



SNC • LAVALIN

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2020

FINANCIAL REPORT

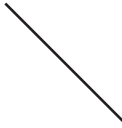


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Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements ("financial statements") of SNC-Lavalin Group Inc. (the "Company") and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") are responsible for having established and maintaining disclosure controls and procedures and internal controls over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2020, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2020, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with International Financial Reporting Standards.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal control over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

IAN L. EDWARDS (signed)

PRESIDENT AND
CHIEF EXECUTIVE OFFICER

JEFF BELL (signed)

EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

MARCH 8, 2021
MONTREAL, CANADA

Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

Opinion

We have audited the consolidated financial statements of SNC-Lavalin Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue – Lump-sum turnkey construction ("LSTK") contracts – Refer to Notes 2G, 3 and 9 to the financial statements

Key Audit Matter Description

The Company recognizes revenue on LSTK contracts over time using an input method, based on costs incurred to date relative to total anticipated costs at completion. The accounting for LSTK contracts that are not complete at the reporting date ("LSTK uncompleted contracts") involves judgment, particularly as it relates to determining the transaction price and estimating total anticipated costs at completion. The transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. This amount could include an amount of variable consideration from estimated volume of work, claims and unpriced change orders, and incentives or penalties, to the extent that it is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Total anticipated costs at completion includes both incurred costs to date as well as anticipated costs to complete which could include contingencies and reserves. These costs are impacted by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. Given the length of LSTK contracts, these assumptions change over time, as the contract is completed.

Given the significant judgments necessary to account for the Company's LSTK uncompleted contracts such as the determination of the variable consideration to be included in the transaction price and the cost to complete each contract, auditing such estimates required extensive audit effort due to the complexity of these estimates and a high degree of auditor attention was required when performing audit procedures and evaluating the results of those procedures.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the variable consideration and cost to complete of LSTK uncompleted contracts included the following, among others:

- For a sample of LSTK uncompleted contracts we:
 - Obtained and inspected the executed contract agreements, amendments, pending change orders or claims confirming key terms with project management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conducted inquiries with management and project personnel to gain an understanding of the status of project activities.
 - Performed site visits to certain project locations, directly observing project status, and making inquiries to site personnel regarding the status of project activities.
 - Examined the documentation from management's experts, including legal interpretation of relevant contractual clauses as well as third-party assessments as to the contractual entitlement and value of the variable consideration.
 - Based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretations, and probabilistic methodologies, evaluated that management's assessment that the variable consideration is limited to the amount that it is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
 - Evaluated cost to complete by testing key components of the cost to complete estimates, including materials, labour, and subcontractor costs and evaluating support for estimates of project contingencies.
- Performed certain retrospective review procedures to assess management's historical ability to accurately estimate the transaction price (including variable consideration) and cost to complete as well as to identify any significant or unusual changes in project revenue and cost forecasts during the period in LSTK contracts.

Goodwill – Engineering, Design and Project Management ("EDPM") Cash Generating Unit – Notes 2P, 3, and 14 to the financial statements

Key Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each Cash Generating Unit ("CGU") to its carrying amount. In the case of the EDPM CGU, the recoverable amount was determined based on the Value in Use ("VIU") approach. This required management to make significant estimates and assumptions related to future cash flows, growth rate, and discount rate, which reflect management's expectations about future market and economic conditions. The EDPM goodwill represents 80% (\$2.6B) of the Company's total goodwill. The recoverable amount of the EDPM CGU exceeded its carrying value as of the measurement date and no impairment was recognized.

While there are several assumptions made by management to determine the recoverable amount of the EDPM CGU, the assumptions with the highest degree of subjectivity and impact on the recoverable amount are future cash flows, growth rate, and discount rate ("significant assumptions"). Changes in these significant assumptions could have an impact on the recoverable amount of the EDPM CGU and result in an impairment charge. Auditing these significant assumptions required a high degree of auditor attention in applying procedures, and resulted in an increased extent of audit effort, which included the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the significant assumptions used to estimate the recoverable amount of the EDPM CGU included the following, among others:

- Evaluated the reasonableness of future cash flows by comparing future cash flows to historical results, project backlogs, internal communications to management and the Board of Directors, Company press releases and external information including analysts and industry reports.
- Evaluated the reasonableness of the growth rate by developing a range of independent estimates using relevant internal and external information, including analysts and industry reports and comparing those to the growth rate selected by management.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate derived from the Weighted Average Cost of Capital ("WACC") by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis;
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

/s/ Deloitte LLP ⁽¹⁾

MARCH 8, 2021
MONTREAL, QUEBEC

(1) CPA auditor, CA, public accountancy permit No. A124341

Consolidated Statements of Financial Position

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	DECEMBER 31 2020	DECEMBER 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	7	\$ 932,902	\$ 1,188,636
Restricted cash	7	29,300	34,118
Trade receivables	8A, 9B	1,199,166	1,533,442
Contract assets	8B, 9B	1,090,149	1,755,325
Inventories	10	16,122	84,888
Other current financial assets	11	257,432	222,308
Other current non-financial assets	12	253,311	331,375
Assets of disposal groups classified as held for sale	39	273,174	—
Total current assets		4,051,556	5,150,092
Property and equipment	13	375,864	470,630
Right-of-use assets	34	346,824	438,787
Capital investments accounted for by the equity method	5	378,730	399,539
Capital investments at fair value through other comprehensive income	5	9,666	8,107
Goodwill	14	3,429,478	3,429,094
Intangible assets related to business combinations	15	544,059	665,598
Deferred income tax asset	29A	655,838	520,451
Non-current portion of receivables under service concession arrangements		433,914	352,987
Other non-current financial assets	16	31,398	115,941
Other non-current non-financial assets	17	82,951	93,498
Total assets		\$ 10,340,278	\$ 11,644,724
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and accrued liabilities		\$ 1,730,398	\$ 2,153,520
Contract liabilities	9B	836,991	889,953
Other current financial liabilities	18	187,754	287,716
Other current non-financial liabilities	19	473,780	383,200
Current portion of provisions	22	401,585	289,227
Current portion of lease liabilities	34	97,409	131,075
Short-term debt and current portion of long-term debt:			
Recourse	20	174,960	299,518
Non-recourse	20	31,262	93,664
Liabilities of disposal groups classified as held for sale	39	340,303	—
Total current liabilities		4,274,442	4,527,873
Long-term debt:			
Recourse	20	996,005	873,145
Limited recourse	20	400,000	400,000
Non-recourse	20	400,283	391,454
Other non-current financial liabilities	21	193,861	232,569
Non-current portion of provisions	22	753,226	672,096
Non-current portion of lease liabilities	34	399,201	480,675
Other non-current non-financial liabilities		219	551
Deferred income tax liability	29A	354,348	348,934
Total liabilities		7,771,585	7,927,297
Equity			
Share capital	23	1,805,080	1,805,080
Retained earnings		478,351	1,555,853
Other components of equity	24	(320,067)	354,073
Other components of equity of disposal groups classified as held for sale	24, 39	594,141	—
Equity attributable to SNC-Lavalin shareholders		2,557,505	3,715,006
Non-controlling interests		11,188	2,421
Total equity		2,568,693	3,717,427
Total liabilities and equity		\$ 10,340,278	\$ 11,644,724

See accompanying notes to consolidated financial statements

Approved, on behalf of the Board of Directors, by:

IAN L. EDWARDS (signed)

DIRECTOR

BENITA M. WARMBOLD (signed)

DIRECTOR

Consolidated Statements of Changes in Equity

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2020

NUMBER OF COMMON SHARES)

2020

EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS							
SHARE CAPITAL					TOTAL		
COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 24)				NON- CONTROLLING INTERESTS
Balance at beginning of year	175,554	\$ 1,805,080	\$ 1,555,853	\$ 354,073	\$ 3,715,006	\$ 2,421	\$ 3,717,427
Net income (loss)	—	—	(965,447)	—	(965,447)	9,174	(956,273)
Other comprehensive income (loss)	—	—	(98,011)	(79,999)	(178,010)	1,159	(176,851)
Total comprehensive income (loss)	—	—	(1,063,458)	(79,999)	(1,143,457)	10,333	(1,133,124)
Dividends declared (Note 23E)	—	—	(14,044)	—	(14,044)	—	(14,044)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(1,578)	(1,578)
Capital contributions by non-controlling interests	—	—	—	—	—	12	12
Balance at end of year	175,554	\$ 1,805,080	\$ 478,351	\$ 274,074	\$ 2,557,505	\$ 11,188	\$ 2,568,693

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2019

NUMBER OF COMMON SHARES	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT					
Balance at beginning of year	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 year	175,554	1,805,080	1,321,129	499,199	3,625,408	4,962	3,630,370
Net income	—	—	328,219	—	328,219	2,368	330,587
Other comprehensive loss	—	—	(51,362)	(145,126)	(196,488)	(1,266)	(197,754)
Total comprehensive income (loss)	—	—	276,857	(145,126)	131,731	1,102	132,833
Dividends declared (Note 23E)	—	—	(42,133)	—	(42,133)	—	(42,133)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(2)	(2)
Additional non-controlling interest arising on acquisition of Linxon	—	—	—	—	—	(3,671)	(3,671)
Capital contributions by non-controlling interests	—	—	—	—	—	30	30
Balance at end of year	175,554	\$ 1,805,080	\$ 1,555,853	\$ 354,073	\$ 3,715,006	\$ 2,421	\$ 3,717,427

See accompanying notes to consolidated financial statements

Consolidated Income Statements

YEARS ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS AND
NUMBER OF SHARES)

	Note	2020	2019 ⁽¹⁾
Continuing operations			
Revenues from:			
PS&PM ⁽²⁾		\$ 6,878,142	\$ 7,367,112
Capital investments accounted for by the consolidation method or at fair value through other comprehensive income		42,010	52,177
Capital investments accounted for by the equity method		87,349	210,543
		7,007,501	7,629,832
Direct costs of activities		6,882,152	7,045,393
Corporate selling, general and administrative expenses	25	175,933	73,944
Impairment loss from expected credit losses		874	210
Loss arising on financial assets (liabilities) at fair value through profit or loss		61,859	4,743
Restructuring costs	26	63,324	79,652
Amortization of intangible assets related to business combinations		126,770	162,117
Acquisition-related costs and integration costs		—	8,315
Gain or adjustment on gain from disposal of a Capital investment	5A	(25,000)	(2,970,783)
Loss on disposals of PS&PM businesses	6	7,467	294
Federal charges settlement (PPSC)	18	—	257,327
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	39B	6,094	—
EBIT ⁽³⁾		(291,972)	2,968,620
Financial expenses	27	124,703	222,911
Financial income and foreign exchange losses (gains)	27	(10,707)	(7,802)
Earnings (loss) before income taxes from continuing operations		(405,968)	2,753,511
Income taxes	29B	(59,039)	310,348
Net income (loss) from continuing operations		(346,929)	2,443,163
Net loss from discontinued operations	39A	(609,344)	(2,112,576)
Net income (loss)		\$ (956,273)	\$ 330,587
Net income (loss) from continuing operations attributable to:			
SNC-Lavalin shareholders		\$ (356,103)	\$ 2,440,795
Non-controlling interests		9,174	2,368
Net income (loss) from continuing operations		\$ (346,929)	\$ 2,443,163
Net income (loss) attributable to:			
SNC-Lavalin shareholders		\$ (965,447)	\$ 328,219
Non-controlling interests		9,174	2,368
Net income (loss)		\$ (956,273)	\$ 330,587
Earnings (loss) per share from continuing operations (in \$)			
Basic		\$ (2.03)	\$ 13.90
Diluted		\$ (2.03)	\$ 13.90
Weighted average number of outstanding shares (in thousands)			
	23D		
Basic		175,554	175,554
Diluted		175,554	175,554

⁽¹⁾ Comparative figures have been re-presented (see Notes 2C and 39).

⁽²⁾ Professional Services & Project Management ("PS&PM") (previously E&C)

⁽³⁾ Earnings before interest and taxes ("EBIT")

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

2020

	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income (loss) from continuing operations	\$ (356,103)	\$ 9,174	\$ (346,929)
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	(70,020)	120	(69,900)
Cash flow hedges	(6,204)	1,039	(5,165)
Share of other comprehensive loss of investments accounted for by the equity method (Note 24)	(1,590)	—	(1,590)
Income taxes	827	—	827
Total of items that will be reclassified subsequently to net income	(76,987)	1,159	(75,828)
Equity instruments designated at fair value through other comprehensive income (Note 24)	(7,747)	—	(7,747)
Income taxes (Note 24)	40	—	40
Remeasurement of defined benefit plans	(122,601)	—	(122,601)
Income taxes	28,754	—	28,754
Total of items that will not be reclassified subsequently to net income	(101,554)	—	(101,554)
Total other comprehensive income (loss) from continuing operations	(178,541)	1,159	(177,382)
Net loss from discontinued operations	(609,344)	—	(609,344)
Other comprehensive income from discontinued operations	531	—	531
Total other comprehensive loss from discontinued operations	(608,813)	—	(608,813)
Total comprehensive income (loss)	\$ (1,143,457)	\$ 10,333	\$ (1,133,124)

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

2019 ⁽¹⁾

	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income from continuing operations	\$ 2,440,795	\$ 2,368	\$ 2,443,163
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	(81,539)	(196)	(81,735)
Cash flow hedges	(410)	(1,070)	(1,480)
Share of other comprehensive loss of investments accounted for by the equity method (Note 24)	(2,403)	—	(2,403)
Income taxes	(2,616)	—	(2,616)
Total of items that will be reclassified subsequently to net income	(86,968)	(1,266)	(88,234)
Equity instruments designated at fair value through other comprehensive income (Note 24)	(2,034)	—	(2,034)
Income taxes (Note 24)	16	—	16
Remeasurement of defined benefit plans	(56,805)	—	(56,805)
Income taxes	8,505	—	8,505
Total of items that will not be reclassified subsequently to net income	(50,318)	—	(50,318)
Total other comprehensive loss from continuing operations	(137,286)	(1,266)	(138,552)
Net loss from discontinued operations	(2,112,576)	—	(2,112,576)
Other comprehensive loss from discontinued operations	(59,202)	—	(59,202)
Total other comprehensive loss from discontinued operations	(2,171,778)	—	(2,171,778)
Total comprehensive income	\$ 131,731	\$ 1,102	\$ 132,833

⁽¹⁾ Comparative figures have been re-presented (see Notes 2C and 39).

