



**SNC • LAVALIN**

# Management's Discussion and Analysis

First Quarter of 2019 versus  
First Quarter of 2018

May 1, 2019

All financial information in Canadian dollars, unless otherwise indicated

# Table of Contents

1	Our Business	7
2	How We Analyze and Report Our Results	8
3	First Quarter of 2019 Executive Summary	10
4	Financial Performance Analysis	15
5	Backlog	23
6	Segment Information	24
7	Liquidity and Capital Resources	32
8	Related Party Transactions	40
9	Accounting Policies and Changes	41
10	Non-IFRS Financial Measures and Additional IFRS Measures	48
11	Risks and Uncertainties	50
12	Quarterly Information	53
13	Controls and Procedures	54
14	Events After the Reporting Period	56

# Management's Discussion and Analysis

May 1, 2019

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risks and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements of the first quarter of 2019 and accompanying notes, and should therefore **be read in conjunction with that document, with the annual MD&A and annual audited consolidated financial statements for the year ended December 31, 2018, and should also be read together with the text below on forward-looking statements.** Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

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

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

## Non-IFRS Financial Measures and Additional IFRS Measures

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE	
<b>Performance</b>	
› Adjusted diluted earnings per share from Engineering & Construction ("E&C") ("Adjusted diluted EPS from E&C")	› Earnings before interest and income taxes ("EBIT")
› Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")	› Earnings before interest, income taxes, depreciation and amortization ("EBITDA")
› Adjusted net income from E&C	› Profitability ratio
› Diluted earnings per share from E&C and Diluted earnings per share from Capital	› Return on average shareholders' equity ("ROASE")
	› Segment EBIT
<b>Liquidity</b>	
› Net recourse debt (or Cash net of recourse debt)	› Net recourse debt to adjusted EBITDA ratio

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in Section 10 to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS, refer to Section 10 for references to the sections of this MD&A where these reconciliations are provided.

## Comparative figures

Effective January 1, 2019, the Company adopted IFRS 16, *Leases*, without restatement of comparative figures, as described in Section 9.

The Company modified its comparative figures for the following changes:

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 \$0.3 million for the three-month period ended March 31, 2018; and ii) a reclassification of certain other corporate selling, general and administrative expenses in Segment EBIT of \$5.3 million in the three-month period ended March 31, 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.

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 to achieve consistent and high-performing delivery and to position the Company for responsible growth. This simplification of its market-facing structure, which became effective January 1, 2019, resulted in a change to the Company's reportable segments, which are now: i) **Engineering, Design and Project Management ("EDPM")**; ii) **Infrastructure**; iii) **Nuclear**; iv) **Resources**; and v) **Capital**. See Section 6 for a 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 2018 figures.

## Caution Regarding Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on May 1, 2019. The assumptions are set out throughout the Company's 2018 MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results"). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) outcome of pending and future claims and litigation; (b) on February 19, 2015, the Company was charged with one count of corruption under the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These charges and investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (c) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations; (d) reputation of the Company; (e) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements

or to execute projects efficiently; (f) contract awards and timing; (g) remaining performance obligations; (h) being a provider of services to government agencies; (i) international operations; (j) Brexit; (k) ownership interests in Capital investments; (l) dependence on third parties; (m) joint ventures and partnerships; (n) competition; (o) professional liability or liability for faulty services; (p) monetary damages and penalties in connection with professional and engineering reports and opinions; (q) insurance coverage; (r) health and safety; (s) qualified personnel; (t) work stoppages, union negotiations and other labour matters; (u) information systems and data; (v) acquisitions or other investment; (w) divestitures and the sale of significant assets; (x) liquidity and financial position; (y) indebtedness; (z) security under the SNC-Lavalin Highway Holdings Loan; (aa) dependence on subsidiaries to help repay indebtedness; (bb) dividends; (cc) post-employment benefit obligations, including pension-related obligations; (dd) working capital requirements; (ee) collection from customers; (ff) impairment of goodwill and other assets; (gg) global economic conditions; (hh) fluctuations in commodity prices; (ii) inherent limitations to the Company's control framework; and (jj) environmental laws and regulations.

The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2018 MD&A, as updated in this MD&A, filed with the securities regulatory authorities in Canada, available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.snclavalin.com](http://www.snclavalin.com) under the "Investors" section.

**The forward-looking statements herein reflect the Company's expectations as at May 1, 2019, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.**

# 1 Our Business

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

From offices around the world, **SNC-Lavalin**'s employees **think beyond engineering**.

Our teams provide comprehensive end-to-end project solutions – including capital investment, consulting, design, engineering, construction management, sustaining capital and operations and maintenance – to clients across the EDPM (engineering, design and project management), Infrastructure (including Clean Power and Linxon), Nuclear and Resources businesses.

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

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

## 2 How We Analyze and Report Our Results

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

### E&C

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

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

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

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

The Company presents the information in the way management performance is evaluated by regrouping its **E&C** projects. Since January 1, 2019, the Company's new organizational structure is as follows: i) **Engineering, Design and Project Management**; ii) **Infrastructure**; iii) **Nuclear**; and iv) **Resources**.



## CAPITAL

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

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

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

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

## 3

## First Quarter of 2019 Executive Summary

## 3.1 EXECUTIVE SUMMARY-KEY FINANCIAL INDICATORS

## FINANCIAL HIGHLIGHTS

(IN MILLIONS CA\$, EXCEPT EARNINGS PER SHARE)	FIRST QUARTER	
	2019	2018
<b>Income Statement</b>		
Revenues	\$ 2,363.2	\$ 2,431.4
Net income (loss) attributable to SNC-Lavalin shareholders	(17.3)	78.1
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from E&C <sup>(1)</sup>	(14.9)	89.5
Earnings (loss) per share diluted ("Diluted EPS") (in \$)	(0.10)	0.44
Adjusted diluted EPS from E&C (in \$) <sup>(1)</sup>	(0.08)	0.51
EBIT <sup>(1)</sup>	13.9	129.8
EBITDA <sup>(1)</sup>	121.2	213.9
Adjusted E&C EBITDA (% of revenues) <sup>(1)</sup>	3.5%	7.5%
<b>Financial Position &amp; Cash Flows</b>		
Cash and cash equivalents (at March 31)	\$ 614.9	\$ 646.8
Net recourse debt (at March 31) <sup>(1)</sup>	(2,002.1)	(897.5)
Net cash used for operating activities	(248.9)	(146.7)
<b>Additional Indicator</b>		
Revenue backlog (at March 31)	\$ 15,840.7	\$ 13,511.8

(1) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

- Revenues totalled \$2,363.2 million in the first quarter of 2019, compared with \$2,431.4 million in the corresponding period of 2018. The decrease is mainly due to lower revenues from Resources, partially offset by higher revenues mainly in EDPM.
- Net loss attributable to SNC-Lavalin shareholders totalled \$17.3 million in the first quarter of 2019, compared with a net income of \$78.1 million in the corresponding period of 2018. The decrease is mainly due to a negative Segment EBIT in Resources and a lower Segment EBIT in Infrastructure and Nuclear, partially offset by a higher Segment EBIT in EDPM, lower corporate selling, general and administrative expenses and a recovery of income taxes.
- Adjusted net loss attributable to SNC-Lavalin shareholders from E&C was \$14.9 million (\$0.08 per share on a diluted basis) for the first quarter of 2019, compared with an adjusted net income attributable to SNC-Lavalin shareholders from E&C of \$89.5 million (\$0.51 per share on a diluted basis) for the first quarter of 2018, principally due to a negative Segment EBIT from Resources and a lower Segment EBIT from Infrastructure and Nuclear, partially offset by a higher Segment EBIT in EDPM and lower corporate selling, general and administrative expenses and a recovery of income taxes.
- EBIT in the first quarter of 2019 was \$13.9 million, compared with \$129.8 million in the same period in 2018, as the lower level of Segment EBIT was partially offset mainly by lower corporate selling, general and administrative expenses.

- › **EBITDA was \$121.2 million in the first quarter of 2019**, compared with \$213.9 million in the same period in 2018. The decrease is principally explained by the reasons stated above, partially offset by higher depreciation and amortization expenses related to the implementation of IFRS 16 at January 1, 2019. Refer to section 9 for further details on the implementation of IFRS 16.
- › **Adjusted E&C EBITDA (as a % of revenues) decreased in the first quarter of 2019**, compared with the same period in 2018, mainly due to the lower EBIT, partially offset by higher depreciation and amortization expenses related to the implementation of IFRS 16 at January 1, 2019. Refer to section 9 for further details on the implementation of IFRS 16.
- › **Net recourse debt as at March 31, 2019 was \$2.0 billion**, compared with \$0.9 billion as at March 31, 2018, mainly reflecting \$500 million borrowings under the Term Loan used to repay \$500 million of limited recourse debt in the second quarter of 2018, as well as additional recourse debt raised to finance cash used by operating activities.
- › **Net cash used for operating activities increased by \$102.2 million in the first three months of 2019**, compared with the corresponding period of 2018, mainly attributable to a higher level of cash used by operating activities before the net change in non-cash working capital items.
- › **Backlog totalled \$15.8 billion as at March 31, 2019**, compared with \$14.9 billion as at December 31, 2018. **The Company's contract bookings amounted to \$3.2 billion in the first quarter of 2019.**

## 3.2 EXECUTIVE SUMMARY – OTHER ITEMS

### APPOINTMENT OF CHIEF OPERATING OFFICER

Effective January 28, 2019, the Company appointed Ian Edwards as Chief Operating Officer (COO). The COO reports to Neil Bruce (President and CEO) and all the Company's business sectors report to Mr. Edwards.

