SNC · LAVALIN

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Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three-month period ended
March 31, 2020 and 2019

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	MARCH 31 2020	DECEMBER 31 2019
ASSETS			
Current assets			
Cash and cash equivalents		$ 2,102,324	$ 1,188,636
Restricted cash		7,644	34,118
Trade receivables		1,526,976	1,533,442
Contract assets		1,976,312	1,755,325
Inventories		59,459	84,888
Other current financial assets		265,854	222,308
Other current non-financial assets		318,400	331,375
Total current assets		6,256,969	5,150,092
Property and equipment		487,437	470,630
Right-of-use assets		439,621	438,787
Capital investments accounted for by the equity method	4	420,264	399,539
Capital investments accounted for by the cost method	4	9,729	8,107
Goodwill		3,553,929	3,429,094
Intangible assets related to business combinations		636,380	665,598
Deferred income tax asset		559,494	520,451
Non-current portion of receivables under service concession arrangements		373,047	352,987
Other non-current financial assets		53,763	115,941
Other non-current non-financial assets		225,752	93,498
Total assets		$ 13,016,385	$ 11,644,724
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		$ 2,280,748	$ 2,153,520
Contract liabilities		924,309	889,953
Other current financial liabilities		329,178	287,716
Other current non-financial liabilities		352,600	383,200
Current portion of provisions		292,292	289,227
Current portion of lease liabilities		134,238	131,075
Short-term debt and current portion of long-term debt:			
Recourse		1,469,618	299,518
Non-recourse		74,959	93,664
Total current liabilities		5,857,942	4,527,873
Long-term debt:			
Recourse		698,541	873,145
Limited recourse		400,000	400,000
Non-recourse		389,907	391,454
Other non-current financial liabilities		192,924	232,569
Non-current portion of provisions		384,982	672,096
Non-current portion of lease liabilities		471,545	480,675
Other non-current non-financial liabilities		589	551
Deferred income tax liability		428,807	348,934
Total liabilities		8,825,237	7,927,297
Equity			
Share capital		1,805,080	1,805,080
Retained earnings		1,869,065	1,555,853
Other components of equity	8	509,690	354,073
Equity attributable to SNC-Lavalin shareholders		4,183,835	3,715,006
Non-controlling interests		7,313	2,421
Total equity		4,191,148	3,717,427
Total liabilities and equity		$ 13,016,385	$ 11,644,724

See accompanying notes to interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2020

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 8)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of the period	**175,554**	**$ 1,805,080**	**$ 1,555,853**	**$ 354,073**	**$ 3,715,006**	**$ 2,421**	**$ 3,717,427**
Net income (loss) for the period	**—**	**—**	**(65,964)**	**—**	**(65,964)**	**3,424**	**(62,540)**
Other comprehensive income for the period	**—**	**—**	**382,687**	**155,617**	**538,304**	**1,456**	**539,760**
Total comprehensive income for the period	**—**	**—**	**316,723**	**155,617**	**472,340**	**4,880**	**477,220**
Dividends declared (Note 7)	**—**	**—**	**(3,511)**	**—**	**(3,511)**	**—**	**(3,511)**
Capital contributions by non-controlling interests	**—**	**—**	**—**	**—**	**—**	**12**	**12**
Balance at end of the period	**175,554**	**$ 1,805,080**	**$ 1,869,065**	**$ 509,690**	**$ 4,183,835**	**$ 7,313**	**$ 4,191,148**

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2019

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 8)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of the period	175,554	$ 1,805,080	$ 1,346,624	$ 499,199	$ 3,650,903	$ 4,962	$ 3,655,865
Transitional adjustments on adoption of a new accounting standard	—	—	(25,495)	—	(25,495)	—	(25,495)
Adjusted balance at beginning of the period	175,554	1,805,080	1,321,129	499,199	3,625,408	4,962	3,630,370
Net loss for the period	—	—	(17,305)	—	(17,305)	(1,011)	(18,316)
Other comprehensive income (loss) for the period	—	—	(39,876)	(101,680)	(141,556)	1,928	(139,628)
Total comprehensive income (loss) for the period	—	—	(57,181)	(101,680)	(158,861)	917	(157,944)
Dividends declared (Note 7)	—	—	(17,555)	—	(17,555)	—	(17,555)
Capital contributions by non-controlling interests	—	—	—	—	—	31	31
Balance at end of the period	175,554	$ 1,805,080	$ 1,246,393	$ 397,519	$ 3,448,992	$ 5,910	$ 3,454,902

See accompanying notes to interim condensed consolidated financial statements

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT LOSS PER SHARE AND NUMBER OF SHARES)		THREE MONTHS ENDED MARCH 31	
	Note	**2020**	2019
Revenues from:			
PS&PM [1]		**$ 2,183,242**	$ 2,291,016
Capital investments accounted for by the consolidation or cost methods		**10,840**	12,970
Capital investments accounted for by the equity method		**35,402**	59,207
		2,229,484	2,363,193
Direct costs of activities		**2,130,170**	2,264,500
Total segment EBIT [2]		**99,314**	98,693
Corporate selling, general and administrative expenses		**36,785**	6,244
Impairment loss arising from expected credit losses		**1,000**	359
Loss arising on financial assets (liabilities) at fair value through profit or loss		**61,937**	11,136
Restructuring costs		**2,406**	10,367
Amortization of intangible assets related to business combinations		**40,456**	51,545
Acquisition-related costs and integration costs		**—**	5,058
Loss from adjustment on disposals of PS&PM businesses		**—**	83
EBIT [2]		**(43,270)**	13,901
Financial expenses	5	**37,105**	58,223
Financial income and foreign exchange losses (gains)	5	**(5,558)**	(5,801)
Loss before income taxes		**(74,817)**	(38,521)
Income taxes		**(12,277)**	(20,205)
Net loss for the period		**$ (62,540)**	$ (18,316)
Net income (loss) attributable to:			
SNC-Lavalin shareholders		**$ (65,964)**	$ (17,305)
Non-controlling interests		**3,424**	(1,011)
Net loss for the period		**$ (62,540)**	$ (18,316)
Loss per share (in $)			
Basic		**$ (0.38)**	$ (0.10)
Diluted		**$ (0.38)**	$ (0.10)
Weighted average number of outstanding shares (in thousands)	6		
Basic		**175,554**	175,554
Diluted		**175,554**	175,554

(1) Professional Services & Project Management (“PS&PM”) (previously “E&C”)

(2) Earnings before interest and taxes (“EBIT”)

See accompanying notes to interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2020		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income (loss) for the period	$ (65,964)	$ 3,424	$ (62,540)
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 8)	167,026	546	167,572
Cash flow hedges (Note 8)	(9,177)	910	(8,267)
Share of other comprehensive loss of investments accounted for by the equity method (Note 8)	(2,481)	—	(2,481)
Income taxes (Note 8)	249	—	249
Total of items that will be reclassified subsequently to net income	155,617	1,456	157,073
Equity instruments designated at fair value through other comprehensive income (Note 8)	527	—	527
Income taxes (Note 8)	16	—	16
Remeasurement of defined benefit plans (Note 8)	462,448	—	462,448
Income taxes (Note 8)	(78,915)	—	(78,915)
Share of other comprehensive loss of investments accounted for by the equity method (Note 8)	(1,389)	—	(1,389)
Total of items that will not be reclassified subsequently to net income	382,687	—	382,687
Total other comprehensive income for the period	538,304	1,456	539,760
Total comprehensive income for the period	$ 472,340	$ 4,880	$ 477,220