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows ⁽¹⁾

YEARS ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2020	2019
Operating activities			
Net income (loss)		\$ (956,273)	\$ 330,587
Income taxes paid		(22,536)	(9,967)
Interest paid from PS&PM		(89,081)	(199,201)
Interest paid from Capital investments		(15,924)	(18,285)
Other reconciling items	28A	976,051	(123,861)
		(107,763)	(20,727)
Net change in non-cash working capital items	28B	229,248	(334,546)
Net cash generated from (used for) operating activities		121,485	(355,273)
Investing activities			
Acquisition of property and equipment		(75,821)	(122,444)
Payments for Capital investments	5C	(55,834)	(39,967)
Refunds for Capital investments		—	4,391
Net cash inflow on acquisition of businesses	28D	—	14,890
Change in restricted cash position		4,818	(24,210)
Increase in receivables under service concession arrangements		(239,584)	(176,638)
Recovery of receivables under service concession arrangements		173,934	155,645
Cash inflow on disposal of a Capital investment accounted for by the equity method	5A	—	3,012,256
Payments for disposition-related costs on disposal of a Capital investment	5A	—	(94,856)
Cash outflow on disposals of PS&PM businesses	6	(15,043)	—
Other		22,407	(10,593)
Net cash generated from (used for) investing activities		(185,123)	2,718,474
Financing activities			
Increase in debt	28C	1,329,225	1,926,212
Repayment of debt and payment for debt issue costs	28C	(1,387,901)	(3,563,049)
Payment of lease liabilities	28C	(118,651)	(119,106)
Dividends paid to SNC-Lavalin shareholders	23E, 28C	(14,044)	(42,133)
Other	28C	941	(4,071)
Net cash used for financing activities		(190,430)	(1,802,147)
Decrease from exchange differences on translating cash and cash equivalents		(1,666)	(6,502)
Net increase (decrease) in cash and cash equivalents		(255,734)	554,552
Cash and cash equivalents at beginning of year		1,188,636	634,084
Cash and cash equivalents at end of year		\$ 932,902	\$ 1,188,636

⁽¹⁾ SNC-Lavalin has elected to present a consolidated statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 39.

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

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Notes to Consolidated Financial Statements

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

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 whose common shares are 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 associates, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements or associates.

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 and maintenance (“O&M”), decommissioning and sustaining capital. It also includes revenues from lump-sum turnkey construction (“LSTK”) contracts, on which the Company ceased bidding 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 consolidated financial statements (“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 Company’s Capital investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Company’s financial statements have been prepared in accordance with **International Financial Reporting Standards (“IFRS”)** issued and effective for the year ended December 31, 2020, and are presented in **Canadian dollars**. All values in the tables included in these notes are rounded to the nearest thousand dollars, except where otherwise indicated.

The accounting policies set out below were consistently applied to all periods presented. In 2020, the Company adopted the new accounting policy related to government grants, as described in Note 2Y, without any impact on comparative figures. Also, in 2020, the Company adopted the new accounting policy related to discontinued operations, as described in Note 2W, which resulted in the re-presentation of the consolidated income statement and of the consolidated statement of comprehensive income for the year ended December 31, 2019 (see Note 2C).

The preparation of financial statements in conformity with IFRS 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's financial statements were authorized for issue by the Board of Directors of the Company on March 8, 2021.

B) NEW AMENDMENTS ADOPTED IN THE YEAR ENDED DECEMBER 31, 2020

The following amendments to existing standards were 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 emphasizes 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 following amendment to an existing standard was adopted by the Company on June 1, 2020:

- *COVID-19 Related Rent Concessions* (Amendment to IFRS 16, *Leases*): i) provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification; ii) require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications.

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

C) CHANGES IN PRESENTATION

Segment Disclosures

Effective as of the second quarter of 2020, the measure of profit or loss of each segment is referred to (without any change to this financial measure's composition) as Segment Adjusted EBIT (formerly "Segment EBIT") to clarify that this measure excludes items other than interest and taxes. Also, effective as of the second quarter of 2020, the Company presents the financial results of Capital separately from SNCL Engineering Services to further simplify the presentation of financial information excluding Capital. This change, which only modified the presentation of financial information provided, was made in accordance with IAS 8 resulting in the restatement of prior year figures (see Note 4).

Discontinued Operations

Certain comparative amounts in the consolidated income statement and in the consolidated statement of comprehensive income have been re-presented, as a result of the Oil & Gas business, which was previously included in the Resources segment, being presented as discontinued operations during the current year (see Note 39).

D) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendment to existing standards has been issued and is applicable to the Company for its annual periods beginning on January 1, 2021 and thereafter, with an earlier application permitted:

- *Interest Rate Benchmark Reform—Phase 2*, which amends IFRS 9, *Financial Instruments*; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 7, *Financial Instruments: Disclosures*; IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. The amendments relate to: i) changes to contractual cash flows—an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; ii) hedge accounting—an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and iii) disclosures—an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following amendments to existing standards 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 IFRS 3, *Business Combinations*, are designed to: i) update its reference to the 2018 *Conceptual Framework* instead of the 1989 *Framework*; ii) add a requirement that, for obligations within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, (“IAS 37”) an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC Interpretation 21, *Levies*, (“IFRIC 21”) the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date; and iii) add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.
- Amendments to IAS 16, *Property, Plant and Equipment*, prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to IAS 37 specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, extend the relief, which allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent’s consolidated financial statements, to the cumulative translation differences for all foreign operations.
- Amendments to IFRS 9, *Financial Instruments*, clarify which fees an entity includes when it applies the “10 per cent” test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
- Amendments to IFRS 16, *Leases*, (“IFRS 16”) remove the illustration of the reimbursement of leasehold improvements included in the Illustrative Example 13 of IFRS 16 since it does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

The following amendment to an existing standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2023 and thereafter, with an earlier application permitted:

- Amendments to IAS 1, *Presentation of Financial Statements*, (“IAS 1”) 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.
- Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.
- Amendments to IAS 8 replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) BASIS OF CONSOLIDATION

In accordance with IFRS, SNC-Lavalin's interests in other entities subject to control, joint control or significant influence are accounted for as follows:

TYPE OF INTEREST	TYPE OF INFLUENCE	ACCOUNTING METHOD
Subsidiary	Control	Consolidation method
Joint venture	Joint control	Equity method
Joint operation	Joint control	SNC-Lavalin's share of assets, liabilities, revenues and expenses
Associate	Significant influence	Equity method
Investment	Non-significant influence	Measured at fair value; dividend income is recognized in the income statement.

A subsidiary that is not wholly-owned by SNC-Lavalin results in non-controlling interests that are presented separately on the consolidated statement of financial position, while the portions of net income and of other comprehensive income attributable to such non-controlling interests are also shown separately on the consolidated income statement and on the consolidated statement of comprehensive income, respectively.

When necessary, adjustments are made to the financial statements of subsidiaries, joint arrangements and associates to bring their accounting policies in line with those used by the Company.

Business acquisitions

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, if any, in exchange for control of the acquiree. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

At the date of acquisition, the identifiable assets acquired and the liabilities assumed are recognized at fair value, except that:

- deferred income tax asset or liability, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes*, and IAS 19, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment*, at the date of acquisition;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with this standard; and
- right-of-use assets and lease liabilities are recognized in accordance with IFRS 16, *Leases*, for leases under which the acquiree is the lessee.

