related contracts. Further, private sector bid processes also in some instances assess whether the bidder, or an affiliate thereof, has ever been criminally convicted and/or debarred by a governmental agency. In such instances, if a member of the Company’s group must answer affirmatively to a query as to past convictions and/or debarment, such answer may affect that entity’s ability to be considered for the private sector project. As a result, suspension, prohibition or debarment, whether discretionary or mandatory, from participating in certain government and government-related contracts (in Canada, Canadian provinces or elsewhere) could have a material adverse effect on the Company’s business, financial condition and liquidity and the market prices of the Company’s publicly traded securities.

13. CONTINGENT LIABILITIES (CONTINUED)

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.

13. CONTINGENT LIABILITIES (CONTINUED)

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

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 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.

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.

13. CONTINGENT LIABILITIES (CONTINUED)

B) CLASS ACTION LAWSUITS

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 “Quebec 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 Quebec 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 related to its revenue forecasts and to the financial performance of 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 Quebec 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.

On February 25, 2019, a Notice of Action was issued with the Ontario Superior Court of Justice, on behalf of persons who acquired SNC-Lavalin securities from September 4, 2018 to October 10, 2018. On March 25, 2019, a Statement of Claim was filed with the Ontario Superior Court of Justice with respect to the claims set out in the Notice of Action (together, the Notice of Action and the Statement of Claim are the “Ontario Class Action”).

The Ontario Class Action alleges that the defendants, including the Company, its Chairman and certain of its officers, failed to make timely disclosure of a material change in the business, operations or capital of SNC-Lavalin, by failing to disclose that on September 4, 2018, the Director of the PPSC communicated her decision to SNC-Lavalin not to award an opportunity to negotiate a remediation agreement.

The Ontario Class Action seeks leave from the Superior Court to bring a statutory misrepresentation claim under Ontario’s Securities Act and the comparable acts in other provinces. The proposed action claims damages in the sum of \$75 million or such other amount as the Superior Court may determine plus interest and costs.

On June 5, 2019, a Statement of Claim was filed with the Ontario Superior Court of Justice (the “Second Ontario Class Action”), on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through May 2, 2019 (the “Second Ontario Class Period”).

The Second Ontario Class Action claim alleges that disclosures by SNC-Lavalin during the Second Ontario Class Period contained misrepresentations related to: (i) its IFRS 15 reporting systems and controls compliance; (ii) its revenue recognition in respect of the Mining & Metallurgy segment being non-compliant with IFRS 15; (iii) revenue on the Company’s Codelco project in Chile being overstated in 2018 due to non-compliance with IFRS 15; (iv) the failure of the Company’s disclosure controls and procedures and its internal controls over financial reporting which lead to a \$350 million write-down on the Codelco project; (v) when IFRS was applied to the Mining & Metallurgy segment results in 2019, this lead to the Company disbanding its Mining & Metallurgy segment; and (vi) that the Company’s financial statements during the Second Ontario Class Period were materially non-compliant with IFRS.

The Second Ontario Class Action seeks leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under Ontario’s Securities Act. The proposed action claims damages and seeks the condemnation of the Defendants to pay the class members \$1.2 billion dollars or such other compensatory damages as the court may award, 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.

On September 13, 2019, counsel to the plaintiffs in the Quebec Class Action Motion brought a motion to stay the Second Ontario Class Action as duplicative of the Quebec Class Action Motion. Counsel for the Company filed a companion motion in support of this motion on October 1, 2019. These companion motions will be heard together on November 8, 2019.

13. CONTINGENT LIABILITIES (CONTINUED)

On October 15, 2019, the plaintiffs in the Second Ontario Class Action delivered a proposed Amended Statement of Claim that contemplates expanding the claim to include SNC-Lavalin's July 22, 2019 and August 1, 2019 press releases and increasing the claim for damages from \$1.2 billion to \$1.8 billion. On the same day, the plaintiffs in the Quebec Class Action Motion delivered an amended "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 amendments extend the class period for the Quebec Class Action Motion to July 22, 2019 and broaden the scope of the claim from the Codelco project to the Company's general execution of fixed price contracts for engineering services, materials, equipment or construction ("EPC Fixed Price Contracts").

SNC-Lavalin believes the claims outlined in the Quebec Class Action Motion and the Ontario and Second Ontario Class Actions are completely without merit and intends to defend them vigorously. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Quebec Class Action Motion or the Ontario and Second Ontario Actions, 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 claims. 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 these proceedings. If the Company is required or determines to pay an amount in connection with the Quebec Class Action Motion or the Ontario and Second Ontario Class Actions, such amount could have a material adverse impact on SNC-Lavalin's liquidity and financial results.

C) OTHER

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

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

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

Legal proceedings

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

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

13. CONTINGENT LIABILITIES (CONTINUED)

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

WS Atkins & Partners Overseas, a subsidiary of the Company, has been named as respondent together with other parties by the subrogated insurers of a former customer in a civil case initiated before the courts of Dubai. The claimant is seeking damages jointly from the respondents 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, testing and installation of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building.

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.

14. BUSINESS COMBINATION

LINXON PVT LTD

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

The acquisition of Linxon by SNC-Lavalin has been accounted for using the acquisition method and Linxon has been consolidated from the effective date of acquisition, which is September 1, 2018, with a non-controlling interest of 49%.

In the third quarter of 2019, the Company modified its preliminary allocation of purchase price and has retrospectively revised the impact of changes to the preliminary allocation of purchase price. However, since the effect on the net income was not material to the periods subsequent to acquisition date, the cumulative adjustment to earnings was accounted for in the three-month period ended September 30, 2019.