### KEY ORGANISATIONAL CHANGES

Effective January 1, 2019, the Company's new organizational structure, aimed at simplifying and de-risking the business and serving its clients worldwide even more effectively, is as follows:

- › **Engineering, Design & Project Management (EDPM)**; to further leverage EDPM's mature and global platform, the Canadian Infrastructure Engineering business unit has become part of the wider EDPM global business. This will bring the Company's global services closer together, build collaboration across teams, and further strengthen our position. Philip Hoare is succeeding Nick Roberts as President, EDPM, effective May 1, 2019. Philip previously led the EDPM UK & Europe business.
- › **Infrastructure**; is now comprised of the current Infrastructure Construction, Operations & Maintenance, and Middle East North Africa Infrastructure business units. This sector leverages the Company's core expertise in the North American market by delivering major infrastructure projects, both public and private, and our global expertise in delivering, operating, and maintaining projects. The Company will also utilize its EPC execution capability to provide the delivery element on clean power scopes. Jonathan Wilkinson leads this sector. Infrastructure also includes hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity, as well as the Linxon subsidiary, which are activities led by Marie-Claude Dumas. Infrastructure also includes activities that were reported as Thermal Power, that the Company exited in 2018.

- › **Nuclear;** this business remains a cornerstone of the Company's global offering. Strong demand exists for its life extension capabilities, its strength in site and asset management, along with decommissioning, particularly in the US. The Company continues to identify and target specific new build opportunities. The nuclear business is already global, Sandy Taylor leads this sector.
- › **Resources;** the full lifecycle services in oil, gas, metals and mining have been combined. These areas remain regionally structured across the globe. This will allow the Company to serve the cyclical markets while sharing its deep project execution expertise, which apply across all resource projects, and retaining our important specialisms. Mining & Metallurgy is now focused on studies, EPCM scopes, and design and owner's engineering. As previously announced, this sector was led by Christian Brown, until Craig Muir joined the company on April 8, 2019.
- › **Capital;** the Capital business is now being led by Stephanie Vaillancourt, who continues to lead and will combine the capital business and our Treasury function where we can leverage synergies. There are no changes to our Capital segment and it continues to be externally reported separate from E&C.

### AGREEMENT TO SELL 10.01% INTEREST IN HIGHWAY 407 ETR

On April 5, 2019, SNC-Lavalin announced that it has reached an agreement to sell 10.01% of the shares of 407 International Inc. ("Highway 407 ETR") to Ontario Municipal Employees Retirement System ("OMERS"). Gross proceeds from the sale could reach \$3.25 billion in aggregate, \$3.0 billion payable at the closing date and \$250 million over a period of 10 years, conditional to certain financial thresholds related to the ongoing performance of Highway 407 ETR. As at March 31, 2019, the net book value of SNC-Lavalin's investment in Highway 407 ETR was \$nil.

The transaction is expected to be completed within approximately two months. The sale is subject to certain shareholders' rights, including rights of first refusal, and to customary closing conditions. SNC-Lavalin has been informed that a Highway 407 ETR shareholder may exercise its right of first refusal. If a right of first refusal is properly exercised, OMERS will not be the buyer of the aforementioned tranche of shares of Highway 407 ETR, and SNC-Lavalin will owe OMERS a break fee of 2.5% of the purchase price.

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

### AMENDMENTS TO THE CDPQ LOAN

Concurrently to reaching the agreement to sell 10.01% of the shares of Highway 407 ETR, the Company and CDPQ have renegotiated certain terms of the CDPQ Loan, which include, among others, the following amendments:

- › modification of the covenant to align it with the amendment made to the Credit Agreement in 2018 and delay the application of such covenant from March 31, 2019 to June 30, 2019;
- › following the expected disposal of 10.01% of the shares of Highway 407 ETR, 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.

## TRANSITNEXT GENERAL PARTNERSHIP

On March 29, 2019, the Company announced that its wholly-owned subsidiary TransitNEXT General Partnership ("TransitNEXT"), has finalized an agreement on the Trillium Line Extension project with the City of Ottawa. As the sole proponent in the TransitNEXT team, SNC-Lavalin will design, build, finance and maintain the new extension, and will also assume long-term maintenance of the existing Trillium line. The project, including the long-term cost to maintain and rehabilitate both the existing and Trillium Line and its new extension, is valued at \$1.6 billion.

## CODELCO'S DECISION TO TERMINATE ITS MINING & METALLURGY CONTRACT

On March 25, 2019, the Company announced that Codelco, its client on its Mining & Metallurgy project indicated in the February 11th, 2019 and January 28th, 2019 press releases, has terminated its contract with SNC-Lavalin and initiated a drawdown on its approximately US \$42 million (CA \$55.7 million) in bank guarantees. The Company believes that this termination is unwarranted and in breach of good faith agreements reached by the Parties.

The Company demobilized the job site and is assessing the legal and financial impact of Codelco's decision and preparing the dispute resolution actions to recover as much as possible of the previously announced losses that are due directly to the client and to poor subcontractor performance.

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

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 purpose of the preliminary inquiry was to determine if there is sufficient evidence to set the matter down for a full trial. Judgement of the court is expected on or after May 29, 2019. Depending on the outcome of the preliminary inquiry, the Company may seek a judicial review of the decision of the Court of Quebec by the Quebec Superior Court. Subject to the outcome of the preliminary inquiry, and of any resulting review, a trial on the Charges may commence in 2019 or 2020.

While the Company remains open and committed to the possibility of negotiating a remediation agreement with the office of the Director of the PPSC, it also has defences to the Charges and will pursue those vigorously in 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.

## 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 (the “Ontario Class Period”). 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 Action”).

The Ontario 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 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.

SNC-Lavalin believes the claims outlined in the Quebec Class Action Motion and the Ontario Action 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 Action, or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation. SNC-Lavalin has directors’ and officers’ liability insurance insuring individuals against liability for acts or omissions in their capacity as directors and officers, and the Company itself has coverage for such a claim. The amount of coverage under the directors’ and officers’ policy is limited and such coverage may be less than any amounts the Company is required or determines to pay in connection with these proceedings. If the Company is required or determines to pay an amount in connection with the Class Action Motion or the Ontario Action, such amount could have a material adverse impact on SNC-Lavalin’s liquidity and financial results.

# 4 Financial Performance Analysis

The financial information presented in the table below has been derived from the Company's unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34, *Interim Financial Reporting*, for the three-month periods ended March 31, 2019 and 2018, with the exception of the non-IFRS financial measures specifically identified in the "Additional financial indicators" section below.

(IN MILLIONS CA\$)	FIRST QUARTER	
	2019	2018 <sup>(1)</sup>
Revenues	\$ 2,363.2	\$ 2,431.4
Total Segment EBIT	\$ 98.7	\$ 228.8
Corporate selling, general and administrative expenses	\$ 6.2	\$ 25.3
Impairment loss arising from expected credit losses	0.4	0.5
Loss arising on financial assets (liabilities) at fair value through profit or loss	11.1	4.2
Restructuring Costs	10.4	1.5
Acquisition-related costs and integration costs	5.1	10.7
Amortization of intangible assets related to business acquisitions	51.5	56.7
Loss from adjustment on disposals of E&C businesses	0.1	-
<b>Earnings before interest and income taxes</b>	<b>\$ 13.9</b>	<b>\$ 129.8</b>
Net financial expenses	\$ 52.4	\$ 42.0
<b>Earnings (loss) before income taxes</b>	<b>\$ (38.5)</b>	<b>\$ 87.8</b>
Income taxes	\$ (20.2)	\$ 9.5
<b>Net income (loss) for the period</b>	<b>\$ (18.3)</b>	<b>\$ 78.3</b>
<b>Net income (loss) attributable to:</b>		
SNC-Lavalin shareholders	\$ (17.3)	\$ 78.1
Non-controlling interests	(1.0)	0.2
<b>Net income (loss) for the period</b>	<b>\$ (18.3)</b>	<b>\$ 78.3</b>
<b>Earnings (loss) per share (in \$)</b>		
Basic	\$ (0.10)	\$ 0.44
Diluted	\$ (0.10)	\$ 0.44
<b>Additional Financial Indicators</b>		
Diluted EPS from E&C (in \$) <sup>(2)</sup>	\$ (0.38)	\$ 0.18
Adjusted diluted EPS from E&C (in \$) <sup>(2)</sup>	(0.08)	0.51
Adjusted EBITDA from E&C <sup>(2)</sup>	79.2	177.3

(1) Comparative figures have been revised. Please refer to Section 9 for further details.

(2) Non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

## 4.1 REVENUES AND TOTAL SEGMENT EBIT

(IN MILLIONS CA\$)		FIRST QUARTER	
		2019	2018
<b>Revenues:</b>			
From E&C	\$	2,291.0	\$ 2,367.2
From Capital		72.2	64.2
	\$	2,363.2	\$ 2,431.4
<b>Total Segment EBIT: <sup>(1)</sup></b>			
From E&C	\$	33.3	\$ 172.4
From Capital		65.4	56.4
	\$	98.7	\$ 228.8
<b>Total Segment EBIT-to-revenue ratio (%): <sup>(1)</sup></b>			
From E&C		1.5%	7.3%
From Capital		90.6%	87.9%
		4.2%	9.4%

(1) Comparative figures have been revised. Please refer to Section 9 for further details.

The Company analyses its revenues and Total Segment EBIT separately for E&C and for Capital.

### REVENUES AND TOTAL SEGMENT EBIT FROM E&C

Revenues from E&C for the first quarter of 2019 totaled \$2.3 billion, compared with \$2.4 billion in the corresponding quarter of 2018, as the higher revenues in EDPM were more than offset by lower revenues in Resources.

Total Segment EBIT from E&C for the first quarter of 2019 was \$33.3 million, compared with \$172.4 million in the corresponding quarter of 2018, principally due to a negative Segment EBIT from Resources and lower Segment EBIT in Infrastructure and Nuclear, partially offset by a higher Segment EBIT from EDPM.

### REVENUES AND TOTAL SEGMENT EBIT FROM CAPITAL

Revenues from Capital for the first quarter of 2019 increased to \$72.2 million, compared with \$64.2 million for the same quarter of 2018 due to higher dividends received from 407 International Inc. ("Highway 407 ETR") and a higher level of activity on certain other investments.

Total Segment EBIT from Capital increased to \$65.4 million for the first quarter of 2019, compared with \$56.4 million for the corresponding period of 2018 due to the higher contribution from Highway 407 ETR, lower selling, general and administrative costs and an increased contribution from certain other investments.