Acquisition-related costs are expensed in the periods in which these costs are incurred and the services are received.

The results of businesses acquired are included in the consolidated financial statements from the date on which control is obtained.

F) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The individual financial statements of each entity within the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity within the Company are expressed in Canadian dollars, which is the presentation currency of the Company for its consolidated financial statements.

Foreign currency transactions and balances

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedure on transactions and balances in currencies other than their functional currency: 1) monetary items are translated in their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated in their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated in their functional currency using the appropriate average exchange rate of the period. Any resulting gains or losses are recognized in net income and, if hedge accounting is applied, offsetting losses or gains from the hedging items are also recognized in net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of applying the procedures described above, Canadian and foreign operations produce financial statements presented in their functional currency.

Translation of financial statements of foreign operations

For the purpose of presenting consolidated financial statements in Canadian dollars, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period, while revenues and expenses items are translated at the appropriate average exchange rate for the period. Exchange differences arising on consolidation, if any, are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal of foreign operations.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period end rate.

G) **REVENUE RECOGNITION**

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a point in time, depending on which method reflects the transfer of control of the goods or services underlying the particular performance obligation to the customer.

In most cases, for performance obligations satisfied over time, the Company recognizes revenue over time using an input method, based on costs incurred to date relative to total estimated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Company in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. For certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Company recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Company might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Company is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration which the Company expects to be entitled to receive in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses, and penalties, and could include claims and unpriced change orders. When a contract includes a significant financing component, the value of such component is excluded from the transaction price and is recognized separately as finance income or expense, as applicable.

SNC-Lavalin may enter into contractual arrangements with a client to deliver services on one project with respect to more than one performance obligation, such as EPC or Engineering, Procurement, and Construction and Management ("EPCM"), O&M and/or Capital investments. When entering into such arrangements, the Company allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Company accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a separate contract when the remaining goods or services to be delivered after the modification are distinct from those delivered prior to the modification and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling price of the additional promised good or services. When the contract modification is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification.

The Company recognizes assurance-type warranty costs as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, based on the advancement of the projects, and the provision recognized is then either used when costs are incurred or reversed if it is no longer needed.

In all cases, the value of construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company may apply its revenue recognition policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio.

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

Revenues from **Capital investments** include the following:

ACCOUNTING METHODS FOR THE COMPANY'S CAPITAL INVESTMENTS	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Consolidation	Revenues that are recognized and reported by the Capital investments
Equity method	SNC-Lavalin's share of net results of the Capital investments or dividends from its Capital investments for which the carrying amount is \$nil but would otherwise be negative based on historical financial results and dividends if SNC-Lavalin had an obligation to fund the investment. Dividends are recognized when the Company's right to receive payment has been established
At fair value through other comprehensive income	Dividends and distributions from the Capital investments

H) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

CATEGORY – SUBSEQUENTLY MEASURED AT	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Fair value through profit or loss (“FVTPL”)	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Fair value through other comprehensive income (“FVTOCI”)	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques.	Investment income, which includes interest, dividends and distributions, is recognized in net income. For equity instruments, gains (losses) from revaluation are recognized in other comprehensive income with no reclassification to net income on disposal of such assets.
Amortized cost	Financial assets and financial liabilities	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income

Impairment of assets subsequently measured at amortized cost

For “Trade receivables”, “Contract assets” and “Finance lease receivables”, the amount of the loss allowance recognized is the amount equal to lifetime expected credit losses that result from all possible events of default over the expected life of a financial instrument.

For “Non-current portion of receivables under service concession arrangements”, if the credit risk has not increased significantly since initial recognition, the amount of the loss allowance recognized is the amount equal to 12-month expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Write-off

The gross carrying amount of a financial asset is reduced when there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEDGING (APPLYING IAS 39)

In the normal course of its business, SNC-Lavalin enters into derivative financial instruments, mainly i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin may also enter into other derivative financial instruments to hedge its exposure to market risk. When applying hedge accounting, SNC-Lavalin formally documents its accounting choice, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges.

CASH FLOW HEDGES

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instruments is recorded in other components of equity, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in net income immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in net income in the same line item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under “Exchange differences on translating foreign operations” in the “Other components of equity”. The gain or loss relating to the ineffective portion is recognized immediately in net income, and is included in the “Financial expenses” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the “Exchange differences on translating foreign operations” are reclassified to net income on the disposal of the foreign operation.

I) SERVICE CONCESSION ARRANGEMENTS UNDER IFRIC INTERPRETATION 12

IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

- controls or regulates what services the operator (i.e. “the concessionaire”) must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

ACCOUNTING MODEL	DEMAND RISK
Financial asset model	The concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, e.g. availability payments).
Intangible asset model	The concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).
Bifurcated model	The concessionaire shares demand risk with the grantor (i.e., the grantor pays the concessionaire for its services partly by a financial asset and partly by granting a right to charge users of the infrastructure).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from service concession arrangements accounted for under IFRIC 12 are recognized as follows:

ACTIVITIES PROVIDED BY THE CONCESSIONAIRE	REVENUE RECOGNITION	CLASSIFICATION OF REVENUES IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Construction or upgrade (when a service concession arrangement involves the construction or upgrade of the public service infrastructure)	Revenues relating to such activities under a service concession arrangement are recognized based on the Company's accounting policy on recognizing revenue (see Note 2G).	The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an EPC contractor. When SNC-Lavalin does not act as an EPC contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Operations and maintenance (these activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users)		The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an O&M contractor. When SNC-Lavalin does not act as an O&M contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Rehabilitation (when a service concession arrangement requires the concessionaire to rehabilitate the infrastructure such that the infrastructure can deliver a specified standard of service at all times)		The Company classifies these revenues as "from PS&PM" activities when SNC-Lavalin acts as a rehabilitation contractor. When SNC-Lavalin does not act as a rehabilitation contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Financing (when financial asset model or bifurcated model is applied)	Finance income generated on financial assets is recognized using the effective interest method.	The Company classifies this finance income as "Capital investments" activities.

Financial asset model

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the stand-alone selling price of the activity delivered.

Revenues recognized by the Company under the financial asset model are accumulated in "Receivables under service concession arrangements", a financial asset that is recovered through payments received from the grantor.

Intangible asset model

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. Amortization period begins when the infrastructure is available for use.

Fees collected by the concessionaire upon the usage of the infrastructure are classified as revenues from "Capital investments" activities.

J) **CASH EQUIVALENTS**

Cash equivalents include short-term liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are designated as at FVTPL and accounted for at fair value.

K) **RESTRICTED CASH**

Restricted cash includes cash and cash equivalents for which the use is restricted for specific purposes under certain arrangements. Restricted cash that is not expected to become unrestricted within the next twelve months is included in "Other non-current financial assets". Restricted cash is designated as at FVTPL and accounted for at fair value.

L) **INVENTORIES**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined: i) by using specific identification of the individual costs; or ii) on a weighted average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is recorded at rates set to charge operations with the cost of depreciable assets less their residual values (if any) over their estimated useful lives.

Property and equipment are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings	Straight-line, by component	10 to 50 years
Computer equipment	Straight-line	2 to 5 years
Office furniture	Diminishing balance or straight-line	20% or from 2 to 10 years
Machinery	Straight-line	1 to 15 years

N) INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with definite useful life related to business combinations are primarily:

CATEGORY	AMORTIZATION METHOD	AMORTIZATION PERIOD
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 and 10 years
Trademarks	Straight-line	4 to 8 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income when the asset is derecognized.

O) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, which mainly include property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P) **GOODWILL**

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and joint ventures is included within investments accounted for by the equity method. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU or group of CGU expected to benefit from the synergies of the combination. A CGU or group of CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGU may be impaired. If the recoverable amount of the CGU or group of CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGU and then to the other assets of the CGU or group of CGU pro-rata on the basis of the carrying amount of each asset in the CGU or group of CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has designated October 31 as the date for its annual impairment test.

Q) **RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and satisfy generally accepted conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, using the straight-line method over a period not exceeding five years.

R) **INCOME TAXES**

Income taxes recognized in net income comprise the sum of deferred income tax and current income tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise amounts receivable from or payable to tax authorities relating to the current or prior reporting periods, which are uncollected or unpaid at the reporting date. Current tax is payable on taxable income, which differs from net income in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax on temporary differences associated with shares in subsidiaries, joint arrangements and associates is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. For management's assessment of the probability of future taxable income to utilize against deferred income tax assets, see Note 3.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred income tax assets or liabilities are recognized as a component of income taxes in net income, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred income tax is recognized in other comprehensive income or equity, respectively.

S) **DEFINED BENEFIT PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS**

Defined benefit pension plans, other long-term benefits and other post-employment benefits obligations are included in "Provisions" in the consolidated statement of financial position and have been determined using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement to the eligible employees and measures each unit separately to build up the final obligation. In valuing the defined benefit cost as well as other post-employment benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high quality corporate bonds with cash flows that match the timing and amount of expected benefit payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Remeasurement, comprising: i) actuarial gains and losses; ii) the effect of the changes to the asset ceiling (if applicable); and iii) the return on plans' assets (excluding interest), is credited or charged to equity in other comprehensive income in the period in which it arises. Remeasurement recognized in other comprehensive income is not reclassified to net income in subsequent periods. The cumulative amount of remeasurement is included in retained earnings.

Defined benefit costs comprise: i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); ii) net interest expense or income; and iii) remeasurement. Service cost and net interest income or expense are recognized in net income while the remeasurement is recognized in other comprehensive income in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

T) EARNINGS PER SHARE

Basic and diluted earnings per share have been determined by dividing the consolidated net income attributable to SNC-Lavalin shareholders for the period by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

U) SHARE-BASED PAYMENTS

Stock options

Stock options granted to employees are measured at their fair value at the grant date. The estimated fair value of the stock options is determined using the Black-Scholes option pricing model.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the shorter of the vesting period or the term over which an employee becomes eligible to retire, based on the Company's estimate of stock options that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest and the impact of such revision, if any, is recognized in net income.

Share units

The 2019 Performance Share Unit plan ("2019 PSU plan"), 2017 Performance Share Unit plan ("2017 PSU plan"), 2019 Restricted Share Unit plan ("2019 RSU plan"), Restricted Share Unit plan ("RSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share unit plans". For share units granted to employees under the share unit plans, a liability is recognized and measured at the fair value of the liability, which is based on the Company's share price. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period. The fair value of the grants of share units is expensed in the income statement on a straight-line basis over the vesting period, based on the Company's estimate of share units that will eventually vest.

V) PROVISIONS

A provision is a liability of uncertain timing or amount that is recognized in the consolidated statement of financial position.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restructuring

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

W) **NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IFRS 9, *Financial Instruments*, unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity for which operations and cash flows can be clearly distinguished from the rest of the Company, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in “Net income (loss) from discontinued operations” in the consolidated income statement.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of other comprehensive income are re-presented as if the operation had been discontinued from the beginning of the comparative year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X) LEASING

Accounting for leases as a lessee

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

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

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

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

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

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

Accounting for leases as a lessor

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for sale and lease back transactions

In a sale and lease back transaction, the transfer of an asset is recognized as a sale when the customer has obtained control of such asset based on the Company's revenue recognition policy, otherwise the Company continues to recognize the transferred asset on its statement of financial position and recognizes a financial liability equal to the proceeds transferred. When the transfer of an asset satisfies the Company's revenue recognition policy to be accounted for as a sale, a partial recognition of the gain on disposal is recognized immediately after the sale, based on the proportion of the asset not retained by the Company through the lease. The proportion of the asset retained by the Company through the lease is recognized as a right-of-use asset and the lease liability is measured as the present value of future lease payments.

Y) **GOVERNMENT GRANTS**

SNC-Lavalin recognizes grants from the government where there is a reasonable assurance that the grant will be received and SNC-Lavalin will comply with all attached conditions.

Government grants are recognized in the income statement on a systematic basis over the periods in which SNC-Lavalin recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property and equipment) are recognized by deducting the grants from the carrying amount of the related assets in the statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the income statement in the period in which they become receivable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

COVID-19 related matters

The COVID-19 pandemic has significantly disrupted and, although vaccination campaigns are currently underway in certain countries/regions, it continues to significantly disrupt global health, economic and market conditions and has triggered and continues to induce an indeterminate period of volatility and 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 and subsequent waves and variants thereof, continues to 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, in each case, notwithstanding the fact that vaccination campaigns are currently underway.

The impacts 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: revenue recognition, values used in impairment tests, assessment of deferred income tax assets and measurement of financial instruments at fair value.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Revenue recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a point in time) for each performance obligation and the measure of progress for each performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require the exercise of judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Company to estimate an amount of variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Company needs to constrain the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses, and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of variable consideration may vary significantly over time. Such estimated amount of variable consideration then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

More specifically, in 2020, the Company reviewed numerous variables having an impact on revenue recognition that are, or could be, affected by the COVID-19 pandemic, such as limitations or suspensions of certain business operations throughout the world, significant travel, particularly air travel, restrictions and associated quarantine and self-isolation requirements, the inability to execute work on certain sites for, in certain cases, indeterminate periods of time and the delays resulting therefrom, unavailability of labour and supply chain disruptions. Where available, *force majeure* relief (or similar) clauses contained in the contracts that underpin certain of the Company's major revenue generating projects were invoked and relied upon by the Company in response to the impacts of the COVID-19 pandemic and, consequently, the Company continues to monitor these contracts in light of the evolving situation and address all the claims that have arisen in connection with this process. The amount of anticipated incremental revenues (and decline thereof) and costs have been included in the forecast of performance obligations satisfied over time using the input method where such figures could be estimated with reasonable assurance based on facts and circumstances that existed at the time of such estimate. Where such figures could not be estimated with reasonable assurance, they were excluded from the forecast of performance obligations satisfied over time using the input method.

Service concession arrangements

The accounting for certain Capital investment activities requires the application of judgment in determining if they fall within the scope of IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"). Additional judgments need to be exercised when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, the accounting treatment of rehabilitation costs and associated estimates, as well as the effective interest rate to be applied to the financial asset. As the accounting for Capital investments under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the Capital investments.

Basis of consolidation

Under certain circumstances, the determination of the Company's level of power over an investee requires the exercise of judgment. As such, the classification of the entity as a subsidiary, a joint arrangement, an associate or an investment might require the application of judgment through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors, and various other factors.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Values used in impairment tests

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU or group of CGU. Such recoverable amount corresponds, for the purpose of impairment assessment, to the higher of the value in use or the fair value less costs of disposal of the CGU or group of CGU to which goodwill has been allocated.