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2019		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net loss for the period	$ (17,305)	$ (1,011)	$ (18,316)
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 8)	(93,765)	(118)	(93,883)
Cash flow hedges (Note 8)	(8,000)	2,046	(5,954)
Share of other comprehensive loss of investments accounted for by the equity method (Note 8)	(1,324)	—	(1,324)
Income taxes (Note 8)	1,409	—	1,409
Total of items that will be reclassified subsequently to net income	(101,680)	1,928	(99,752)
Equity instruments designated at fair value through other comprehensive income (Note 8)	22	—	22
Income taxes (Note 8)	19	—	19
Remeasurement of defined benefit plans (Note 8)	(48,195)	—	(48,195)
Income taxes (Note 8)	8,278	—	8,278
Total of items that will not be reclassified subsequently to net income	(39,876)	—	(39,876)
Total other comprehensive income (loss) for the period	(141,556)	1,928	(139,628)
Total comprehensive income (loss) for the period	$ (158,861)	$ 917	$ (157,944)

See accompanying notes to interim condensed consolidated financial statements

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THREE MONTHS ENDED MARCH 31	
	Note	**2020**	2019
Operating activities			
Net loss for the period		**$ (62,540)**	$ (18,316)
Income taxes received (paid)		**(34,570)**	2,648
Interest paid from PS&PM		**(24,673)**	(59,732)
Interest paid from Capital investments		**(7,505)**	(8,681)
Other reconciling items	9A	**150,208**	(1,868)
		20,920	(85,949)
Net change in non-cash working capital items	9B	**2,434**	(162,906)
Net cash generated from (used for) operating activities		**23,354**	(248,855)
Investing activities			
Acquisition of property and equipment		**(24,189)**	(33,287)
Payments for Capital investments		**(46,832)**	(9,967)
Net cash inflow on acquisition of businesses	13	**—**	3,619
Change in restricted cash position		**26,612**	(44,473)
Increase in receivables under service concession arrangements		**(35,356)**	(37,468)
Recovery of receivables under service concession arrangements		**15,954**	9,498
Proceeds from disposal of property and equipment [(1)]		**8,784**	11,146
Other [(1)]		**(1,551)**	(13,431)
Net cash used for investing activities		**(56,578)**	(114,363)
Financing activities			
Increase in debt	9C	**1,003,702**	662,766
Repayment of debt and payment for debt issue costs	9C	**(30,433)**	(266,595)
Payment of lease liabilities	9C	**(30,002)**	(30,235)
Dividends paid to SNC-Lavalin shareholders	7, 9C	**(3,511)**	(17,555)
Other	9C	**(381)**	(2,292)
Net cash generated from financing activities		**939,375**	346,089
Increase (decrease) from exchange differences on translating cash and cash equivalents		**7,537**	(2,105)
Net increase (decrease) in cash and cash equivalents		**913,688**	(19,234)
Cash and cash equivalents at beginning of period		**1,188,636**	634,084
Cash and cash equivalents at end of period		**$ 2,102,324**	$ 614,850

(1) In the three-month period ended March 31, 2019, “Proceeds from disposal of property and equipment” of $11.1 million were included in “Other” in investing activities.

See accompanying notes to interim condensed consolidated financial statements

Notes to Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS

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

Founded in 1911, SNC-Lavalin is a fully integrated professional services and project management company with offices around the world. SNC-Lavalin connects people, technology and data to help shape and deliver world-leading concepts and projects, while offering comprehensive innovative solutions across the asset lifecycle.

The Company reports its revenues as follows:

- **Professional Services & Project Management** ("**PS&PM**", formerly referred to as E&C, or engineering & construction) includes contracts generating revenues related mainly to consulting and advisory, intelligent networks and cybersecurity, design and engineering, procurement, project and construction management, operations & maintenance ("O&M"), decommissioning and sustaining capital. It also includes revenues from lump-sum turnkey construction contracts, for which the Company ceased to bid in July 2019, except for certain repetitive engineering, procurement and construction ("EPC") offerings that are lower-risk, standardized solutions.
- **Capital investments** include SNC-Lavalin's investments in infrastructure concessions for public services such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals).

In these interim condensed consolidated financial statements of the Company ("financial statements"), activities related to PS&PM are collectively referred to as "from PS&PM" or "excluding Capital investments" to distinguish them from activities related to the Capital investments.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The International Financial Reporting Standards ("IFRS") accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2019 were consistently applied to all periods presented.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company's annual audited consolidated financial statements for the year ended December 31, 2019 and are updated in theses financial statements.

In late December 2019, a disease arising from a novel coronavirus ("COVID-19") was identified as originating in Wuhan, the capital of the Hubei Province of China. Subsequently, it spread globally and on March 11, 2020, the World Health Organization declared it was a pandemic.

The COVID-19 pandemic has significantly disrupted global health, economic and market conditions, which has triggered an indeterminate period of slowdown in the global economy and recessions. The full impact of the COVID-19 pandemic, including the impact of the preventative and mitigation measures that the Company, other businesses and governments worldwide are taking to combat the spread of the disease, continues to rapidly evolve and the pandemic continues to have material adverse repercussions in the jurisdictions where the Company has offices, delivers services and holds investments, and it continues creating significant volatility and negative pressure on virtually all national economies as well as financial markets.

2. BASIS OF PREPARATION (CONTINUED)

The impact of the COVID-19 pandemic on the main areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, for the preparation of the Company's financial statements are:

- Impairment of non-financial assets (including goodwill):
    - The Company considered the potential impacts of the COVID-19 pandemic as part of its review of impairment indicators for long-lived assets, notably the estimated repercussions of the COVID-19 pandemic on the worldwide economy, the Company's main markets (including the jurisdictions where the Company has offices, delivers services and holds investments), its partners, its workforce and its customers. The Company performed a number of scenario analyses using various underlying assumptions related to the COVID-19 pandemic, and determined that no impairment loss related to such assets should be recognized as at March 31, 2020.

      As part of its assessment, the Company conducted an impairment test on the carrying amount of goodwill associated to its EDPM cash-generating unit ("CGU") as at March 31, 2020, which amounted to $2,725.1 million, in order to determine the estimated impact of the COVID-19 pandemic. The recoverable amount of this CGU, based on a terminal growth rate of 2.5% and a discount rate of 9.8%, exceeded its carrying amount by approximately $245 million as at that date. Assuming all other assumptions remained the same, a 65-basis point decrease in the terminal growth rate or a 50-basis point increase in the discount rate would have caused the EDPM CGU's carrying amount to be comparable to its recoverable amount as at March 31, 2020.
- Revenue recognition:
    - The Company considered the potential impacts of the COVID-19 pandemic on the amount of revenue recognized in the first quarter of 2020. While numerous variables having an impact on revenue recognition are, or could be, affected by the COVID-19 pandemic, such as limitations or suspensions of certain business operations throughout the world, the inability to execute work on certain sites for, in certain cases, indeterminate periods of time and the delays resulting therefrom, unavailability of labor and supply chain disruptions, the vast majority of the Company's projects and engineering services operations were not significantly impacted by the COVID-19 pandemic in the first quarter of 2020. Also, many of the contracts that underpin the Company's major revenue generating projects or services contain *force majeure* relief clauses or similar clauses, that are expected to be triggered by the occurrence of, and apply to, the COVID-19 pandemic, which clauses may, among other things, grant an extension of time to complete a given project or service or allow compensation for certain costs in certain circumstances, or both.