## 4.2 NET INCOME ANALYSIS

(IN MILLIONS CA\$)	FIRST QUARTER	
	2019	2018
Net income (loss) attributable to SNC-Lavalin shareholders:		
From E&C	\$ (67.4)	\$ 31.5
From Capital	50.1	46.5
<b>Net income (loss) attributable to SNC-Lavalin shareholders</b>	<b>\$ (17.3)</b>	<b>\$ 78.1</b>
Non-controlling interests	(1.0)	0.2
<b>Net income (loss)</b>	<b>\$ (18.3)</b>	<b>\$ 78.3</b>

The Company analyses its net income separately for E&C and for Capital.

For the first quarter of 2019, the net loss attributable to SNC-Lavalin shareholders from E&C was \$67.4 million, compared with a net income attributable to SNC-Lavalin shareholders from E&C of \$31.5 million for the corresponding period of 2018 mainly due to a lower Segment EBIT, partially offset by lower corporate selling, general and administrative expenses and a recovery of income taxes.

For the first quarter of 2019, net income attributable to SNC-Lavalin shareholders from Capital was \$50.1 million, compared with \$46.5 million for the same period last year, reflecting the higher contribution from Highway 407 ETR and an increased contribution from certain other investments.

Additionally, certain significant items had an impact on total net income attributable to SNC-Lavalin shareholders in the first quarters of 2019 and 2018, namely:

- › **Amortization of intangible assets related to business combinations** amounted to \$51.5 million (\$42.8 million after taxes) in the first quarter of 2019, and to \$56.7 million (\$46.8 million after taxes) in the corresponding period of 2018, both mainly attributable to the amortization expense of the intangible assets related to the acquisition of Atkins;
- › **Acquisition-related costs and integration costs** amounted to \$5.1 million (\$3.4 million after taxes) in the first quarter of 2019, compared with \$10.7 million (\$8.4 million after taxes) in the same quarter last year, a decrease mainly due to lower costs incurred in connection with the integration of Atkins, acquired in the third quarter of 2017;
- › **Restructuring costs** amounted to \$10.4 million (\$7.9 million after taxes) in the first quarter of 2019, compared with \$1.5 million (\$1.3 million after taxes) in the corresponding quarter of 2018; and
- › **Net financial expense** amounted to \$52.4 million in the first quarter of 2019, compared with \$42.0 million in the same quarter of last year; mainly due to the increased level of indebtedness combined with the new \$5.9 million interest expense on lease liabilities in 2019 following the adoption of IFRS 16 in 2019. Refer to Section 9 for further details.

### 4.3 ADJUSTED NET INCOME FROM E&C AND ADJUSTED DILUTED EPS FROM E&C

Adjusted net income from E&C and adjusted diluted EPS from E&C are non-IFRS financial measures. Definitions of these financial measures are provided in Section 10.

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS CAD, EXCEPT PER DILUTED SHARE INFORMATION (\$))	2019		2018	
		PER DILUTED SHARE		PER DILUTED SHARE
Net income (loss)	\$ (18.3)	N/A	\$ 78.3	N/A
Less:				
Non-controlling interests	(1.0)	N/A	0.2	N/A
Net income attributable to SNC-Lavalin shareholders from Capital	50.1	\$ 0.29	46.5	\$ 0.26
<b>Net income (loss) attributable to SNC-Lavalin shareholders from E&amp;C / Diluted EPS from E&amp;C</b>	<b>\$ (67.4)</b>	<b>\$ (0.38)</b>	<b>\$ 31.5</b>	<b>\$ 0.18</b>
Adjustments (net of income taxes):				
Restructuring, right-sizing costs and other	\$ 6.2	\$ 0.04	\$ 1.3	\$ 0.01
Acquisition-related costs and integration costs	3.4	0.02	8.4	0.05
Amortization of intangible assets related to business combinations	42.8	0.24	46.8	0.27
Impact of U.S. corporate tax reform	-	-	1.4	0.01
Loss from adjustment on disposals of E&C businesses	0.1	0.00	-	-
<b>Adjusted net income (loss) attributable to SNC-Lavalin shareholders from E&amp;C / Adjusted diluted EPS from E&amp;C</b>	<b>\$ (14.9)</b>	<b>\$ (0.08)</b>	<b>\$ 89.5</b>	<b>\$ 0.51</b>

Adjusted net loss attributable to SNC-Lavalin shareholders from E&C was \$14.9 million (\$0.08 per share on a diluted basis) for the first quarter of 2019, compared with an adjusted net income attributable to SNC-Lavalin shareholders from E&C of \$89.5 million (\$0.51 per share on a diluted basis) for the first quarter of 2018, principally due to a negative Segment EBIT from Resources and a lower Segment EBIT from Infrastructure and Nuclear, partially offset by a higher Segment EBIT in EDPM and lower corporate selling, general and administrative expenses and a recovery of income taxes.

For the first quarters of 2019 and 2018, adjusted net income (loss) attributable to SNC-Lavalin shareholders from E&C included the following adjustments (net of income taxes):

- › Amortization of intangible assets related to business combinations of \$42.8 million (\$0.24 per diluted share) for the first quarter of 2019, and \$46.8 million (\$0.27 per diluted share) for the first quarter of 2018, mainly related to Atkins, which was acquired in the third quarter of 2017;
- › Restructuring, right-sizing and other costs of \$6.2 million (\$0.04 per diluted share) for the first quarter of 2019, and \$1.3 million (\$0.01 per diluted share) for the first quarter of 2018, mainly related to severances; and
- › Acquisition-related costs and integration costs of \$3.4 million (\$0.02 per diluted share) for the first quarter of 2019, compared with \$8.4 million (\$0.05 per diluted share) in the first quarter of 2018, mainly attributable to the acquisition and integration of Atkins.

#### 4.4 EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

EBIT, EBITDA and Adjusted EBITDA are non-IFRS financial measures. Definitions of these financial measures are presented in Section 10.

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS C\$)	2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Net income (loss)	\$ (68.4)	\$ 50.1	\$ (18.3)	\$ 31.7	\$ 46.5	\$ 78.3
Net financial expenses	48.1	4.3	52.4	40.7	1.3	42.0
Income taxes	(20.9)	0.7	(20.2)	8.5	1.0	9.5
<b>EBIT</b>	<b>\$ (41.2)</b>	<b>\$ 55.1</b>	<b>\$ 13.9</b>	<b>\$ 80.9</b>	<b>\$ 48.8</b>	<b>\$ 129.8</b>
Depreciation and amortization	\$ 55.7	\$ -	\$ 55.7	\$ 27.4	\$ -	\$ 27.4
Amortization of intangible assets related to business combinations	51.5	-	51.5	56.7	-	56.7
<b>EBITDA</b>	<b>\$ 66.1</b>	<b>\$ 55.1</b>	<b>\$ 121.2</b>	<b>\$ 165.1</b>	<b>\$ 48.8</b>	<b>\$ 213.9</b>
<b>(as % of Revenues)</b>	<b>2.9%</b>	<b>N/A</b>	<b>5.1%</b>	<b>7.0%</b>	<b>N/A</b>	<b>8.8%</b>
Restructuring, right-sizing costs and other	\$ 8.0	\$ 2.4	\$ 10.4	\$ 1.5	\$ -	\$ 1.5
Acquisition-related costs and integration costs	5.1	-	5.1	10.7	-	10.7
Loss from adjustment on disposals of E&C businesses	0.1	-	0.1	-	-	-
<b>Adjusted EBITDA</b>	<b>\$ 79.2</b>	<b>\$ 57.5</b>	<b>\$ 136.7</b>	<b>\$ 177.3</b>	<b>\$ 48.8</b>	<b>\$ 226.1</b>
<b>(as % of Revenues)</b>	<b>3.5%</b>	<b>N/A</b>	<b>5.8%</b>	<b>7.5%</b>	<b>N/A</b>	<b>9.3%</b>

For the first quarter of 2019, EBIT from E&C amounted to negative \$41.2 million, compared with \$80.9 million for the corresponding period of 2018, mainly reflecting a negative Segment EBIT in Resources and a lower Segment EBIT in Infrastructure and Nuclear, partially offset by lower corporate selling, general and administrative expenses and a higher EBIT in EDPM. EBIT from E&C included \$107.2 million of depreciation and amortization expenses in the first quarter of 2019, compared with \$84.1 million in the first quarter of 2018, an increase mainly attributable to the \$27.0 million depreciation of right-of-use assets following the adoption of IFRS 16 in 2019 (see Section 9 for further details). As a result, **EBITDA from E&C was \$66.1 million for the first quarter of 2019**, compared with \$165.1 million for the corresponding period of 2018. Also, in the first quarter of 2019, the Company incurred \$5.1 million in acquisition-related costs and integration costs, compared with \$10.7 million in the first quarter of 2018, both mainly related to the integration of Atkins as well as \$8.0 million in restructuring, right-sizing and other costs (\$1.5 million in the first quarter of 2018) mainly related to severances. As such, the **Adjusted EBITDA from E&C amounted to \$79.2 million for the first quarter of 2019**, compared with \$177.3 million for the first quarter of 2018.

For the first quarter of 2019, EBIT and EBITDA from Capital amounted to \$55.1 million, compared with \$48.8 million for the corresponding period of 2018, primarily due to the higher contribution from Highway 407 ETR, lower selling, general and administrative costs and an increased contribution from certain other investments.