The value in use calculation requires management to estimate future cash flows expected to arise from the CGU or group of CGU and a suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate.

When using the value in use approach, cash flows for each CGU or group of CGU are derived from the budget for the upcoming year, which is approved on an annual basis by members of the Company's Board of Directors, and a long-term forecast prepared by management, which covers an additional period from 3 to 5 years. Cash flows beyond the long-term forecast are extrapolated using a growth rate estimated by management. The discount rate is derived from the Company's post-tax weighted average cost of capital and is adjusted, where applicable, to take into account any specific risks.

When the fair value less costs of disposal approach is used, the fair value is derived from a market multiple approach. Under this approach, transaction multiples are applied to such CGU's future results, mainly EBIT and earnings before interest, income taxes, depreciation and amortization. The key assumptions required for the fair value less costs of disposal are the future results of the CGU or group of CGU, the multiples being used and the costs of disposal.

Future results for each CGU or group of CGU are derived from the budget for the upcoming year. Transaction multiples are derived from observable market value of comparable publicly traded companies or fair value observed from recent acquisitions or disposals of businesses that are comparable to the CGU or group of CGU. Costs of disposal, which usually corresponds to a percentage of the fair value of the CGU or group of CGU, are estimated based on historical transactions of the Company or on input from recent transactions.

For both the value in use and the fair value less costs of disposal approaches, the values assigned to key assumptions reflect past experience and external sources of information that are deemed accurate and reliable. The value in use and the fair value are categorized as Level 3 in the fair value hierarchy described under IFRS 13, *Fair Value Measurement*, as one or more key assumption used is based on unobservable data requiring the use of judgement.

When there is any indication that the tangible and intangible assets other than goodwill have suffered an impairment loss, the determination of the recoverable amount of tangible and intangible assets other than goodwill requires management to estimate cash flows expected to arise from these assets and a suitable discount rate in order to calculate the present value in a manner described above for goodwill.

The identification of events that could have an impact on the estimated cash flows of the assets and the determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets if found to be impaired.

The main assumptions used for the goodwill impairment testing are disclosed in Note 14.

Measurement of retirement benefit obligations, other long-term benefit and other post-employment benefit obligations

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans, other long-term benefits and other post-employment benefits are determined using actuarial valuations, and are dependent on assumptions such as the rate of compensation increase, as determined by management. While management believes these assumptions represent its best estimate, differences in actual results or changes in assumptions could have an impact on the obligations, expenses and amounts of actuarial gains (losses) recognized in the consolidated statement of comprehensive income.

October 26, 2018 and November 20, 2020 U.K. High Court rulings

SNC-Lavalin has certain defined benefit pension plans in the United Kingdom (the "U.K.") that are subject to guaranteed minimum pension ("GMP") accruals. An October 26, 2018 U.K. High Court ruling resulted in a higher pension obligation for SNC-Lavalin since the ruling: (i) requires plans to amend their pension formula to equalize benefits for men and women to adjust for the unequal results produced by the GMP between May 1990 and April 1997; (ii) provides permissible equalization methods under the law and allows the plan sponsors to use the lowest cost method; and (iii) requires plans to make back payments subject to plan rule limitations, with interest applied at one percentage point over the Bank of England base rate. On November 20, 2020, the U.K. High Court ruled that defined benefit plans need to revisit individual transfer payments made since May 17, 1990 to determine if any additional value is due as a result of GMP equalization.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

While the ruling has put forward a range of possible approaches that could be adopted to equalize GMPs, it left it up to individual pension plan trustees and employers to determine their preferred approach. SNC-Lavalin expects that it will take time for trustees and employers to decide on the approach for GMP equalization, gather data for plan participants, calculate the new benefit and cost, and ultimately make payments to members.

Based on its preliminary assessment, SNC-Lavalin recognized \$25.1 million as past service cost in “Corporate selling, general and administrative expenses” in its consolidated income statement for the year ended December 31, 2018. In the year ended December 31, 2020, SNC-Lavalin recognized an additional amount of \$4.0 million as past service cost in “Corporate selling, general and administrative expenses” in its consolidated income statement (2019: \$nil). The cumulative amount of \$29.1 million remains subject to uncertainty until the quantification exercise is completed.

October 15, 2020 U.K. Pensions Ombudsman ruling

An October 15, 2020 U.K. Pensions Ombudsman ruling resulted in a tranche of deferred and pensioner members who for a period of their pensionable service should receive their first annual increase post retirement in full rather than a *pro-rata* increase to reflect the number of complete months they have been in retirement in the first year. This requirement for a full increase has not been applied historically. Instead a proportionate first increase has been applied for all members and for all service. Based on its preliminary assessment, SNC-Lavalin recognized \$26.7 million as actuarial losses arising from experience adjustments, which are included in “Remeasurement of defined benefit plans” in the consolidated statement of comprehensive income for the year ended December 31, 2020.

Measurement of provisions shown in the consolidated statement of financial position

In measuring a provision, the Company takes risks and uncertainties into account. The uncertainties mainly relate to the timing and amount of a provision. Also, risks and uncertainties arise from discounting a provision, where the effect of the time value of money is significant, using a pre-tax discount rate that reflects current market assessments of the time value of money. Additionally, the Company takes future events, such as changes in the law, into account where there is sufficient objective evidence that they will occur when measuring a provision.

Contingent liabilities

As described in more detail in Note 33, the Company is subject to certain ongoing investigations, and various class action and other lawsuits and proceedings have been filed against the Company. The outcome of these investigations, actions, lawsuits and proceedings, while not determinable, could have a material adverse impact on the Company’s liquidity and financial results.

Measurement of share-based payment expenses

The Company offers PSU plans to selected individuals within the organization. Depending on the attainment of performance criteria and conditions, the number of units granted is adjusted depending on specific indicators to determine the number of units to which all participants receiving the award will be entitled at the end of the vesting period. At each measurement date, management is required to estimate the number of performance share units that will vest, which impacts the amount of associated liabilities and expenses.

Assessment of deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of significant judgment in determining whether or not it is probable that the Company’s deferred income tax assets would be recovered from future taxable income and, therefore, can be recognized in the Company’s consolidated financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantively enacted tax rates that will apply at such time.

Measurement of financial instruments at fair value

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 is not readily available, management is required to estimate the fair value of the instrument using various inputs that are either directly or indirectly observable, or that are not based on observable market data.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 additional impact from the COVID-19 pandemic, other than what is already included in the market data, to be considered for the measurement of such financial instruments as at December 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 in 2020 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.

Refer to Note 30 for additional disclosures on the Company's Level 3 financial instruments.

Assets and liabilities acquired in a business combination

Intangible assets and goodwill arising out of business combinations are accounted for by applying the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, the Company uses significant estimates and assumptions regarding cash flow projections, economic risk, and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to intangible assets and goodwill, as well as the amortization period for intangible assets with finite lives. If results differ from estimates, the Company may increase amortization or recognize impairment charges.

Identification of functional currency

The functional currency for each subsidiary, joint operation, joint venture and associate is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment and other entities may make different judgments based on similar facts. SNC-Lavalin reconsiders the functional currency of its businesses if there is a change in the underlying transactions, events or conditions which determine their primary economic environment.