      Given the uncertainties related to the evolution, duration and scope of the COVID-19 pandemic, no amount of anticipated incremental revenues (or decline thereof) and costs have been included in the forecast of performance obligations satisfied over time using the input method, unless such figures can be estimated with reasonable assurance based on facts and circumstances that existed at the time of the estimate.

      Overall, there was no material impact from the COVID-19 pandemic on revenue recognized by the Company in the first quarter of 2020.
- Allowance for expected credit losses:
    - The Company included the estimated potential impact of the COVID-19 pandemic in its quarterly analysis of expected credit losses performed as at March 31, 2020. Such analysis incorporated estimates of potential credit losses, including delays in collection, stemming from the inability of customers to honor their debt or other financial obligations owing to the Company on a timely basis due to a deterioration of their financial situation. The Company applied judgment based on the type of customers – many of which are governmental bodies or large corporations – the segments in which such customers operate, the geographic location of the relevant project or the customer and other indicators that could lead to currently unidentified credit losses. Additionally, the Company reviewed the current conditions as to delay of payments by its customers compared to historical data. Based on such review, SNC-Lavalin increased its loss allowance for expected credit losses by $ 1.0 million as at March 31, 2020.

2. BASIS OF PREPARATION (CONTINUED)

- Fair value measurement:
  - The Company measures some of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When data are not readily available, management is required to estimate the fair value of the financial instrument using various inputs that are either directly or indirectly observable, or that are not based on observable market data. Most of the Company's financial instruments measured at fair value, such as cash and cash equivalents, restricted cash, derivatives, certain investments in equity instruments and pension plan assets, are based on the most readily available market data; therefore, the Company determined that there is no impact related to the measurement of such financial instruments as at March 31, 2020.

    The Company also accounts for financial instruments classified in the category "Level 3" of the hierarchy of fair value, including the contingent consideration receivable from the acquirer of the 10.01% interest in 407 International Inc. ("Highway 407 ETR"). The value of this receivable was reduced to $nil due to the lower actual and expected traffic and lower associated revenues as a result of COVID-19 impacts, as the underlying payments by the acquirer are conditioned on the attainment of certain cumulative financial thresholds related to the performance of Highway 407 ETR.

    See note 11 for additional disclosures on the Company's Level 3 financial instruments.
- Hedging relationships:
  - For its cash flow hedges, the Company assessed whether a forecast transaction that is the subject of a hedge is still highly probable as at March 31, 2020 due to the impacts of the COVID-19 pandemic and related limitations or suspensions of business operations worldwide imposed by many countries/regions. Based on such assessment, the Company determined that the majority of such forecast transactions are still highly probable as at March 31, 2020 and that there is no need to prospectively discontinue the application of the cash flow hedge accounting for such transactions.
- Recoverability of deferred income tax asset:
  - The Company reviewed its assumptions related to the recovery of deferred income tax assets from future taxable income, both in terms of amount and timing, in view of the anticipated impact of the COVID-19 pandemic. Based on such review, the Company concluded that there was no significant negative impact on the carrying value of its deferred income tax assets as at March 31, 2020.

The management of the Company has made above-mentioned judgments, estimates and assumptions about the future based on the facts and circumstances available at the time such estimates were made. The management of the Company used historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining such estimates. The outcomes of such judgments, estimates and assumptions are highly uncertain. Importantly, the impacts of the COVID-19 pandemic significantly exacerbate such level of uncertainty, notably because of its unknown effect on the overall economy, financial markets, specific industries and geographic regions. Any change to estimates and assumptions that were used could result in a material impact, including a material adverse impact, on the Company's consolidated interim condensed financial statements.

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

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

2. BASIS OF PREPARATION (CONTINUED)

These financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2019 annual audited consolidated financial statements.

These financial statements were authorized for issue by the Board of Directors of the Company on May 6, 2020.

B) NEW AMENDMENTS ADOPTED IN THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

The following amendments to existing standards have been adopted by the Company on January 1, 2020:

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

The amendments listed above did not have a significant impact on the Company's financial statements.

C) CHANGE IN PRESENTATION

The Company's new strategic direction adopted for the second quarter of 2019 resulted in the restructuring of its activities into two distinct business lines, SNCL Engineering Services and SNCL Projects. From a segmented information stand-point, this change resulted in the split of the Infrastructure segment into two segments, Infrastructure Services and Infrastructure EPC Projects, all other segments remaining the same. As such, the Company's reportable segments are EDPM, Nuclear, Infrastructure Services and Capital, all part of SNCL Engineering Services, and Resources and Infrastructure EPC projects, which form SNCL Projects.

These changes were made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior figures (see Note 3).

D) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments to a standard have been issued and are applicable to the Company for its annual periods beginning on January 1, 2022 and thereafter, with an earlier application permitted:

- Amendments to IAS 1, *Presentation of Financial Statements*, clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

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

3. SEGMENT DISCLOSURES

The following table presents revenues and segment EBIT according to the Company's segments for the three-month periods ended March 31, 2020 and 2019:

THREE MONTHS ENDED MARCH 31	2020				2019 (1)			
		SEGMENT EBIT				SEGMENT EBIT		
	REVENUES	PS&PM	CAPITAL	TOTAL	REVENUES	PS&PM	CAPITAL	TOTAL
EDPM	**$ 945,148**	**$ 57,535**	**$ —**	**$ 57,535**	$ 982,955	$ 80,229	$ —	$ 80,229
Nuclear	**236,934**	**36,699**	**—**	**36,699**	223,694	10,792	—	10,792
Infrastructure Services	**352,687**	**17,298**	**—**	**17,298**	235,362	9,759	—	9,759
Capital	**46,242**	**—**	**42,028**	**42,028**	72,177	—	65,399	65,399
SNCL Engineering Services	**1,581,011**	**111,532**	**42,028**	**153,560**	1,514,188	100,780	65,399	166,179
Resources	**426,204**	**(58,014)**	**—**	**(58,014)**	585,232	(61,398)	—	(61,398)
Infrastructure EPC Projects	**222,269**	**3,768**	**—**	**3,768**	263,773	(6,088)	—	(6,088)
SNCL Projects	**648,473**	**(54,246)**	**—**	**(54,246)**	849,005	(67,486)	—	(67,486)
	$ 2,229,484				$ 2,363,193			
Total segment EBIT		**57,286**	**42,028**	**99,314**		33,294	65,399	98,693
Corporate selling, general and administrative expenses not allocated to the segments		**(29,736)**	**(7,049)**	**(36,785)**		1,736	(7,980)	(6,244)
Impairment loss arising from expected credit losses		**(1,000)**	**—**	**(1,000)**		(359)	—	(359)
Loss arising on financial assets (liabilities) at fair value through profit or loss		**(4,730)**	**(57,207)**	**(61,937)**		(11,136)	—	(11,136)
Restructuring costs		**(2,406)**	**—**	**(2,406)**		(8,005)	(2,362)	(10,367)
Acquisition-related costs and integration costs		**—**	**—**	**—**		(5,058)	—	(5,058)
Amortization of intangible assets related to business combinations		**(40,456)**	**—**	**(40,456)**		(51,545)	—	(51,545)
Loss from adjustment on disposals of PS&PM businesses		**—**	**—**	**—**		(83)	—	(83)
EBIT		**(21,042)**	**(22,228)**	**(43,270)**		(41,156)	55,057	13,901
Net financial expenses (Note 5)		**27,234**	**4,313**	**31,547**		48,098	4,324	52,422
Earnings (loss) before income taxes		**(48,276)**	**(26,541)**	**(74,817)**		(89,254)	50,733	(38,521)
Income taxes		**(5,775)**	**(6,502)**	**(12,277)**		(20,888)	683	(20,205)
Net income (loss) for the period		**$ (42,501)**	**$ (20,039)**	**$ (62,540)**		$ (68,366)	$ 50,050	$ (18,316)
Net income (loss) attributable to:								
SNC-Lavalin shareholders		**$ (45,925)**	**$ (20,039)**	**$ (65,964)**		$ (67,355)	$ 50,050	$ (17,305)
Non-controlling interests		**3,424**	**—**	**3,424**		(1,011)	—	(1,011)
Net income (loss) for the period		**$ (42,501)**	**$ (20,039)**	**$ (62,540)**		$ (68,366)	$ 50,050	$ (18,316)