As mentioned in Section 9, the Company adopted IFRS 16, *Leases*, using the modified retrospective approach. As such, comparative figures were not restated. Under IFRS 16, the accounting for lease contracts gives rise to depreciation and interest expenses, rather than operating expenses for a portion of the lease payments. Although the total expense recognized under IFRS 16 is not equal to the expense recognized under the previous standard on leases, the classification of the expense had the following impact on the Company's EBIT and EBITDA:

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS CA\$)	2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
EBIT as reported	\$ (41.2)	\$ 55.1	\$ 13.9	\$ 80.9	\$ 48.8	\$ 129.8
Interest expense on lease liabilities	5.9	-	5.9	-	-	-
<b>EBIT excluding presentation impact from IFRS 16</b>	<b>\$ (47.1)</b>	<b>\$ 55.1</b>	<b>\$ 8.0</b>	<b>\$ 80.9</b>	<b>\$ 48.8</b>	<b>\$ 129.8</b>
EBITDA as reported	\$ 66.1	\$ 55.1	\$ 121.2	\$ 165.1	\$ 48.8	\$ 213.9
Interest expense on lease liabilities	5.9	-	5.9	-	-	-
Depreciation and amortization from ROU	27.0	-	27.0	-	-	-
<b>EBITDA excluding presentation impact from IFRS 16</b>	<b>\$ 33.2</b>	<b>\$ 55.1</b>	<b>\$ 88.3</b>	<b>\$ 165.1</b>	<b>\$ 48.8</b>	<b>\$ 213.9</b>

#### 4.5 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS CA\$)	2019			2018 <sup>(1)</sup>		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
<b>Corporate selling, general and administrative expenses</b>	<b>\$ (1.7)</b>	<b>\$ 8.0</b>	<b>\$ 6.2</b>	<b>\$ 18.2</b>	<b>\$ 7.1</b>	<b>\$ 25.3</b>

(1) Comparative figures have been revised. Please refer to Section 9 for further details.

For the first quarter of 2019, corporate selling, general and administrative expenses amounted to \$6.2 million, compared with \$25.3 million in the first quarter of 2018, a decrease due in part to a lower amount of certain benefits, including the reversal of some corporate incentives and revision of certain estimates.

#### 4.6 RESTRUCTURING COSTS

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS CA\$)	2019	2018
<b>Restructuring costs</b>	<b>\$ 10.4</b>	<b>\$ 1.5</b>

The Company incurred restructuring costs totalling \$10.4 million in the first quarter of 2019 (2018: \$1.5 million). The restructuring costs recognized in the first quarter of 2019 were mainly for severances.

## 4.7 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

FIRST QUARTER ENDED MARCH 31  
(IN MILLIONS CA\$)

	2019	2018
Acquisition-related costs and integration costs	\$ 5.1	\$ 10.7

For the first quarter of 2019, acquisition-related costs and integration costs amounted to \$5.1 million, compared with \$10.7 million in the first quarter of 2018, mainly due to lower professional fees and related costs incurred in connection with the acquisition of Atkins, acquired in the third quarter of 2017, partially offset by professional fees and related costs incurred in connection with Linxon, acquired in the third quarter of 2018.

## 4.8 NET FINANCIAL EXPENSES ANALYSIS

FIRST QUARTER ENDED MARCH 31  
(IN MILLIONS CA\$)

	2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Interest revenues	\$ (1.7)	\$ -	\$ (1.7)	\$ (1.8)	\$ (2.2)	\$ (4.1)
Net foreign exchange losses (gains)	(4.1)	-	(4.1)	5.8	(0.1)	5.9
Interest on debt:						
Recourse	25.4	-	25.4	14.9	-	14.9
Limited recourse	18.6	-	18.6	26.0	-	26.0
Non-recourse	1.3	4.3	5.5	-	3.4	3.4
Interest expense on lease liabilities	5.9	-	5.9	-	-	-
Other	2.9	-	2.9	(4.2)	-	(4.2)
Net financial expenses	\$ 48.1	\$ 4.3	\$ 52.4	\$ 40.7	\$ 1.3	\$ 42.0

For the first quarter of 2019, net financial expenses from E&C were \$48.1 million, compared with \$40.7 million for the first quarter of 2018, mainly due to higher interest on recourse debt and interest expense on lease liabilities following the implementation of IFRS 16, partially offset by lower interest on limited recourse debt and by foreign exchange gains in the first quarter of 2019.

For the first quarter of 2019, net financial expenses from Capital were \$4.3 million, compared with \$1.3 million for the first quarter of 2018, primarily due to lower interest revenues following the transfer of a Capital investment to the SNC-Lavalin Infrastructure Partners LP ("SNCL IP Partnership").

## 4.9 INCOME TAXES ANALYSIS

QUARTER ENDED MARCH 31 (IN MILLIONS CA\$)	2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL
Earnings before income taxes	\$ (89.3)	\$ 50.7	\$ (38.5)	\$ 40.2	\$ 47.6	\$ 87.8
Income taxes	\$ (20.9)	\$ 0.7	\$ (20.2)	\$ 8.5	\$ 1.0	\$ 9.5
<b>Effective income tax rate (%)</b>	<b>23.4%</b>	<b>1.3%</b>	<b>52.5%</b>	<b>21.0%</b>	<b>2.2%</b>	<b>10.8%</b>

For the first quarter of 2019, the income tax recovery from E&C was \$20.9 million, compared with an income tax expense of \$8.5 million for the corresponding period of 2018. The effective income tax recovery rate from E&C was in line with the Canadian statutory income tax rate of 26.7% for the first quarter of 2019. In the first quarter of 2018, the effective income tax rate from E&C was lower than the Canadian statutory income tax rate of 26.8%, principally due to the impact of the geographic mix of earnings and earnings not affected by tax, partially offset by non-deductible expenses and other permanent items, as well as net losses that did not generate an income tax benefit.

For the first quarter of 2019, the income tax expense from Capital was \$0.7 million, compared with \$1.0 million for the first quarter of 2018. The effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.7% for the first quarter of 2019 and 26.8% for the first quarter of 2018, principally due to non-taxable dividends received mainly from Highway 407.

## 5 Backlog

The backlog is defined as a forward-looking indicator of anticipated revenues to be recognized by the Company, determined based on contract awards that are firm and amounting to the transaction price allocated to remaining performance obligations. Management could be required to make estimates regarding the revenue to be generated for certain contracts.

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

(IN MILLIONS CA\$)		
BY SEGMENT	MARCH 31 2019	DECEMBER 31 2018
EDPM	\$ 2,700.9	\$ 2,793.1
Infrastructure	9,926.2	8,826.3
Nuclear	1,194.4	1,202.9
Resources	1,825.2	1,907.3
<b>Total E&amp;C</b>	<b>\$ 15,646.6</b>	<b>\$ 14,729.6</b>
Capital <sup>(1)</sup>	\$ 194.1	\$ 155.4
<b>Total</b>	<b>\$ 15,840.7</b>	<b>\$ 14,885.0</b>

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

As at March 31, 2019, the Company reported backlog of \$15.8 billion, compared with a revenue backlog of \$14.9 billion at the end of December 2018, mainly reflecting an increase in Infrastructure, partially offset by a decrease in EDPM and Resources. The increase in Infrastructure is mainly due to the inclusion of the contract related to the Trillium Line Extension and the full term of its related O&M long-term contracts awarded in the first quarter of 2019. Contract bookings amounted to \$3.2 billion for the first quarter of 2019, with \$1.6 billion in Infrastructure, \$0.9 billion in EDPM and \$0.5 billion in Resources.

The following table shows the proportions of reimbursable and engineering service contracts and EPC fixed-price contracts included in each segment's backlog, as at March 31, 2019:

BY SEGMENT	REIMBURSABLE & ENGINEERING SERVICE CONTRACTS	EPC FIXED-PRICE CONTRACTS
EDPM	100%	0%
Infrastructure	63%	37%
Nuclear	92%	8%
Resources	64%	36%
Capital <sup>(1)</sup>	100%	0%

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

## 6 Segment Information

As mentioned in Section 2, the Company's results are analyzed by segment, which regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated.

The Company evaluates segment performance, using **Segment EBIT**, which is a non-IFRS financial measure defined in Section 10. 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 \$0.3 million for the three-month period ended March 31, 2018; and ii) a reclassification of certain other corporate selling, general and administrative expenses in Segment EBIT of \$5.3 million in the three-month period ended March 31, 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.

On January 1, 2019, the Company adopted IFRS 16 under the modified retrospective approach. While the impact of this new accounting standard is explained in detail in Section 9, such change applied without restatement of comparative figures resulted in an increase of Segment EBIT in 2019 due to the presentation of the interest expense on lease liabilities, when such expense is not considered a project cost, in net financial expenses, which are excluded from the measure of Segment EBIT.

The Company derives its revenues from reimbursable and engineering service contracts (first three months of 2019: 75%, 2018: 75%) and EPC fixed-price contracts (first three months of 2019: 25%, 2018: 25%).

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

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

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

ACCOUNTING METHOD	PERFORMANCE EVALUATION
Cost method	Dividends or distributions received from investments
Equity method	SNC-Lavalin's share of the net results of its investments, or dividends from Capital investments for which the carrying amount is \$nil (such as Highway 407 ETR), before taxes
Consolidation method	EBIT from investments



The following table summarizes the Company's **revenues and Segment EBIT** and reconciles the **Segment EBIT** to the **Company's EBIT** for the **first quarters** ended March 31, 2019 and 2018:

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS CA\$)					2018 <sup>(1)</sup>			
BY SEGMENT	2019				2018 <sup>(1)</sup>			
	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT	REVENUES	SEGMENT EBIT FROM E&C	SEGMENT EBIT FROM CAPITAL	TOTAL SEGMENT EBIT
EDPM	\$ 983.0	\$ 80.2	\$ -	\$ 80.2	\$ 879.0	\$ 73.5	\$ -	\$ 73.5
Infrastructure	499.1	3.7	-	3.7	501.1	15.8	-	15.8
Nuclear	223.7	10.8	-	10.8	230.0	30.7	-	30.7
Resources	585.2	(61.4)	-	(61.4)	757.1	52.3	-	52.3
<b>Total E&amp;C segments</b>	<b>\$ 2,291.0</b>	<b>\$ 33.3</b>	<b>\$ -</b>	<b>\$ 33.3</b>	<b>\$ 2,367.2</b>	<b>\$ 172.4</b>	<b>\$ -</b>	<b>\$ 172.4</b>
Capital	72.2		65.4	65.4	64.2		56.4	56.4
<b>Total revenues and Segment EBIT</b>	<b>\$ 2,363.2</b>	<b>\$ 33.3</b>	<b>\$ 65.4</b>	<b>\$ 98.7</b>	<b>\$ 2,431.4</b>	<b>\$ 172.4</b>	<b>\$ 56.4</b>	<b>\$ 228.8</b>
Less:								
Corporate selling, general and administrative expenses		\$ 1.7	\$ (8.0)	\$ (6.2)		\$ (18.2)	\$ (7.1)	\$ (25.3)
Impairment loss arising from expected credit losses		(0.4)	-	(0.4)		(0.5)	-	(0.5)
Loss arising on financial assets (liabilities) at fair value through profit or loss		(11.1)	-	(11.1)		(3.7)	(0.5)	(4.2)
Restructuring costs		(8.0)	(2.4)	(10.4)		(1.5)	-	(1.5)
Amortization of intangible assets related to business combinations		(51.5)	-	(51.5)		(56.7)	-	(56.7)
Acquisition-related costs and integration costs		(5.1)	-	(5.1)		(10.7)	-	(10.7)
Loss from adjustment on disposals of E&C businesses		(0.1)	-	(0.1)		-	-	-
<b>EBIT</b>		<b>\$ (41.2)</b>	<b>\$ 55.1</b>	<b>\$ 13.9</b>		<b>\$ 80.9</b>	<b>\$ 48.8</b>	<b>\$ 129.8</b>

(1) Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

## 6.1 ENGINEERING, DESIGN AND PROJECT MANAGEMENT ("EDPM")

**EDPM** incorporates all engineering, design and project management services around the world, including the Canadian market which was previously within the Infrastructure segment. It also harnesses our enhanced capabilities in intelligent mobility and digital asset management. Projects are mainly in transportation, (including rail, mass transit and roads), infrastructure, aerospace, defence and security & technology. Some projects are largely funded by the public sector, be it federal Government, its agencies, including departments for transportation and utilities as well as, states and local authorities. The EDPM segment derived all its revenues from reimbursable and engineering service contracts in the first quarter of 2019 and of 2018.

(IN MILLIONS CA\$)	FIRST QUARTER	
	2019	2018 <sup>(1)</sup>
Revenues from EDPM	\$ 983.0	\$ 879.0
Segment EBIT from EDPM	\$ 80.2	\$ 73.5
Segment EBIT over revenues from EDPM (%)	8.2%	8.4%

(1) Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

**EDPM revenues increased to \$983.0 million for the first quarter of 2019**, compared with \$879.0 million for the corresponding period of 2018 mainly reflecting an increased level of activity.

**For the first quarter of 2019, EDPM Segment EBIT increased to \$80.2 million**, compared with \$73.5 million for the corresponding quarter of 2018, reflecting an increased level of activity, partially offset by a lower profitability ratio.

## 6.2 INFRASTRUCTURE

**Infrastructure** provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. In addition, Infrastructure includes O&M projects.

The Infrastructure segment also includes the **Technology Ventures** business, which consolidates our expertise in how technology should shape the world around us, how it can bring efficiency to our delivery, results for our clients, and more sustainable solutions. Technology Ventures includes hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity, as well as the Linxon subsidiary. As previously mentioned, Segment EBIT now includes the contribution attributable to non-controlling interests. As such, the Segment EBIT of Linxon, a subsidiary held at 51% that is part of Technology Ventures, is reported at 100%.

The Infrastructure segment also includes our Thermal power activities, which the Company exited in 2018.

The Infrastructure segment derives its revenues from reimbursable and engineering service contracts, 32% for the first quarter of 2019 (2018: 39%), and EPC fixed-price contracts, 68% for the first quarter of 2019 (2018: 61%).

(IN MILLIONS CA\$)	FIRST QUARTER	
	2019	2018 <sup>(1)</sup>
Revenues from Infrastructure	\$ 499.1	\$ 501.1
Segment EBIT from Infrastructure	\$ 3.7	\$ 15.8
Segment EBIT over revenues from Infrastructure (%)	0.7%	3.2%

(1) Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

**Infrastructure revenues were \$499.1 million for the first quarter of 2019**, in line with \$501.1 million for the corresponding period of 2018, as the lower level of activity mainly due to the completion or near completion of certain major construction and clean power projects was offset mainly by higher revenues from certain major construction projects, most notably mass transit systems in Central and Eastern Canada, as well as revenues from Linxon, a subsidiary acquired in the third quarter of 2018.

**For the first quarter of 2019, Infrastructure Segment EBIT was \$3.7 million**, compared with \$15.8 million for the corresponding quarter of 2018. The lower Segment EBIT in the first quarter of 2019 is mainly attributable to projects that were part of the former Clean Power segment.

### 6.3 NUCLEAR

**Nuclear** supports clients across the entire Nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. The Nuclear segment derives its revenues from reimbursable and engineering service contracts, 100% for the first quarter of 2019 (2018: 99%), and EPC fixed-price contracts, nil for the first quarter of 2019 (2018: 1%).

(IN MILLIONS CA\$)	FIRST QUARTER	
	2019	2018 <sup>(1)</sup>
Revenues from Nuclear	\$ 223.7	\$ 230.0
Segment EBIT from Nuclear	\$ 10.8	\$ 30.7
Segment EBIT over revenues from Nuclear (%)	4.8%	13.3%

(1) Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

**Nuclear revenues were \$223.7 million for the first quarter of 2019**, compared with \$230.0 million for the first quarter of 2018, mainly due to a lower level of activity on certain major projects.

**For the first quarter of 2019, Nuclear Segment EBIT was \$10.8 million**, compared with \$30.7 million for the corresponding quarter of 2018, mainly due to a lower level of activity and a lower profitability ratio driven by a change in business mix and higher forecasted costs on a specific project in Canada nearing completion.

## 6.4 RESOURCES

**Resources** combines the full lifecycle services in oil, gas and metals and mining. These areas remain regionally structured across the globe. This allows the Company to serve the cyclical markets while sharing our deep project execution expertise, which apply across all resource projects, and retaining our important specialisms. Resources includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies, while the mining and metallurgy business is now focused on studies, EPCM scopes, and design and owner's engineering. The Resources segment derives its revenues from reimbursable and engineering service contracts, 60% for the first quarter of 2019 (2018: 69%), and EPC fixed-price contracts, 40% for the first quarter of 2019 (2018: 31%).

(IN MILLIONS CA\$)	FIRST QUARTER	
	2019	2018 <sup>(1)</sup>
Revenues from Resources	\$ 585.2	\$ 757.1
Segment EBIT from Resources	\$ (61.4)	\$ 52.3
Segment EBIT over revenues from Resources (%)	(10.5%)	6.9%

(1) Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

**Resources revenues were \$585.2 million for the first quarter of 2019**, compared with \$757.1 million for the first quarter of 2018, mainly due to the completion or near completion of certain major Oil & Gas projects.

**For the first quarter of 2019, Resources Segment EBIT was negative \$61.4 million**, compared with a positive EBIT of \$52.3 million for the corresponding quarter of 2018, mainly due to a decrease in Oil & Gas activities and a lower profitability ratio, reflecting a net unfavorable impact from reforecasts on certain major Oil & Gas and Mining & Metallurgy projects and a delay in claim settlements.

## 6.5 CAPITAL

**Capital** is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. 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. These investments are grouped together in the Capital segment and described in Section 7.8 of the Company's 2018 annual Management's Discussion and Analysis.

### NET BOOK VALUE OF CAPITAL INVESTMENTS

The Company provides additional information on the net book value of its Capital investments in Note 4 to its unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2019.

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

(IN MILLIONS CAS)	NET BOOK VALUE	
	MARCH 31 2019	DECEMBER 31 2018
Capital Investments accounted for by the consolidation method	\$ (14.7)	\$ 1.2
Capital investments accounted for by the equity method	368.4	357.2
Capital investments accounted for by the cost method	10.6	10.7
<b>Total</b>	<b>\$ 364.3</b>	<b>\$ 369.1</b>

As at March 31, 2019, the Company estimated that the fair value of its Capital investments portfolio was much higher than its net book value, with the Company's investment in Highway 407 ETR having the highest estimated fair value of its portfolio. The net book value of the Company's investment in Highway 407 ETR was \$nil as at March 31, 2019 and as at December 31, 2018.

## SEGMENT EBIT - CAPITAL

(IN MILLIONS CA\$)	FIRST QUARTER	
	2019	2018 <sup>(1)</sup>
<b>Revenues from Capital</b>	<b>\$ 72.2</b>	<b>\$ 64.2</b>
Segment EBIT from Capital investments:		
From Highway 407 ETR	<b>\$ 41.9</b>	<b>\$ 38.0</b>
From other Capital investments <sup>(2)</sup>	<b>23.5</b>	<b>18.5</b>
<b>Segment EBIT from Capital</b>	<b>\$ 65.4</b>	<b>\$ 56.4</b>

(1) Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 9 for further details.

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

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

**Capital Segment EBIT increased to \$65.4 million for the first quarter of 2019**, compared with \$56.4 million for the same period last year due to the higher contribution from Highway 407 ETR, lower selling, general and administrative costs and an increased contribution from certain other investments.

## 7 Liquidity and Capital Resources

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

- › A **cash flows analysis**, providing details on how the Company generated and used its cash and cash equivalents;
- › A discussion on the Company's **capital resources**;
- › A discussion on the Company's **capital management indicators**;
- › An update on the Company's **credit ratings**;
- › The presentation of the Company's **dividends declared** and **normal course issuer bid**; and
- › A discussion on the Company's **financial position** at the end of the first quarter of 2019, compared with its financial position as at December 31, 2018.

### 7.1 CASH FLOWS ANALYSIS

THREE MONTHS ENDED MARCH 31 (IN MILLIONS OF C\$)	2019	2018
Net cash flows generated from (used for):		
Operating activities	\$ (248.9)	\$ (146.7)
Investing activities	(114.4)	(57.0)
Financing activities	346.1	132.9
Increase (decrease) from exchange differences on translating cash and cash equivalents	(2.1)	11.1
Net decrease in cash and cash equivalents	(19.2)	(59.7)
Cash and cash equivalents at beginning of period	634.1	706.6
Cash and cash equivalents at end of period	\$ 614.9	\$ 646.8

Cash and cash equivalents decreased by \$19.2 million in the first three months of 2019, compared with a decrease of \$59.7 million in the first three months of 2018, as discussed further below.