The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortization of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement and in equity.

Leases

Estimate of the lease term

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

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Determining the discount rate for leases

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

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

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

Classification and measurement of non-current assets or disposal groups classified as held for sale

The classification of non-current assets or disposal groups as held for sale is based on certain criteria, including the fact that the sale of such assets or disposal groups is highly probable. Such probability of a sale transaction to be completed within one year from the date of classification at a reasonable price in relation to the fair value of the assets or disposal groups is, by nature, subject to uncertainties.

Furthermore, the measurement of non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell requires the exercise of judgment. While fair value of certain assets or disposal groups can be determined based on valuation techniques using various inputs, themselves requiring the use of estimates, it might also require the valuation (and associated estimates) of anticipated contractual clauses related to the transfer, or not, of certain risks and uncertainties associated to these assets or disposal groups. In addition, events occurring subsequently to the classification of non-current assets or disposal groups as held for sale, or additional information received on past events unknown at the time of such classification, could change the estimate of fair value less costs to sell related to such assets or disposal groups.

4. SEGMENT DISCLOSURES

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

The description of each of the segments is as follows:

EDPM incorporates all consultancy, engineering, design and project management services around the world. It also leads our efforts to transform the global infrastructure sector by leveraging data and technology to improve the delivery of our clients’ projects from conception through to eventual operation. EDPM projects are mainly in transportation (including rail, mass transit, roads and airports), civil infrastructure, aerospace, defense and security and technology, including some of the world’s most transformational projects. A significant portion of EDPM’s revenues are derived from the public sector, including national, provincial, state and local and municipal authorities.

Nuclear supports clients across the entire nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

Infrastructure Services includes O&M projects, as well as the Company’s repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity.

4. SEGMENT DISCLOSURES (CONTINUED)

Resources provides a full suite of delivery services primarily to the mining & metallurgy sector, covering the project lifecycle from project development through project delivery and support services. Resources ceased bidding for new EPC projects under the LSTK construction contracting modeling in July 2019. Resources is now focused on providing engineering, EPCM, project management consultancy (“PMC”), commissioning and technical support services through a lower risk contracting model and operational delivery is focused on key regions and global clients. Resources also includes the operating phase of a Build-Own-Operate (BOO) contract in the United States. In the past, Resources included services and LSTK projects in Oil & Gas, which are now presented as discontinued operations.

Infrastructure EPC Projects includes LSTK construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. In July 2019, the Company decided to cease bidding on new LSTK construction contracts.

Capital is SNC-Lavalin’s investment, financing and asset management arm, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals). The Capital segment includes SNC-Lavalin’s 20% ownership interest in and management of SNC-Lavalin Infrastructure Partners LP.

As disclosed in Note 2C, effective as of the second quarter of 2020, the measure of profit or loss of each segment is referred to (without any change to this financial measure’s composition) as Segment Adjusted EBIT (formerly “Segment EBIT”) to clarify that this measure excludes items other than interest and taxes. Also, as disclosed in Note 2C, effective as of the second quarter of 2020, the Company presents the financial results of Capital separately from the SNCL Engineering Services line of business to further simplify the presentation of financial information excluding Capital.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2). The Company evaluates segment performance using **Segment Adjusted EBIT**, which consists of, except for the Capital segment, Total Segment Adjusted EBIT less i) directly related selling, general and administrative expenses; and ii) corporate selling, general and administrative expenses that are directly and indirectly related to projects or segments. Corporate selling, general and administrative expenses that are not directly or indirectly related to projects or segments, impairment losses (reversal of impairment losses) arising from expected credit losses, gains (losses) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, amortization of intangible assets related to business combinations, acquisition-related costs and integration costs, gains (losses) on disposal(s) or adjustment on disposal(s) of PS&PM businesses, impairment of intangible assets related to business combinations, goodwill impairment and federal charges settlement (PPSC) are not allocated to the Company’s segments.

The Company evaluates the performance of its Capital segment based on: i) dividends or distributions received from investments, which are not subject to significant influence by SNC-Lavalin; ii) SNC-Lavalin’s share of the net results of its investments, or dividends from its Capital investments for which the carrying amount is \$nil, but would otherwise be negative based on historical financial results and dividends, for investments accounted for by the equity method; and iii) the net result from investments accounted for by the consolidation method.

The Capital Segment Adjusted EBIT also reflects selling, general and administrative expenses, including corporate selling, general and administrative expenses that are directly and indirectly related to the segment. Accordingly, the **Segment Adjusted EBIT from Capital** is reported net of selling, general and administrative expenses.

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and Segment Adjusted EBIT for each of the Company's segments for the year ended December 31, 2020:

	YEAR ENDED DECEMBER 31	2020			
		REVENUES	SEGMENT ADJUSTED EBIT		
			PS&PM	CAPITAL	TOTAL
EDPM		\$ 3,721,119	\$ 302,269	\$ —	\$ 302,269
Nuclear		928,606	140,051	—	140,051
Infrastructure Services		1,325,313	97,212	—	97,212
SNCL Engineering Services		5,975,038	539,532	—	539,532
Resources ⁽¹⁾		162,916	(171,118)	—	(171,118)
Infrastructure EPC Projects ⁽²⁾		740,188	(359,680)	—	(359,680)
SNCL Projects		903,104	(530,798)	—	(530,798)
Capital		129,359	—	116,615	116,615
		\$ 7,007,501			
Total Segment Adjusted EBIT			8,734	116,615	125,349
Corporate selling, general and administrative expenses not allocated to the segments (Note 25)			(147,739)	(28,194)	(175,933)
Impairment loss arising from expected credit losses			(874)	—	(874)
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss			(4,652)	(57,207)	(61,859)
Restructuring costs (Note 26)			(63,324)	—	(63,324)
Amortization of intangible assets related to business combinations (Note 15)			(126,770)	—	(126,770)
Adjustment on gain from disposal of a Capital investment (Note 5A)			—	25,000	25,000
Loss on disposals of PS&PM businesses (Note 6)			(7,467)	—	(7,467)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 39B)			(6,094)	—	(6,094)
EBIT			(348,186)	56,214	(291,972)
Net financial expenses (Note 27)			97,732	16,264	113,996
Earnings (loss) before income taxes from continuing operations			(445,918)	39,950	(405,968)
Income taxes (Note 29B)			(53,438)	(5,601)	(59,039)
Net income (loss) from continuing operations			(392,480)	45,551	(346,929)
Net loss from discontinued operations (Note 39A)			(609,344)	—	(609,344)
Net income (loss)			\$ (1,001,824)	\$ 45,551	\$ (956,273)
Net income (loss) from continuing operations attributable to:					
SNC-Lavalin shareholders			\$ (401,654)	\$ 45,551	\$ (356,103)
Non-controlling interests			9,174	—	9,174
Net income (loss) from continuing operations			\$ (392,480)	\$ 45,551	\$ (346,929)
Net income (loss) attributable to:					
SNC-Lavalin shareholders			\$ (1,010,998)	\$ 45,551	\$ (965,447)
Non-controlling interests			9,174	—	9,174
Net income (loss)			\$ (1,001,824)	\$ 45,551	\$ (956,273)

⁽¹⁾ The negative Segment Adjusted EBIT of Resources resulted mainly from charges for remaining LSTK contracts and other historical claims and litigation matters.