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

3. SEGMENT DISCLOSURES (CONTINUED)

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

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

THREE MONTHS ENDED MARCH 31	**2020**	2019
Supplementary information:		
Net loss from adjustment on disposals of PS&PM businesses	**$ —**	$ (83)
Excluding the item listed above	**(45,925)**	(67,272)
Net loss attributable to SNC-Lavalin shareholders from PS&PM	**(45,925)**	(67,355)
Net loss arising on contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR	**(49,627)**	—
Highway 407 ETR dividends	**21,138**	41,935
Excluding the items listed above	**8,450**	8,115
Net income (loss) attributable to SNC-Lavalin shareholders from Capital	**(20,039)**	50,050
Net loss attributable to SNC-Lavalin shareholders for the period	**$ (65,964)**	$ (17,305)

The following table presents revenues by geographic area according to project location:

THREE MONTHS ENDED MARCH 31		**2020**			2019	
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	**$ 591,110**	**$ 35,146**	**$ 626,256**	$ 615,926	$ 61,166	$ 677,092
United States	**424,530**	**1,275**	**425,805**	434,986	3,944	438,930
Latin America	**32,272**	**—**	**32,272**	70,017	—	70,017
Middle East and Africa:						
Saudi Arabia	**162,910**	**—**	**162,910**	234,004	—	234,004
Other Middle East countries	**171,660**	**2,413**	**174,073**	210,027	6,320	216,347
Africa	**86,676**	**6,133**	**92,809**	64,716	6,347	71,063
Asia Pacific:						
Australia	**28,457**	**—**	**28,457**	56,913	—	56,913
Other	**81,692**	**2**	**81,694**	51,616	5	51,621
Europe:						
United Kingdom	**493,281**	**1,743**	**495,024**	468,150	1,299	469,449
Other	**110,184**	**—**	**110,184**	77,757	—	77,757
	$ 2,182,772	**$ 46,712**	**$ 2,229,484**	$ 2,284,112	$ 79,081	$ 2,363,193

In the three-month periods ended March 31, 2020 and 2019, Canada, the United States and the United Kingdom were the only countries where the Company derived more than 10% of its revenues.

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues by type of contracts:

THREE MONTHS ENDED MARCH 31				2020				2019 [1]
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
EDPM	**$ 943,385**	**$ —**	**$ —**	**$ 943,385**	$ 981,644	$ —	$ —	$ 981,644
Nuclear	**231,408**	**—**	**4,004**	**235,412**	219,237	—	1,076	220,313
Infrastructure Services	**207,272**	**145,415**	**—**	**352,687**	161,342	74,020	—	235,362
Revenue from contracts with customers – SNCL Engineering Services, excluding Capital	**1,382,065**	**145,415**	**4,004**	**1,531,484**	1,362,223	74,020	1,076	1,437,319
Resources	**331,710**	**—**	**92,346**	**424,056**	346,994	—	231,574	578,568
Infrastructure EPC Projects	**—**	**—**	**222,269**	**222,269**	—	—	263,561	263,561
Revenue from contracts with customers – SNCL Projects	**331,710**	**—**	**314,615**	**646,325**	346,994	—	495,135	842,129
	$ 1,713,775	**$ 145,415**	**$ 318,619**	**$ 2,177,809**	$ 1,709,217	$ 74,020	$ 496,211	$ 2,279,448
Revenue from PS&PM investments accounted for by the equity method				**5,433**				11,568
Revenue from contracts with customers – Capital segment				**4,963**				4,664
Other revenue – Capital segment				**41,279**				67,513
				$ 2,229,484				$ 2,363,193

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

4. CAPITAL INVESTMENTS

SNC-Lavalin makes investments in infrastructure concessions for public services such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals).

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

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

IN THE THREE MONTH PERIOD ENDED MARCH 31, 2019

TRANSITNEXT GENERAL PARTNERSHIP

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

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

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

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

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

B) NET BOOK VALUE AND DESCRIPTIONS OF CAPITAL INVESTMENTS

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

		MARCH 31 2020		DECEMBER 31 2019
Net liabilities from Capital investments accounted for by the consolidation method	**$**	**(28,843)**	$	(51,620)
Net book value of Capital investments accounted for by the equity method [(1)]		**420,264**		399,539
Net book value of Capital investments accounted for by the cost method		**9,729**		8,107
Total net book value of Capital investments	**$**	**401,150**	$	356,026

(1) Includes the Company's investment in Highway 407 ETR, for which the net book value was $nil as at March 31, 2020 and December 31, 2019

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group, subject to certain conditions. Such commitment to invest amounted to US$89.3 million (approximately CA$129.5 million) as at March 31, 2020 (December 31, 2019: US$89.3 million [approximately CA$117.2 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

5. NET FINANCIAL EXPENSES

THREE MONTHS ENDED MARCH 31	2020			2019		
	FROM PS&PM	FROM CAPITAL INVESTMENTS	TOTAL	FROM PS&PM	FROM CAPITAL INVESTMENTS	TOTAL
Interest on debt:						
Recourse	**$ 11,385**	**$ —**	**$ 11,385**	$ 25,352	$ —	$ 25,352
Limited recourse	**4,954**	**—**	**4,954**	18,570	—	18,570
Non-recourse	**1,224**	**4,309**	**5,533**	1,270	4,254	5,524
Interest on lease liabilities	**5,887**	**3**	**5,890**	5,863	—	5,863
Other	**9,343**	**—**	**9,343**	2,914	—	2,914
Financial expenses	**32,793**	**4,312**	**37,105**	53,969	4,254	58,223
Financial income	**(4,507)**	**(10)**	**(4,517)**	(1,733)	(19)	(1,752)
Net foreign exchange losses (gains)	**(1,052)**	**11**	**(1,041)**	(4,138)	89	(4,049)
Financial income and net foreign exchange losses (gains)	**(5,559)**	**1**	**(5,558)**	(5,871)	70	(5,801)
Net financial expenses	**$ 27,234**	**$ 4,313**	**$ 31,547**	$ 48,098	$ 4,324	$ 52,422

6. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the first quarters ended March 31, 2020 and 2019 used to calculate the basic and diluted earnings (loss) per share were as follows:

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS)	2020	2019
Weighted average number of outstanding shares – basic	**175,554**	175,554
Dilutive effect of stock options	**—**	—
Weighted average number of outstanding shares – diluted	**175,554**	175,554

No dilutive effect of stock options has been calculated in the three-month period ended March 31, 2020 as no stock options were outstanding during that period. In the three-month period ended March 31, 2019, 260,866 outstanding stock options have not been included in the computation of diluted loss per share because they were anti-dilutive.