## CASH FLOWS RELATED TO OPERATING ACTIVITIES

Net cash used for operating activities was \$248.9 million for the first three months of 2019, compared with \$146.7 million for the corresponding period of 2018, a variance reconciled as follows:

(IN MILLIONS OF C\$)	THREE-MONTH PERIOD
Net cash used for operating activities for the first three months of 2018	\$ (146.7)
<b>Changes between the first three months of 2018 and the first three months of 2019:</b>	
Decrease in net income for the period	(96.6)
Change in income taxes received	(21.0)
Increase in interest paid (from E&C and from Capital investments)	(10.9)
Decrease in depreciation of property and equipment and amortization of other non-current assets	(3.9)
Increase in depreciation of right-of-use assets	27.0
Change in income taxes recognized in net income	(29.7)
Higher net financial expenses recognized in net income	10.4
Decrease in share-based expense	(14.6)
Increase in income from Capital investments accounted for by the equity method	(7.9)
Increase in dividends and distributions received from Capital investments accounted for by the equity method	4.9
Increase in net change in provisions related to forecasted losses on certain contracts	(58.2)
Increase in restructuring costs recognized in net income	8.8
Increase in restructuring costs paid	(13.0)
Other items	(19.6)
<b>Changes in the net cash generated by (used for) operating activities before net change in non-cash working capital items</b>	<b>\$ (224.3)</b>
Decrease in cash used by the net change in non-cash working capital items	\$ 122.2
<b>Net cash used for operating activities for the first three months of 2019</b>	<b>\$ (248.9)</b>

- › Net cash used by operating activities before net change in non-cash working capital items totalled \$85.9 million for the first three months of 2019, compared with net cash generated from operating activities before net change in non-cash working capital items of \$138.3 million for the first three months of 2018, a variance mainly explained by the elements in the table above.
- › As detailed in Note 9B to the unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2019, net change in non-cash working capital items used cash of \$162.9 million in the first quarter of 2019, compared with \$285.1 million in the corresponding period of 2018, both mainly reflecting working capital requirements on certain major projects.

## CASH FLOWS RELATED TO INVESTING ACTIVITIES

Net cash used for investing activities was \$114.4 million for the first three months of 2019, compared with \$57.0 million for the corresponding period of 2018, a variance reconciled as follows:

(IN MILLIONS OF C\$)	THREE-MONTH PERIOD
Net cash used for investing activities for the first three months of 2018	\$ (57.0)
<b>Changes between the first three months of 2018 and the first three months of 2019:</b>	
Increase in acquisitions of property and equipment	(2.0)
Increase in payments for Capital investments	(10.0)
Variance in net cash inflow on acquisition of businesses	3.6
Increase in restricted cash position	(44.5)
Lower increase in receivables under service concession arrangements	5.6
Lower recovery of receivables under service concession arrangements	(9.7)
Lower decrease in short-term and long-term investments	(1.7)
Other items	1.2
<b>Net cash used for investing activities for the first three months of 2019</b>	<b>\$ (114.4)</b>

- › The changes in cash flows related to investing activities between the first three months of 2019 and the same period of 2018 were primarily explained by the elements in the table above, most notably by the increase in restricted cash.

## CASH FLOWS RELATED TO FINANCING ACTIVITIES

Net cash generated from financing activities was \$346.1 million in the first three months of 2019, compared with \$132.9 million for the corresponding period of 2018, a variance reconciled as follows:

(IN MILLIONS OF C\$)	THREE-MONTH PERIOD
Net cash generated from financing activities for the first three months of 2018	\$ 132.9
<b>Changes between the first three months of 2018 and the first three months of 2019:</b>	
Lower increase in recourse debt	(301.7)
Decrease in repayment of recourse debt and payment for debt issue costs	474.1
Increase in non-recourse debt	45.7
Increase in cash outflow for leases	(30.2)
Decrease in dividends paid to SNC-Lavalin shareholders	32.8
Other items	(7.6)
<b>Net cash generated from financing activities for the first three months of 2019</b>	<b>\$ 346.1</b>

- › The changes in cash flows related to financing activities between the first three months of 2019 and the corresponding period of 2018 were primarily explained by the elements in the table above, most notably by the issuance of new unsecured debentures in the first quarter of 2018 mainly used to repay the Term Facility in full and certain indebtedness outstanding under the Revolving Facility.
- › The Company repaid lease liabilities of \$30.2 million following the revised presentation requirements of adopting IFRS 16 on January 1, 2019.

- › In addition, in the three-month periods ended March 31, 2019 and 2018, the Company borrowed and repaid certain amounts under its Revolving Facility as part of its financing of net cash used for operating and investing activities.
- › The Company also provides a reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the three-month periods ended March 31, 2019 and 2018 in Note 9C in its interim condensed consolidated financial statements for the three-month period ended March 31, 2019.

## 7.2 CAPITAL RESOURCES

(IN MILLIONS OF C\$)	MARCH 31 2019	DECEMBER 31 2018
Cash and cash equivalents	\$ 614.9	\$ 634.1
Unused portion of committed revolving credit facility <sup>(1) (2)</sup>	1,577.3	2,051.4
<b>Available short-term capital resources</b>	<b>\$ 2,192.1</b>	<b>\$ 2,685.4</b>

(1) Including cash draws and letters of credit issued on a committed basis but excluding bilateral letters of credit which can be issued on a non-committed basis.

(2) Before considering potential limitations resulting from contractual covenants.

The decrease in cash and cash equivalents as at March 31, 2019 compared with December 31, 2018 is explained in Section 7.1. The Company has a committed revolving facility of \$2,600 million (December 31, 2018: \$2,600 million) of which \$ 1,577.3 million as at March 31, 2019 (December 31, 2018: \$2,051.4 million) was unused, and uncommitted credit facilities by way of bilateral letters of credit.

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

## 7.3 CAPITAL MANAGEMENT INDICATORS

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

## NET RECOURSE DEBT

Net recourse debt (or Cash net of recourse debt) is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10.

(IN MILLIONS OF C\$)	MARCH 31 2019	DECEMBER 31 2018
Cash and cash equivalents	\$ 614.9	\$ 634.1
Less:		
Cash and cash equivalents of Capital investments accounted for by the consolidation method	2.7	3.3
Recourse debt:		
Short-term debt and current portion of long-term debt	1,442.5	1,116.6
Long term debt	1,171.7	1,171.4
<b>Net recourse debt</b>	<b>\$ (2,002.1)</b>	<b>\$ (1,657.2)</b>

- › **Net recourse debt as at March 31, 2019 was \$2.0 billion**, compared with \$1.7 billion as at December 31, 2018, mainly reflecting additional indebtedness used to finance the Company's operating and investing activities in the first quarter of 2019.

## NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO

The net recourse debt to adjusted EBITDA ratio, a non-IFRS financial measure, compares the net recourse debt, as calculated above, to the adjusted EBITDA less the interest on the limited recourse debt, interest on lease liabilities and depreciation of right-of-use assets. Refer to Section 10 for further information on non-IFRS financial measures. Net recourse debt to adjusted EBITDA ratio is a measure of the Company's leverage and of its financial capabilities.

(IN MILLIONS C\$, EXCEPT NET RECOURSE DEBT TO ADJUSTED EBITDA RATIO)	MARCH 31 2019	DECEMBER 31 2018
Net recourse debt <sup>(1)</sup>	\$ 2,002.1	\$ 1,657.2
Trailing 12-month ("TTM") adjusted EBITDA <sup>(1)</sup>	\$ 493.0	\$ 582.4
Less: Interest on lease liabilities	5.9	-
Less: Depreciation of ROU Assets	27.0	-
Less: Interest on limited recourse debt (TTM)	77.7	85.2
Adjusted EBITDA, less interest on limited recourse debt (TTM) <sup>(2)</sup>	\$ 382.3	\$ 497.2
<b>Net recourse debt to adjusted EBITDA ratio</b>	<b>5.2</b>	<b>3.3</b>

(1) Net recourse debt and Adjusted EBITDA are non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS.

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

As at March 31, 2019, the Company's net recourse debt was \$2,002.1 million and its net recourse debt to adjusted EBITDA ratio was 5.2.

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

On February 1, 2019, the Company amended its Credit Agreement, modifying the definition of EBITDA to provide that losses related to EPC contracts in Mining & Metallurgy be considered as non-recurring items, up to an amount of \$310 million. The Credit Agreement was also amended to provide that the net recourse debt to EBITDA ratio calculation be temporary increased to 4x. It should be noted that the ratio calculation in the Credit Agreement excludes interest and depreciation and amortization resulting from the adoption of IFRS 16.

As at March 31, 2019, the net recourse debt to EBITDA ratio in accordance with the terms of the Company's Credit Agreement as amended, was 3.9x.

## RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10. **ROASE was -33.3% for the 12-month period ended March 31, 2019**, mainly due to the net loss recognized in the fourth quarter of 2018, compared with 8.6% for the 12-month period ended March 31, 2018.

## 7.4 RECOURSE DEBENTURES – CREDIT RATING

On March 1, 2018, S&P affirmed its BBB issue-level rating on the Company's \$150 million senior unsecured notes due in 2019, on the Company's \$175 million senior unsecured notes due in 2021 and on the Company's \$200 million senior unsecured notes due in 2023. On May 14, 2018, S&P affirmed the Company's rating at BBB. On June 5, 2018, S&P assigned an issue credit rating of BBB on the Company's \$150 million senior unsecured notes due in 2019.