FAIR VALUE OF NET IDENTIFIABLE LIABILITIES OF BUSINESS ACQUIRED

AT SEPTEMBER 1, 2018	PRELIMINARY ALLOCATION	ADJUSTMENTS	FINAL ALLOCATION
Cash	\$ 8,314	\$ —	\$ 8,314
Trade receivables	9,398	—	9,398
Contract assets	14,208	—	14,208
Other current and non-current assets	9,919	5,216	15,135
Intangible assets related to Linxon acquisition ⁽¹⁾	—	14,138	14,138
Trade payables	(30,403)	—	(30,403)
Contract liabilities	(9,806)	—	(9,806)
Other current and non-current liabilities	(5,793)	(31,229)	(37,022)
Fair value of net identifiable liabilities of business acquired	\$ (4,163)	\$ (11,875)	\$ (16,038)

⁽¹⁾ Intangible assets with finite useful life related to Linxon acquisition are revenue backlog, which is amortized using the straight-line method over the period from 0.5 to 3.5 years.

14. BUSINESS COMBINATION (CONTINUED)

GOODWILL ARISING ON THE BUSINESS COMBINATION

AT SEPTEMBER 1, 2018	PRELIMINARY ALLOCATION	ADJUSTMENTS	FINAL ALLOCATION
Contingent consideration to be transferred to seller ⁽¹⁾	\$ 16,470	\$ –	\$ 16,470
Fair value of net identifiable liabilities of business acquired	4,163	11,875	16,038
Non-controlling interest of 49% ⁽²⁾	(2,040)	(5,819)	(7,859)
Cash received by Linxon for working capital adjustment	–	(9,351)	(9,351)
Share of non-controlling interest of cash received by Linxon for working capital adjustment	–	4,582	4,582
Goodwill ⁽³⁾	\$ 18,593	\$ 1,287	\$ 19,880

⁽¹⁾ Under the business combination arrangement, SNC-Lavalin is required to remit a portion of its future dividends distributed in cash by Linxon, if any, to ABB for a total aggregate amount of US\$25 million (approximately CA\$32.6 million). The range of outcome of the contingent consideration is between US\$nil and US\$25 million (approximately between CA\$nil and CA\$32.6 million). The amount of \$16.5 million represents the preliminary estimated fair value of this obligation at the acquisition date, which was determined using the present value technique. In the nine-month period ended September 30, 2019, SNC-Lavalin recognized a gain of \$3.1 million related to the contingent consideration to be transferred to seller, which is included in "Loss (gain) arising on financial assets (liabilities) at fair value through profit or loss" in the consolidated income statement.

⁽²⁾ The non-controlling interest recognized at the acquisition date was measured at its proportionate share of the value of net identifiable liabilities acquired.

⁽³⁾ Goodwill represents the excess of the cost of acquisition and of non-controlling interest over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. The total amount of goodwill that is expected to be deductible for tax purposes is \$0.3 million.

NET CASH INFLOW ON ACQUISITION OF LINXON

NINE MONTHS ENDED SEPTEMBER 30	2019
Consideration paid in cash	\$ –
Less: Return of contingent consideration to be transferred to seller received in cash ⁽⁴⁾	5,539
Less: Cash received by Linxon for working capital adjustment	9,351
Net cash inflow on acquisition of Linxon	\$ (14,890)

⁽⁴⁾ Under the business combination arrangement, ABB is required to compensate Linxon in cash an amount based on the date of transfer of certain additional assets and liabilities, up to June 30, 2019. The range of outcome of such right to a return of contingent consideration to be transferred to seller was between US\$nil and US\$8.3 million (approximately between CA\$nil and CA\$10.8 million).

15. GOODWILL AND INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

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

Balance at January 1, 2019	\$ 5,369,723
Amount recognized from the adjustments to the final allocation of purchase price of Linxon	3,821
Net foreign currency exchange differences	(248,954)
Impairment of goodwill	(1,801,015)
Balance at September 30, 2019	\$ 3,323,575

Following the Company's new organizational structure that took effect on January 1, 2019 and the Company's new strategic direction (see Note 2C), the Company's goodwill was reallocated to the following cash-generating units ("CGU") and groups of CGU as follows:

CGU OR GROUP OF CGU	SEPTEMBER 30 2019	JANUARY 1 2019
EDPM	\$ 2,536,848	\$ 2,679,753
Infrastructure Services ⁽⁵⁾	141,697	141,796
Nuclear	625,001	662,254
Resources	–	1,869,126
Linxon	20,029	16,794
	\$ 3,323,575	\$ 5,369,723

⁽⁵⁾ Comparative figures have been revised to reflect the Company's new strategic direction (see Note 2C).

15. GOODWILL AND INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

(CONTINUED)

In the nine-month period ended September 30, 2019, goodwill was impaired by \$1.8 billion (\$1.7 billion after income taxes) in the Resources CGU. Such CGU corresponds to a reportable segment. The impairment is largely attributable to the Company's decision to cease bidding on lump-sum turnkey construction projects, as well as lower than expected performance in Resources in the first half of the year and challenges in replenishing the backlog. The recoverable amount of this CGU was determined using the value in use approach as at June 30, 2019, based on a terminal growth rate of 2.5% and a discount rate of 11.3%.

In the nine-month period ended September 30, 2019, the intangible assets related to business combinations in the Resources segment were impaired by \$72.8 million (\$60.1 million after income taxes).



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www.snclavalin.com

SNC-LAVALIN

455 René-Lévesque Blvd. West

Montreal, Quebec

H2Z 1Z3 Canada

Tel.: 514-393-1000

Fax: 514-866-0795