7. DIVIDENDS

During the three-month period ended March 31, 2020, the Company recognized as distributions to its equity shareholders dividends of $3.5 million or $0.02 per share (2019: $17.6 million or $0.10 per share).

THREE MONTHS ENDED MARCH 31	2020	2019
Dividends payable at January 1	**$ —**	$ —
Dividends declared during the period	**3,511**	17,555
Dividends paid during the period	**(3,511)**	(17,555)
Dividends payable at March 31	**$ —**	$ —

8. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at March 31, 2020 and December 31, 2019:

		MARCH 31 2020		DECEMBER 31 2019
Exchange differences on translating foreign operations	$	532,626	$	365,600
Cash flow hedges		(21,237)		(11,652)
Share of other comprehensive income (loss) of investments accounted for by the equity method		(1,699)		125
Other components of equity	$	509,690	$	354,073

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

8. OTHER COMPONENTS OF EQUITY (CONTINUED)

A) ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

The following table provides a reconciliation of each element of other components of equity for the first quarters ended March 31, 2020 and 2019:

THREE MONTHS ENDED MARCH 31	**2020**	2019
Exchange differences on translating foreign operations:		
Balance at beginning of the period	**$ 365,600**	$ 505,297
Current period gains (losses)	**164,644**	(83,926)
Net investment hedge – current period gains (losses)	**2,382**	(9,839)
Balance at end of the period	**532,626**	411,532
Cash flow hedges:		
Balance at beginning of the period	**(11,652)**	(7,989)
Current period gains (losses)	**417**	(1,321)
Income taxes relating to current period gains (losses)	**1,287**	1,429
Reclassification to net income	**(9,594)**	(6,679)
Income taxes relating to amounts reclassified to net income	**(1,695)**	(370)
Balance at end of the period	**(21,237)**	(14,930)
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of the period	**125**	1,891
Current period share	**(2,481)**	(1,324)
Income taxes relating to current period share	**657**	350
Balance at end of the period	**(1,699)**	917
Other components of equity	**$ 509,690**	$ 397,519

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

Remeasurement recognized in other comprehensive income

The following table provides changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the first quarters ended March 31, 2020 and 2019:

THREE MONTHS ENDED MARCH 31	**2020**			2019		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (49,588)**	**$ 6,184**	**$ (43,404)**	$ 5,756	$ (2,050)	$ 3,706
Gains (losses) recognized during the period	**462,448**	**(78,915)**	**383,533**	(48,195)	8,278	(39,917)
Cumulative amount at end of period	**$ 412,860**	**$ (72,731)**	**$ 340,129**	$ (42,439)	$ 6,228	$ (36,211)

Equity instruments designated at fair value through other comprehensive income

The following table provides changes in fair value of the equity instruments designated at fair value through other comprehensive income for the first quarters ended March 31, 2020 and 2019:

THREE MONTHS ENDED MARCH 31	**2020**			2019		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (2,035)**	**$ 65**	**$ (1,970)**	$ (1)	$ 49	$ 48
Gains (losses) recognized during the period	**527**	**16**	**543**	22	19	41
Cumulative amount at end of period	**$ (1,508)**	**$ 81**	**$ (1,427)**	$ 21	$ 68	$ 89

8. OTHER COMPONENTS OF EQUITY (CONTINUED)

Share of other comprehensive income (loss) of investments accounted for by the equity method

The following table provides the Company's share of changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income by the Company's investments accounted for by the equity method relating to their defined benefit plans for the first quarters ended March 31, 2020 and 2019:

THREE MONTHS ENDED MARCH 31	**2020**			2019		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	**$ (2,234)**	**$ —**	**$ (2,234)**	$ —	$ —	$ —
Gains (losses) recognized during the period	**(1,389)**	**—**	**(1,389)**	—	—	—
Cumulative amount at end of period	**$ (3,623)**	**$ —**	**$ (3,623)**	$ —	$ —	$ —

9. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

THREE MONTHS ENDED MARCH 31	**2020**	2019
Depreciation of property and equipment and amortization of other non-current non-financial assets	**$ 66,956**	$ 80,265
Depreciation of right-of-use assets	**26,696**	26,999
Income taxes recognized in net income	**(12,277)**	(20,205)
Net financial expenses recognized in net income (Note 5)	**31,547**	52,422
Share-based recovery	**(2,000)**	(1,322)
Income from Capital investments accounted for by the equity method	**(35,402)**	(59,207)
Dividends and distributions received from Capital investments accounted for by the equity method	**24,361**	43,614
Income from PS&PM investments accounted for by the equity method	**(5,433)**	(11,568)
Dividends and distributions received from PS&PM investments accounted for by the equity method	**984**	2,753
Net change in provisions related to forecasted losses on certain contracts	**(8,726)**	(86,339)
Restructuring costs recognized in net income	**2,406**	10,367
Restructuring costs paid	**(31,032)**	(21,433)
Loss from adjustment on disposals of PS&PM businesses	**—**	83
Loss arising on financial assets (liabilities) at fair value through profit or loss [1]	**61,937**	11,136
Other [1]	**30,191**	(29,433)
Other reconciling items	**$ 150,208**	$ (1,868)

(1) In the three-month period ended March 31, 2019, "Loss arising on financial assets (liabilities) at fair value through profit or loss" of $11.1 million was included in "Other".

9. STATEMENTS OF CASH FLOWS (CONTINUED)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

THREE MONTHS ENDED MARCH 31	**2020**	2019
Decrease in trade receivables	**$ 46,843**	$ 69,355
Increase in contract assets	**(178,059)**	(226,083)
Decrease (increase) in inventories	**29,481**	(18,521)
Increase in other current financial assets	**(25,236)**	(17,008)
Decrease in other current non-financial assets	**21,363**	24,597
Increase in trade payables	**53,481**	20,826
Increase (decrease) in contract liabilities	**31,526**	(33,913)
Increase in other current financial liabilities	**39,226**	70,813
Decrease in other current non-financial liabilities	**(16,191)**	(52,972)
Net change in non-cash working capital items	**$ 2,434**	$ (162,906)

C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the three-month period ended March 31, 2020:

	Recourse debt [(1)]	Limited recourse debt	Non-recourse debt [(2)]	Lease liabilities [(3)]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [(4)]	Other non-current non-financial liabilities [(4)]
Balance at January 1, 2020	$ 1,172,663	$ 400,000	$ 485,118	$ 611,750	$ —	$ 232,569	$ 551
Changes arising from cash flows:							
Increase	1,000,000	—	3,702	—	—	2,739	86
Repayment	—	—	(30,433)	(30,002)	(3,511)	(3,178)	(28)
Total – changes arising from cash flows	1,000,000	—	(26,731)	(30,002)	(3,511)	(439)	58
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	3,511	—	—
Effect of foreign currency exchange differences	—	—	5,889	11,097	—	1,783	(20)
Amortization of deferred financing costs and discounts and increase from the passage of time	885	—	590	—	—	2,075	—
Loss on derivatives used for hedges	—	—	—	—	—	11,344	—
Reclassification of deferred financing costs from "Other current non-financial assets" and "Other non-current non-financial assets" upon increase of Revolving Facility	(5,389)	—	—	—	—	—	—
Net increase in lease liabilities	—	—	—	12,938	—	—	—
Reclassification of payable related to Federal charges settlement (PPSC) to "Other current financial liabilities"	—	—	—	—	—	(54,408)	—
Balance at March 31, 2020	**$ 2,168,159**	**$ 400,000**	**$ 464,866**	**$ 605,783**	**$ —**	**$ 192,924**	**$ 589**