On February 12, 2019, S&P downgraded the Company's rating to BBB- from BBB but revised its outlook to stable from negative on expectation of higher than estimated leverage. S&P expects the Company's earnings and cash flow to be lower than its previous estimates over the next couple of years. S&P now expects the Company to generate an adjusted debt-to-EBITDA ratio in the low-4x in 2019 and the low-3x area in 2020. S&P considers that the Canada-Saudi Arabia diplomatic tension has weakened the Company's competitive position in the Middle East and will likely affect a meaningful share of the Company's future growth. The BBB- rating incorporates S&P's view of the Company's well-diversified revenue and cash flow geography, customer, services and end markets, which somewhat offsets the significant operating risks within the Company's industry. On April 10, 2019, S&P confirmed its BBB- credit rating on partial sale of Highway 407 ETR stake.

On March 1, 2018 and on May 1, 2018, DBRS issued a rating report that confirmed the rating of the Company and its senior debenture rating at "BBB" with stable trend.

On February 15, 2019, DBRS placed the Company under review with negative implications. This was largely based on growing concerns regarding risk management and project control issues following the Company's announcement of a considerable project loss within the Mining and Metallurgy division. It is DBRS's opinion that the amendment to the Company's financial covenants was inconsistent with similarly rated companies. DBRS indicates that the Company's liquidity remains positive, with availability under its credit facility and access to saleable assets. On April 10, 2019, DBRS issued its rating report, in which it confirmed its BBB credit rating and that trends were stable. Such confirmation follows the Company's announced disposal of 10% of its investment in Highway 407 ETR. The confirmation reflects a use of proceed that will allow credit metrics to exceed those required for the current rating and will not be used towards material shareholder returns. The confirmation is also reinforced by the Company's response to and remediation of project control issues identified as a result of the considerable project loss in the Mining and Metallurgy division in 2018.

## 7.5 DIVIDENDS

A quarterly cash dividend of \$0.10 per share was declared on February 22, 2019 and was paid on March 22, 2019, compared with the corresponding quarterly cash dividend of \$0.287 per share paid in 2018.

## 7.6 NORMAL COURSE ISSUER BID

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

During the period that the normal course issuer bid is outstanding, the Company does not intend to make purchases of its Common Shares other than by means of open market transactions or such other means as may be permitted by securities regulatory authorities from time to time and as applicable, including block purchases of Common Shares. The Company may also purchase shares privately from time to time after obtaining exemption orders from applicable securities regulatory authorities. Any such private purchase made under an exemption order issued by a securities regulatory authority will be at a discount from the prevailing market price, as provided in the exemption order. During the June 6, 2018 to May 1, 2019 period, the Company did not purchase any of its Common Shares.

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

## 7.7 FINANCIAL INSTRUMENTS

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 32 to the Company's 2018 annual audited consolidated financial statements and updated as needed in Note 11 to its unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2019. In the first three months of 2019, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

## 7.8 FINANCIAL POSITION

The following is an analysis of the changes to the Company's financial position between December 31, 2018 and March 31, 2019:

(IN MILLIONS CAS)	MARCH 31 2019	DECEMBER 31 2018	CHANGE (\$)	EXPLANATIONS
Current assets	\$ 4,811.8	\$ 4,658.0	\$ 153.8	The increase in current assets was mainly due an increase in contract assets and restricted cash, partially offset by a decrease in trade receivables.
Non-current assets	8,696.0	8,281.7	414.3	The increase in non-current assets was principally due to the addition of right-of-use assets arising from the implementation of IFRS 16 on January 1, 2019, partially offset by a decrease of goodwill and intangible assets related to business combinations.
<b>Total assets</b>	<b>\$ 13,507.7</b>	<b>\$ 12,939.7</b>	<b>\$ 568.0</b>	
Current liabilities	\$ 5,895.9	\$ 5,608.1	\$ 287.8	The increase in current liabilities was mainly due to the increase in recourse debt and the addition of lease liabilities (current portion) arising from the implementation of IFRS 16 on January 1, 2019, partially offset mainly by a decrease in the current portions of non-financial liabilities and provisions.
Non-current liabilities	4,156.9	3,675.8	481.1	The increase in non-current liabilities was principally due to the addition of lease liabilities (non-current portion) arising from the implementation of IFRS 16 on January 1, 2019.
<b>Total liabilities</b>	<b>\$ 10,052.8</b>	<b>\$ 9,283.8</b>	<b>\$ 769.0</b>	
Equity attributable to SNC-Lavalin shareholders	\$ 3,449.0	\$ 3,650.9	\$ (201.9)	The decrease in equity attributable to SNC-Lavalin shareholders was mainly due to the transitional adjustments on the adoption of a new accounting standard and the total comprehensive loss for the first quarter of 2019.
Non-controlling interests	5.9	5.0	0.9	-
<b>Total equity</b>	<b>\$ 3,454.9</b>	<b>\$ 3,655.9</b>	<b>\$ (201.0)</b>	
<b>Total liabilities and equity</b>	<b>\$ 13,507.7</b>	<b>\$ 12,939.7</b>	<b>\$ 568.0</b>	

## 8 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 three-month periods ended March 31, 2019 and 2018, SNC-Lavalin recognized the following transactions with its related parties:

THREE MONTHS ENDED MARCH 31	2019	2018
E&C revenue from contracts with investments accounted for by the equity method	\$ 198,873	\$ 250,410
Income from Capital investments accounted for by the equity method	59,207	51,281
Dividends and distributions received from Capital investments accounted for by the equity method	43,614	38,709
Income from E&C investments accounted for by the equity method	11,568	8,132
Dividends and distributions received from E&C investments accounted for by the equity method	\$ 2,753	\$ 3,136

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

	MARCH 31 2019	DECEMBER 31 2018
Trade receivables from investments accounted for by the equity method	\$ 116,461	\$ 117,359
Other current financial assets receivable from investments accounted for by the equity method	135,447	131,694
Remaining commitment to invest in Capital investments accounted for by the equity method	\$ 98,050	\$ 108,312

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



## 9 Accounting Policies and Changes

The Company established its accounting policies used in the preparation of its unaudited interim condensed consolidated financial statements for the first quarter of 2019 in accordance with IAS 34, Interim Financial Reporting. See Note 2 to the Company's 2018 annual audited consolidated financial statements for more information about the significant accounting policies used to prepare the financial statements, as they remain unchanged for the three-month period ended March 31, 2019, except for the changes explained in Sections 9.1 and 9.2.

The key judgments, assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements were disclosed in the Company's 2018 annual audited consolidated financial statements and updated in Section 9.3 below.

### 9.1 NEW STANDARD, AMENDMENTS AND AN INTERPRETATION ADOPTED IN THE THREE-MONTH PERIOD ENDED MARCH 31, 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.

## ADOPTION OF IFRS 16

The Company adopted IFRS 16, *Leases* ("IFRS 16"), on January 1, 2019. Until that date, the Company classified leases as operating or finance leases, in accordance with IAS 17, *Leases* ("IFRS 17"), 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

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
<b>ASSETS</b>				
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
<b>Total assets</b>		<b>\$12,939,692</b>	<b>\$ 487,831</b>	<b>\$13,427,523</b>
<b>LIABILITIES</b>				
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
<b>Total liabilities</b>		<b>9,283,827</b>	<b>513,326</b>	<b>9,797,153</b>
<b>EQUITY</b>				
Retained earnings		1,346,624	(25,495)	1,321,129
Other		2,309,241	-	2,309,241
<b>Total equity</b>		<b>3,655,865</b>	<b>(25,495)</b>	<b>3,630,370</b>
<b>Total liabilities and equity</b>		<b>\$12,939,692</b>	<b>\$ 487,831</b>	<b>\$13,427,523</b>

(a) Includes mainly net investments in subleases.

(b) Lease liabilities have been determined using incremental borrowing rates as at January 1, 2019 (weighted-average rate of 4.15%).

(c) 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.

(d) 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 three-month period ended March 31, 2019, as well as additional disclosures to be provided in the Company's 2019 audited annual consolidated financial statements.

## 9.2 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.

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 \$0.3 million for the three-month period ended March 31, 2018; and ii) a reclassification of certain other corporate selling, general and administrative expenses in segment EBIT of \$5.3 million in the three-month period ended March 31, 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.

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 to achieve consistent and high-performing delivery and to position the Company for responsible growth. This simplification of its market-facing structure, which became effective January 1, 2019, resulted in a change to the Company's reportable segments, which are now: i) Engineering, Design and Project Management ("EDPM"); ii) Infrastructure; iii) Nuclear; iv) Resources; and v) Capital. See Section 6 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 2018 figures.

## 9.3 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.

## 9.4 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.
- › *Definition of Material* (Amendments to IAS 1, *Presentation of Financial Statements*, ["IAS 1"] and to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ["IAS 8"]) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to

“could reasonably be expected to influence”. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

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

## 10 Non-IFRS Financial Measures and Additional IFRS Measures

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

### Performance

**Adjusted diluted earnings per share from E&C (“Adjusted diluted EPS from E&C”)** is defined as the adjusted net income (loss) from E&C, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to [Section 4.3](#) for the reconciliation of adjusted diluted EPS from E&C to net income as determined under IFRS.

**Adjusted EBITDA** is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes charges related to restructuring, right-sizing and other, the acquisition-related costs and integration costs, the net expense for the 2012 class action lawsuits settlement and related legal costs, the GMP equalization expense, as well as the gains (losses) on disposals of E&C businesses and Capital investments. Refer to [Section 4.4](#) for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

**Adjusted net income (loss) from E&C** is defined as net income (loss) attributable to SNC-Lavalin shareholders from E&C, excluding charges related to restructuring, right-sizing and other, acquisition-related costs and integration costs, as well as amortization of intangible assets related to business combinations, impairment of goodwill, the net expense for the 2012 class action lawsuits settlement and related legal costs, the GMP equalization expense, the gains (losses) on disposals of E&C businesses and the impact of U.S corporate tax reform. Adjusted net income (loss) from E&C is a non-IFRS financial measure that is an indicator of the financial performance of the Company's E&C activities. Refer to [Section 4.3](#) for the reconciliation of adjusted net income from E&C to net income as determined under IFRS.