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

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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

THREE MONTHS ENDED MARCH 31	2020		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	$ 1,000,000	$ —	$ —
Total – Recourse debt	**1,000,000**	**—**	**—**
Non-recourse debt:			
Credit facility – InPower BC General Partnership	—	(20,430)	—
Senior Bonds – InPower BC General Partnership	—	(8,156)	—
Credit facility – TransitNEXT General Partnership	3,702	—	—
Senior Secured Notes of a PS&PM investment	—	(1,847)	—
Total – Non-recourse debt	**3,702**	**(30,433)**	**—**
Total	**$ 1,003,702**	**$ (30,433)**	**$ —**

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

	MARCH 31 2020	JANUARY 1 2020
Recourse short-term debt	$ 1,469,618	$ 299,518
Recourse long-term debt	698,541	873,145
Total	**$ 2,168,159**	**$ 1,172,663**

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

	MARCH 31 2020	JANUARY 1 2020
Non-recourse short-term debt	$ 74,959	$ 93,664
Non-recourse long-term debt	389,907	391,454
Total	**$ 464,866**	**$ 485,118**

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

	MARCH 31 2020	JANUARY 1 2020
Current portion of lease liabilities	$ 134,238	$ 131,075
Non-current portion of lease liabilities	471,545	480,675
Total	**$ 605,783**	**$ 611,750**

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

THREE MONTHS ENDED MARCH 31	2020
Other non-current financial liabilities	$ (439)
Other non-current non-financial liabilities	58
Total	**$ (381)**

9. STATEMENTS OF CASH FLOWS (CONTINUED)

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the three-month period ended March 31, 2019:

	Recourse debt [1]	Limited recourse debt	Non-recourse debt [2]	Lease liabilities [3]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [4]	Other non-current non-financial liabilities [4]
Balance at January 1, 2019	$ 2,288,020	$ 980,303	$ 399,705	$ —	$ —	$ 53,505	$ 61,508
Transitional adjustment on adoption of a new accounting standard	—	—	—	614,152	—	(2,929)	(60,044)
Adjusted balance at January 1, 2019	2,288,020	980,303	399,705	614,152	—	50,576	1,464
Changes arising from cash flows:							
Increase	596,725	—	66,041	—	—	85	4,699
Repayment	(265,597)	—	(998)	(30,235)	(17,555)	(1,436)	(5,639)
Total – changes arising from cash flows	331,128	—	65,043	(30,235)	(17,555)	(1,351)	(940)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	17,555	—	—
Effect of foreign currency exchange differences	(5,972)	—	(1,375)	(105)	—	(399)	9
Amortization of deferred financing costs and discounts	1,078	880	647	—	—	—	—
Loss on derivatives used for hedges	—	—	—	—	—	9,881	—
Net increase in lease liabilities	—	—	—	17,728	—	—	—
Balance at March 31, 2019	**$ 2,614,254**	**$ 981,183**	**$ 464,020**	**$ 601,540**	**$ —**	**$ 58,707**	**$ 533**

[1], [2], [3], [4] See Notes 1, 2, 3 and 4 on the following page

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

THREE MONTHS ENDED MARCH 31	2019		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	$ 596,725	$ (87,051)	$ —
Series 2 Debentures	—	(150,000)	—
Bank overdraft	—	(28,546)	—
Total – Recourse debt	**596,725**	**(265,597)**	**—**
Non-recourse debt:			
Credit facility – InPower BC General Partnership	4,615	—	—
Credit facility – TransitNEXT General Partnership	54,814	—	(998)
Senior Secured Notes of a PS&PM investment	6,612	—	—
Total – Non-recourse debt	**66,041**	**—**	**(998)**
Total	**$ 662,766**	**$ (265,597)**	**$ (998)**

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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

	MARCH 31 2019	JANUARY 1 2019
Recourse short-term debt	$ 1,442,516	$ 1,116,587
Recourse long-term debt	1,171,738	1,171,433
Total	**$ 2,614,254**	**$ 2,288,020**

(2) Non-recourse short-term debt and no-recourse long-term debt from Capital investments were presented in the Company's consolidated statements of financial position as follows:

	MARCH 31 2019	JANUARY 1 2019
Non-recourse short-term debt	$ 72,798	$ 60,168
Non-recourse long-term debt	391,222	339,537
Total	**$ 464,020**	**$ 399,705**

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

	MARCH 31 2019	JANUARY 1 2019
Current portion of lease liabilities	$ 134,513	$ —
Non-current portion of lease liabilities	467,027	—
Total	**$ 601,540**	**$ —**

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

THREE MONTHS ENDED MARCH 31	2019
Other non-current financial liabilities	$ (1,351)
Other non-current non-financial liabilities	(940)
Other	(1)
Total	**$ (2,292)**

10. 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, 2020 and 2019, SNC-Lavalin recognized the following transactions with its related parties:

THREE MONTHS ENDED MARCH 31	**2020**	2019
PS&PM revenue from contracts with investments accounted for by the equity method	**$ 170,179**	$ 198,873
Income from Capital investments accounted for by the equity method	**35,402**	59,207
Dividends and distributions received from Capital investments accounted for by the equity method	**24,361**	43,614
Income from PS&PM investments accounted for by the equity method	**5,433**	11,568
Dividends and distributions received from PS&PM investments accounted for by the equity method	**$ 984**	$ 2,753

As at March 31, 2020 and December 31, 2019, SNC-Lavalin has the following balances with its related parties:

	MARCH 31 2020	DECEMBER 31 2019
Trade receivables from investments accounted for by the equity method	**$ 166,404**	$ 165,371
Other current financial assets receivable from investments accounted for by the equity method	**107,160**	108,330
Remaining commitment to invest in Capital investments accounted for by the equity or cost methods	**$ 24,920**	$ 70,724

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

11. FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of SNC-Lavalin's financial assets as at March 31, 2020 and December 31, 2019 by category and classification, with the corresponding fair value, when available:

AT MARCH 31	2020					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [(1)]	FVTOCI [(2)]	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 2,102,324**	**$ —**	**$ —**	**$ —**	**$ 2,102,324**	**$ 2,102,324**
Restricted cash	**7,644**	**—**	**—**	**—**	**7,644**	**7,644**
Trade receivables	**—**	**—**	**1,526,976**	**—**	**1,526,976**	**1,526,976**
Other current financial assets	**6,579**	**—**	**225,423**	**33,852**	**265,854**	**267,866**
Capital investment accounted for by the cost method	**—**	**9,729**	**—**	**—**	**9,729**	**9,729**
Non-current portion of receivables under service concession arrangements [(3)]	**—**	**—**	**373,047**	**—**	**373,047**	**407,240**
Other non-current financial assets [(3)]	**—**	**303**	**48,801**	**4,659**	**53,763**	**53,763**
Total	**$ 2,116,547**	**$ 10,032**	**$ 2,174,247**	**$ 38,511**	**$ 4,339,337**	**$ 4,375,542**

AT DECEMBER 31	2019					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [(1)]	FVTOCI [(2)]	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,188,636	$ —	$ —	$ —	$ 1,188,636	$ 1,188,636
Restricted cash	34,118	—	—	—	34,118	34,118
Trade receivables	—	—	1,533,442	—	1,533,442	1,533,442
Other current financial assets	6,047	—	195,115	21,146	222,308	223,676
Capital investment accounted for by the cost method	—	8,107	—	—	8,107	8,107
Non-current portion of receivables under service concession arrangements [(3)]	—	—	352,987	—	352,987	387,060
Other non-current financial assets [(3)]	57,207	303	49,434	8,997	115,941	115,941
Total	$ 1,286,008	$ 8,410	$ 2,130,978	$ 30,143	$ 3,455,539	$ 3,490,980

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

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

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities as at March 31, 2020 and December 31, 2019 by category and classification, with the corresponding fair value, when available:

AT MARCH 31	2020				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL [(1)]	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables	**$ —**	**$ —**	**$ 2,280,748**	**$ 2,280,748**	**$ 2,280,748**
Other current financial liabilities	**62,079**	**—**	**267,099**	**329,178**	**329,178**
Provisions	**—**	**—**	**92,726**	**92,726**	**92,726**
Lease liabilities [(2)]	**—**	**—**	**605,783**	**605,783**	**N/A**
Short-term debt and long-term debt [(3)]	**—**	**—**	**3,033,025**	**3,033,025**	**3,063,677**
Other non-current financial liabilities	**13,689**	**15,805**	**163,430**	**192,924**	**192,924**
Total	**$ 75,768**	**$ 15,805**	**$ 6,442,811**	**$ 6,534,384**	**$ 5,959,253**

AT DECEMBER 31	2019				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL [(1)]	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables	$ —	$ —	$ 2,153,520	$ 2,153,520	$ 2,153,520
Other current financial liabilities	17,086	—	270,630	287,716	287,716
Provisions	—	—	121,376	121,376	121,376
Lease liabilities [(2)]	—	—	611,750	611,750	N/A
Short-term debt and long-term debt [(3)]	—	—	2,057,781	2,057,781	2,084,296
Other non-current financial liabilities	2,345	14,405	215,819	232,569	232,569
Total	$ 19,431	$ 14,405	$ 5,430,876	$ 5,464,712	$ 4,879,477

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

(2) N/A: not applicable

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

For the three-month periods ended March 31, 2020 and 2019, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents changes in fair value of Level 3 financial instruments for the three-month period ended March 31, 2020:

	CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO SELLER RELATED TO LINXON ACQUISITION
Balance as at January 1, 2020	**$ 57,207**	**$ 14,405**
Unrealized net losses [(4)]	**(57,207)**	**—**
Effect of foreign currency exchange differences	**—**	**1,400**
Balance as at March 31, 2020	**$ —**	**$ 15,805**

(4) Included in "Loss arising on financial assets (liabilities) at fair value through profit or loss" in the consolidated income statement

11. FINANCIAL INSTRUMENTS (CONTINUED)

Assumptions

When measuring Level 3 financial instruments at fair value using the present value technique, some assumptions are not derived from an observable market. The main assumptions developed internally relate to discount rate and to future expected cash flows, based on the projected future performance. The projected future performance is an important input for the determination of fair value and is prepared by the management of SNC-Lavalin based on the budget and the strategic plan.

The significant assumptions used in measuring fair value of Level 3 financial instruments as at March 31, 2020 were as follows: i) the discount rate, which was 7.80% for contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR and 11.95% for contingent consideration payable to the seller related to the Linxon acquisition; and ii) the expected future cash flows of Highway 407 ETR and Linxon.

Sensitivity analysis

These assumptions, not derived from an observable market, are established by the management of SNC-Lavalin using estimates and judgments that can have a significant effect on net income.

The following impact on net income has been calculated changing one of these assumptions to another reasonably possible alternative assumption for the three-month period ended March 31, 2020:

		IMPACT ON NET INCOME	
		CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO THE SELLER RELATED TO THE LINXON ACQUISITION
Increase (decrease)	If the discount rate is 100 basis points lower [(1)]	$ —	$ (840)
Increase (decrease)	If the discount rate is 100 basis points higher [(1)]	$ —	$ 769
Increase (decrease)	If the expected future cash flows are 1% lower [(1)]	$ —	$ —
Increase (decrease)	If the expected future cash flows are 1% higher [(1)]	$ 8,237	$ —

(1) Assuming all other variables remain the same

12. CONTINGENT LIABILITIES

Class actions

Ruediger Class Action

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 Quebec's Securities Act (the "Ruediger Class Action Motion") was filed with the Quebec Superior Court (the "Ruediger Class Action"), on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through January 27, 2019 (the "Ruediger Class Period"), and held some or all of such securities as of the commencement of trading on January 28, 2019.

The Ruediger Class Action Motion alleges that certain documents filed by SNC-Lavalin and oral statements made by its then Chief Executive Officer during the Ruediger Class Period contained misrepresentations related to SNC-Lavalin's 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 Ruediger Class Action Motion seeks leave from the Quebec 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 October 15, 2019, the plaintiffs in the Ruediger Class Action Motion delivered an amended "Motion for authorization of a class action and for authorization to bring an action pursuant to section 225.4 of Quebec's Securities Act". The amendments extend the class period for the Ruediger Class Action Motion to July 22, 2019 and broaden the scope of the claim to include amongst other things the Company's ability to execute certain fixed price contracts.

12. CONTINGENT LIABILITIES (CONTINUED)

Drywall Class Action

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

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

The Drywall Class Action seeks leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under Ontario's Securities Act. The proposed action claims damages and seeks the condemnation of the Defendants to pay the class members $1.2 billion or such other compensatory damages as the court may award, with interest and additional indemnity as well as full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution.

On September 13, 2019, counsel to the plaintiffs in the Ruediger Class Action brought a motion to stay the Drywall Class Action on the grounds that it is duplicative of the Ruediger Class Action Motion. Counsel for the Company filed a companion motion in support of this motion on October 1, 2019. These companion motions were heard together on November 8, 2019 and the Ontario Superior Court of Justice rendered its decision on November 21, 2019, dismissing the motions. On December 6, 2019, the plaintiff in the Ruediger Class Action and the Company brought motions for leave to appeal the dismissal of these motions.

On October 15, 2019, the plaintiffs in the Drywall Class Action delivered a proposed Amended Statement of Claim that contemplates expanding the Drywall Class Period to include SNC-Lavalin's July 22, 2019 and August 1, 2019 press releases and increasing the claim for damages from $1.2 billion to $1.8 billion.

Peters Class Action

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 through October 10, 2018. On March 25, 2019, a Statement of Claim was filed with the Ontario Superior Court of Justice with respect to the claims set out in the Notice of Action (together, the Notice of Action and the Statement of Claim are the "Peters Class Action").

The Peters Class Action alleges that the defendants, including the Company, its Chairman and certain of its then 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 Public Prosecution Service of Canada ("PPSC") communicated her decision to SNC-Lavalin not to award an opportunity to negotiate a remediation agreement.