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



**EBIT** is an indicator of the entity's capacity to generate earnings from operations before taking into account management's financing decisions. Accordingly, EBIT is defined as earnings before net financial expenses (income) and income taxes. Refer to [Section 4.4](#) for the reconciliation of EBIT to net income as determined under IFRS.

**EBITDA** is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization. Refer to [Section 4.4](#) for a reconciliation of EBITDA to net income as determined under IFRS.

**Profitability ratio** is defined as revenues less direct cost of activities (excluding overhead costs) divided by revenues.

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

**Segment EBIT** consists of revenues less i) direct cost of activities, ii) directly related selling, general and administrative expenses, and iii) corporate selling, general and administrative expenses that are allocated to segments. Expenses that are not allocated to the Company's segments include: certain corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, gain (loss) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, impairment of goodwill, acquisition-related costs and integration costs, and amortization of intangible assets related to business combinations, the net expense for the 2012 class action lawsuits settlement and related legal costs, and the GMP equalization expense, as well as gains (losses) on disposals of E&C businesses and Capital investments. See reconciliation of Segment EBIT to the most directly comparable IFRS measure in [Section 6](#).

## Liquidity

**Net recourse debt (or Cash net of recourse debt)** corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt. Refer to [Section 7.3](#) for a reconciliation of net recourse debt (or cash net of recourse debt) to cash and cash equivalents as determined under IFRS.

**Net recourse debt to adjusted EBITDA ratio** is defined as net recourse debt, as defined above, divided by the trailing 12-months adjusted EBITDA less interest on limited recourse debt, interest on lease liabilities and depreciation on right-of-use assets. The net debt to adjusted EBITDA ratio is a measure of the Company's leverage and financial capabilities. Refer to [Section 7.3](#) for a reconciliation of net recourse debt to recourse debt as determined under IFRS and to [Section 4.4](#) for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

# 11 Risks and Uncertainties

## PRINCIPAL RISKS AND UNCERTAINTIES

The risk and uncertainties and risk management practices of the Company described in Section 15 of the Company's 2018 annual Management's Discussion and Analysis have not materially changed in the first quarter of 2019, except for the risks identified below.

### CHARGES AND RCMP INVESTIGATIONS

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 purpose of the preliminary inquiry was to determine if there is sufficient evidence to set the matter down for a full trial. Judgement of the court is expected on or after May 29, 2019. Depending on the outcome of the preliminary inquiry, the Company may seek a judicial review of the decision of the Court of Quebec by the Quebec Superior Court. Subject to the outcome of the preliminary inquiry, and of any resulting review, a trial on the Charges may commence in 2019 or 2020.

While the Company remains open and committed to the possibility of negotiating a remediation agreement with the office of the Director of the PPSC, it also has defences to the Charges and will pursue those vigorously in 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 (and an even larger percentage of its annual Canadian 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) would likely have a material adverse effect

on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

## 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 (the "Ontario Class Period"). 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 Action").

The Ontario 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 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,

SNC-Lavalin believes the claims outlined in the Quebec Class Action Motion and the Ontario Action 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 Action, or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation. SNC-Lavalin has directors' and officers' liability insurance insuring individuals against liability for acts or omissions in their capacity as directors and officers, and the Company itself has coverage for such a claim. The amount of coverage under the directors' and officers' policy is limited and such coverage may be less than any amounts the Company is required or determines to pay in connection with these proceedings. If the Company is required or determines to pay an amount in connection with the Class Action Motion or the Ontario Action, such amount could have a material adverse impact on SNC-Lavalin's liquidity and financial results.

## PYRRHOTITE CASE

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 and is expected to be completed in the fall of 2019, may result in reduction of SNC-Lavalin's share of the damages.

## LEGAL PROCEEDING

SNC-Lavalin Inc. and its Chilean subsidiary SNC-Lavalin Chile SpA have commenced arbitration proceedings against Codelco, the Chilean state-owned copper producer to adjudicate certain mutual claims related to the engineering, procurement and construction contract for two 2050 MTPD sulphuric acid plants located at their Chuquicamata smelter site in Calama, Chile. Codelco terminated this contract on March 25, 2019, for reasons SNC-Lavalin is vigorously contesting and has asserted as being unfounded and in bad faith. SNC-Lavalin claims from Codelco certain amounts due under or in connection with the project contract. Codelco has counter-claimed, alleging that SNC-Lavalin is in default under the project contract and is seeking damages. SNC-Lavalin Chile SpA is also in an arbitration process with a key sub-contractor in relation to the same project, which dispute involves claims and counter-claims.

# 12 Quarterly Information

(IN MILLIONS CAD, EXCEPT PER SHARE AMOUNTS)	2019	2018				2017		
	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER
Revenues	<b>2,363.2</b>	2,562.5	2,563.0	2,527.1	2,431.4	2,917.8	2,632.7	1,934.9
EBIT	<b>13.9</b>	(1,584.7)	185.4	109.1	129.8	159.8	181.3	145.3
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	<b>(67.4)</b>	(1,654.3)	76.6	(16.8)	31.5	14.3	29.0	87.4
Net income attributable to SNC-Lavalin shareholders from Capital investments:								
From Highway 407 ETR	<b>41.9</b>	39.2	39.3	38.0	38.0	36.0	36.1	34.8
From other Capital investments	<b>8.1</b>	16.4	4.9	61.9	8.6	2.1	38.5	14.2
Net income (loss) attributable to SNC- Lavalin shareholders	<b>(17.3)</b>	(1,598.7)	120.7	83.0	78.1	52.4	103.6	136.4
Net income (loss) attributable to non- controlling interests	<b>(1.0)</b>	0.0	0.2	0.2	0.2	0.1	(2.4)	(2.0)
Net income (loss)	<b>(18.3)</b>	(1,598.8)	121.0	83.2	78.3	52.5	101.2	134.4
Basic earnings (loss) per share (\$)	<b>(0.10)</b>	(9.11)	0.69	0.47	0.44	0.30	0.59	0.91
Diluted earnings (loss) per share (\$)	<b>(0.10)</b>	(9.11)	0.69	0.47	0.44	0.30	0.59	0.91
Dividend declared per share (\$)	<b>0.100</b>	0.100	0.287	0.287	0.287	0.287	0.273	0.273

## 13 Controls and Procedures

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

### 13.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures, and its internal control over financial reporting, in each case as at March 31, 2019.

As at December 31, 2018, the CEO and the CFO concluded that the Company did not maintain effective controls over the reporting of forecasted costs and revenues of a major project in the Mining & Metallurgy segment. Specifically, the Company's controls over the reporting of estimated costs and related assessment of variable consideration were not operating effectively because project management did not appropriately consider the terms and conditions of the project contract and their impact on the overall project forecast. Additionally, the CEO and the CFO noted that there was no compensating control that detected the control deficiencies on a timely basis. The control deficiencies did not result in any material adjustment to the 2017 annual or 2018 interim consolidated financial statements. However, in light of the overall magnitude of the project these control deficiencies could have resulted in a misstatement to the estimated costs to complete this contract and its related variable consideration resulting in a material misstatement to the interim financial statements that would not be prevented or detected. Accordingly, management determined that these control deficiencies constitute a "material weakness" (as that term is defined in NI 52-109) relating to the operational effectiveness of the Company's internal control over financial reporting as at December 31, 2018 and March 31, 2019.

Furthermore, in light of the substantial overlap in the definitions of disclosure controls and procedures and internal control over financial reporting contained in NI 52-109, the CEO and the CFO have also concluded that this material weakness in the Company's internal control over financial reporting also represented a weakness relating to the operation of the Company's disclosure controls and procedures that was significant and existing as at December 31, 2018 and March 31, 2019, such that there was a reasonable possibility that the Company would not disclose material information required to be disclosed under applicable securities legislation within the time periods specified in such legislation. Accordingly, management could not conclude that the Company's disclosure controls and procedures were effective as at December 31, 2018 and March 31, 2019.

#### **Remedial Measures**

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

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

### 13.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, other than changes resulting from the remedial measures described above and changes resulting from the acquisition of Linxon described below.

The Company acquired Linxon in September 2018. As a result, management's assessment and conclusion on the design of disclosure controls and procedures, and internal control over financial reporting, excludes the controls, policies and procedures of Linxon. Linxon represents 2.6% of revenues, 3.3% of net loss attributable to SNC-Lavalin shareholders and 1.0% of total assets of the consolidated figures reported in the unaudited consolidated financial statements for the first quarter ended March 31, 2019.

## 14 Events After the Reporting Period

### AGREEMENT TO SELL 10.01% INTEREST IN HIGHWAY 407 ETR

On April 5, 2019, SNC-Lavalin announced that it has reached an agreement to sell 10.01% of the shares of 407 International Inc. ("Highway 407 ETR") to Ontario Municipal Employees Retirement System ("OMERS"). Gross proceeds from the sale could reach \$3.25 billion in aggregate, \$3.0 billion payable at the closing date and \$250 million over a period of 10 years, conditional to certain financial thresholds related to the ongoing performance of Highway 407 ETR. As at March 31, 2019, the net book value of SNC-Lavalin's investment in Highway 407 ETR was \$nil.

The transaction is expected to be completed within approximately two months. The sale is subject to certain shareholders' rights, including rights of first refusal, and to customary closing conditions. SNC-Lavalin has been informed that a Highway 407 ETR shareholder may exercise its right of first refusal. If a right of first refusal is properly exercised, OMERS will not be the buyer of the aforementioned tranche of shares of Highway 407 ETR, and SNC-Lavalin will owe OMERS a break fee of 2.5% of the purchase price.

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

### AMENDMENTS TO THE CDPQ LOAN

Concurrently to reaching the agreement to sell 10.01% of the shares of Highway 407 ETR, the Company and CDPQ have renegotiated certain terms of the CDPQ Loan, which include, among others, the following amendments:

- › modification of the covenant to align it with the amendment made to the Credit Agreement in 2018 and delay the application of such covenant from March 31, 2019 to June 30, 2019;
- › following the expected disposal of 10.01% of the shares of Highway 407 ETR, 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.