The Peters Class Action seeks leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under Ontario's Securities Act and the comparable acts in other provinces. The Peters Class 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 that the claims outlined in the Ruediger Class Action Motion, the Drywall Class Action and the Peters Class Action are, in each case, entirely without merit and is vigorously defending these claims. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcomes of the Ruediger Class Action, the Drywall Class Action or the Peters Class Action, or determine the amount of any potential losses resulting therefrom, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation. SNC-Lavalin has directors' and officers' liability insurance insuring individuals against liability for acts or omissions in their capacity as directors and officers, and the Company itself has coverage for such claims. The amount of coverage under the directors' and officers' policy is limited and such coverage may be less than any amounts the Company is required or determines to pay in connection with these proceedings. If the Company is required or determines to pay an amount in connection with the Ruediger Class Action, the Drywall Class Action or the Peters Class Action, such amount could have a material adverse effect on SNC-Lavalin's liquidity and financial results.

12. CONTINGENT LIABILITIES (CONTINUED)

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 Quebec 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 a solidary (in solidum) basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Quebec Superior Court decision both on merit and on the apportionment of liability. Pursuant to the Quebec Superior Court ruling, SNC-Lavalin's share of the damages is approximately 70%, a significant portion of which the Company expects to recover from its external insurers. The external insurers are disputing the extent of the insurance coverage available to the Company and this dispute is included in the Pyrrhotite Case. On April 6, 2020, the Quebec Court of Appeal rendered its decision dismissing most of the appeals filed by all parties and maintained: (i) the Quebec Superior Court's ruling regarding SNC-Lavalin's approximate 70% share of liability; and (ii) the solidary nature of the defendants' liability. In accordance with the Court of Appeal's ruling, SNC-Lavalin's share of such damages, including interest accrued thereon since the Quebec Superior Court decision was rendered and a possible incremental share of damages that could result from certain other solidary defendants' inability to pay their respective portion of the damages, could reach approximately $184 million. The Court of Appeal also dismissed an appeal from SNC-Lavalin's external insurers and confirmed that multiple insurance policy towers were triggered by the claims, resulting in multiple years of coverage and the Company continues to expect that a significant portion of the damages will be recovered from its external insurers. The Company is evaluating the Court of Appeal decision and considering its next steps. The parties have 60 days following the Court of Appeal decision to seek a motion for leave to appeal to the Supreme Court of Canada.

In addition to the appeal of the Quebec Superior Court decision, SNC-Lavalin filed a recourse in warranty claim against Lafarge Canada Inc. ("Lafarge") seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. This case, for which the trial commenced in March 2019 has been suspended due to current COVID-19 court restrictions and may conclude in June 2020. The claim against Lafarge may result in a reduction of SNC-Lavalin's share of the damages.

In parallel to the Wave 1 claims, notices of additional potential claims have been made and continue to be made against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims are in a preliminary stage and it is premature to evaluate SNC-Lavalin's liability exposure in respect of the Wave 2 claims. SNC-Lavalin expects some insurance coverage for the Wave 2 claims. In addition, SNC-Lavalin has filed recourse in warranty claims against Lafarge with respect to the Wave 2 claims.

Dubai civil case

In November, 2018, WS Atkins & Partners Overseas, a subsidiary of the Company, was named as respondent together with other parties by the subrogated insurers of a property developer in a civil case initiated before the courts of Dubai. The claimant is seeking damages jointly from the respondents on account of the alleged refurbishment costs and loss of income arising from a fire at the property developer's building. WS Atkins & Partners Overseas was a subcontractor in the hotel's design and construction supervision and the claim revolves around alleged negligence in the specification, testing and installation of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building. The claim is in preliminary stages and the Company is not currently in a position to estimate potential liability or amount of loss, if any.

Australian Arbitration

One of the Company's subsidiaries has a 35% interest in a joint operation for a project that has been completed. The construction joint operation is in a dispute with the project owner over labour rates. Under the relevant project contract, the Company's subsidiary is jointly and severally liable with the other joint operator vis-à-vis the project owner for performance and other liabilities. In December 2018, the joint operation received a split award of liability from an arbitration tribunal resulting in an adverse decision on certain aspects of the dispute. A hearing on the quantum of damages to be awarded against the joint operation (if any) is scheduled for 2020. The other joint operator holding the balance of the joint operation interest (65%), CBI Constructors Pty. Ltd., is part of the McDermott International, Inc. ("`McDermott") group, which filed for Chapter 11 bankruptcy protection in January 2020. While the Company's consolidated statement of financial position reflects its share (35%) of the estimated quantum of the damages, such position might need to be adjusted pending the outcome of the quantum decision and/or the McDermott Chapter 11 bankruptcy proceedings in light of the underlying joint and several liability between the parties of the joint operation.

12. CONTINGENT LIABILITIES (CONTINUED)

General litigation risk

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

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

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

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

The Company is subject to ongoing investigations that could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These 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.

Ongoing and potential investigations

The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters (unrelated to the settlement described below) in various jurisdictions, including, without limitation, Algeria.

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

The Company is currently unable to determine when any of these investigations will be completed or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. The Company continues to cooperate and communicate with authorities in connection with all ongoing investigations.

12. CONTINGENT LIABILITIES (CONTINUED)

If regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise as a result of ongoing or future investigations, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties, including temporary or permanent, mandatory or discretionary suspension, prohibition or debarment from participating in projects, or the revocation of authorizations or certifications, by certain administrative organizations or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue from government and government-related contracts. Further, public and private sector bid processes in some instances assess whether the bidder, or an affiliate thereof, has ever been the object of any investigations, or sanctions or other actions resulting therefrom. In such instances, if a member of the Company's group must answer affirmatively to a query as to past or current investigations, or sanctions or other actions resulting therefrom, such answer may affect that entity's ability to be considered for the applicable project. In addition, the Company may not win contracts that it has bid upon due to a client's perception of the Company's reputation and/or perceived reputational advantages held by competitors as a result of such investigations, sanctions or other actions. Loss of bidding opportunities resulting from such investigations, sanctions or other actions, whether discretionary (including as a result of reputational factors) or mandatory, from participating in certain government, government-related and private contracts (in Canada, Canadian provinces or elsewhere) could materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

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

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

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

World Bank Settlement

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

12. CONTINGENT LIABILITIES (CONTINUED)

Canada's Integrity Regime

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

If a supplier pleads guilty or is charged with a listed offence (which does not currently include the plea of guilty to a single charge of fraud by SNC-Lavalin Construction Inc. (the "Plea") made as part of the settlement the Company announced it had reached with the PPSC regarding the Charges (as defined below) on December 18, 2019), it and its affiliates may under the Integrity Regime be ineligible to do business with the Canadian government.

If a supplier applies for a reduced ineligibility period, or if a supplier charged with a listed offence is notified that it could be ineligible to do business with the Canadian government, as a condition of granting the reduced ineligibility period or not suspending the supplier an administrative agreement may be imposed to monitor the supplier. Administrative agreements include conditions and compliance measures that the supplier must meet to remain eligible to contract with the federal government. In December 2015, the Company entered into an administrative agreement with the Canadian government under the Integrity Regime in connection with the charges laid by the PPSC against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc (each entity was charged with one count of fraud under Section 380 of the Criminal Code and one count of corruption under Section 3(1)(b) of the CFPOA) (the "Charges") which, according to its terms, will remain in force for 12 further months from the date of the Plea and will then terminate.

Other legal proceedings

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

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

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

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

13. BUSINESS COMBINATION

LINXON PVT LTD

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

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

NET CASH INFLOW ON ACQUISITION OF LINXON

THREE MONTHS ENDED MARCH 31		2019
Consideration paid in cash	$	—
Less: Return of contingent consideration to be transferred to seller received in cash [1]		3,619
Net cash inflow on acquisition of Linxon	**$**	**(3,619)**

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

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