⁽²⁾ The negative Segment Adjusted EBIT of Infrastructure EPC Projects was mainly due to unfavorable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and Segment Adjusted EBIT for each of the Company's segments for the year ended December 31, 2019:

YEAR ENDED DECEMBER 31	2019 ^{(1), (2)}			
	REVENUES	SEGMENT ADJUSTED EBIT		
		PS&PM	CAPITAL	TOTAL
EDPM	\$ 3,908,900	\$ 357,766	\$ —	\$ 357,766
Nuclear	929,809	127,601	—	127,601
Infrastructure Services	1,178,582	73,511	—	73,511
SNCL Engineering Services	6,017,291	558,878	—	558,878
Resources ⁽³⁾	273,077	(111,199)	—	(111,199)
Infrastructure EPC Projects ⁽⁴⁾	1,076,744	(106,480)	—	(106,480)
SNCL Projects	1,349,821	(217,679)	—	(217,679)
Capital	262,720	—	243,240	243,240
	<u>\$ 7,629,832</u>			
Total Segment Adjusted EBIT		341,199	243,240	584,439
Corporate selling, general and administrative expenses not allocated to the segments (Note 25)		(45,750)	(28,194)	(73,944)
Impairment loss arising from expected credit losses		(210)	—	(210)
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(5,807)	1,064	(4,743)
Restructuring costs (Note 26)		(76,058)	(3,594)	(79,652)
Amortization of intangible assets related to business combinations (Note 15)		(162,117)	—	(162,117)
Acquisition-related costs and integration costs		(8,315)	—	(8,315)
Gain on disposal of a Capital investment (Note 5A)		—	2,970,783	2,970,783
Loss from adjustment on disposals of PS&PM businesses		(294)	—	(294)
Federal charges settlement (PPSC) (Note 18)		(257,327)	—	(257,327)
EBIT		(214,679)	3,183,299	2,968,620
Net financial expenses (Note 27)		197,267	17,842	215,109
Earnings (loss) before income taxes from continuing operations		(411,946)	3,165,457	2,753,511
Income taxes (Note 29B)		(82,307)	392,655	310,348
Net income (loss) from continuing operations		(329,639)	2,772,802	2,443,163
Net loss from discontinued operations (Note 39A)		(2,112,576)	—	(2,112,576)
Net income (loss)		\$ (2,442,215)	\$ 2,772,802	\$ 330,587
Net income (loss) from continuing operations attributable to:				
SNC-Lavalin shareholders		(332,007)	2,772,802	2,440,795
Non-controlling interests		2,368	—	2,368
Net income (loss) from continuing operations		\$ (329,639)	\$ 2,772,802	\$ 2,443,163
Net income (loss) attributable to:				
SNC-Lavalin shareholders		\$ (2,444,583)	\$ 2,772,802	\$ 328,219
Non-controlling interests		2,368	—	2,368
Net income (loss)		\$ (2,442,215)	\$ 2,772,802	\$ 330,587

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services (see Note 2C).

⁽²⁾ Comparative figures have been re-presented (see Notes 2C and 39).

⁽³⁾ The negative Segment Adjusted EBIT of Resources was mainly due to net unfavorable reforecasts totaling \$89.3 million on certain major LSTK contracts.

⁽⁴⁾ The negative Segment Adjusted EBIT of Infrastructure EPC Projects was mainly attributable to the net unfavorable reforecasts totaling approximately \$130 million on certain major projects resulting from higher forecasted costs or increased warranty costs, primarily on two LSTK contracts nearing completion and on smaller clean power projects.

4. 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 (loss) from other Capital investments.

It should be noted that the 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.

YEARS ENDED DECEMBER 31	2020	2019 ⁽¹⁾
Supplementary information:		
Net loss on disposals of PS&PM businesses (Note 6)	\$ (7,467)	\$ (294)
Federal charges settlement (PPSC) (Note 18)	—	(257,327)
Net loss from discontinued operations (Note 39A)	(609,344)	(2,112,576)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 39B)	(6,094)	—
Excluding the items listed above	(388,093)	(74,386)
Net loss attributable to SNC-Lavalin shareholders from PS&PM	(1,010,998)	(2,444,583)
Net gain or adjustment on net gain from disposal of a Capital investment (Note 5A)	25,000	2,585,998
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	38,048	146,099
Excluding the items listed above	32,130	40,705
Net income attributable to SNC-Lavalin shareholders from Capital	45,551	2,772,802
Net income (loss) attributable to SNC-Lavalin shareholders	\$ (965,447)	\$ 328,219

⁽¹⁾ Comparative figures have been re-presented (see Notes 2C and 39).

The following table presents property, equipment, goodwill and intangible assets inside and outside Canada reflected on the Company's consolidated statements of financial position:

	DECEMBER 31 2020	DECEMBER 31 2019
Property, equipment, goodwill and intangible assets ⁽²⁾		
Canada	\$ 224,424	\$ 250,826
Outside Canada	4,124,977	4,314,496
	\$ 4,349,401	\$ 4,565,322

⁽²⁾ All related to PS&PM activities

5. 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*, are all accounted for under the financial asset model.

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

I) IN 2020

In the fourth quarter of 2020, the Company released in full a provision for contingent indemnification related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period. Such non-cash reversal of the provision in the amount of \$25.0 million is included in “Gain or adjustment on gain from disposal of a Capital investment” in the consolidated income statement for the year ended December 31, 2020.

II) IN 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 at 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 and the interests and securities issued by the entity indirectly holding TransitNEXT have also been pledged to the project lenders as is customary in projects of this nature.

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

HIGHWAY 407 ETR

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

On May 17, 2019, SNC-Lavalin announced, prior to the expiry of the relevant notice and acceptance period, that another shareholder of Highway 407 ETR had exercised its right of first refusal to purchase all of the Subject Shares on the same terms and conditions as those set out in the transaction documents with OMERS. On the basis that the shareholder exercised such a right of first refusal and in accordance with the terms of the sale contract, SNC-Lavalin terminated the transaction with OMERS, which was subject to a payment of a break fee of 2.5% of the purchase price once the sale completed.

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

5. CAPITAL INVESTMENTS (CONTINUED)

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

SNC-Lavalin's remaining 6.76% ownership interest in Highway 407 ETR continues to be accounted for under the equity method of accounting, following the completion of the sale of the Subject Shares in August 2019.

Net gain on partial disposal of Highway 407 ETR

YEAR ENDED DECEMBER 31	2019
Consideration received in cash	\$ 3,000,000
Additional consideration received	12,256
Contingent consideration receivable ⁽¹⁾	56,143
Total consideration	3,068,399
Carrying amount of the investment sold	—
Disposition-related costs ⁽²⁾	(97,616)
Gain on partial disposal of Highway 407 ETR	2,970,783
Income taxes	(384,785)
Net gain on partial disposal of Highway 407 ETR	\$ 2,585,998

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

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

B) FINANCIAL INFORMATION AND DESCRIPTION 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 method and at fair value through other comprehensive income.

	DECEMBER 31 2020	DECEMBER 31 2019
Net assets (liabilities) from Capital investments accounted for by the consolidation method	\$ 38,296	\$ (51,620)
Net book value of Capital investments accounted for by the equity method ⁽³⁾	378,730	399,539
Net book value of Capital investments at fair value through other comprehensive income	9,666	8,107
	\$ 426,692	\$ 356,026

⁽³⁾ Includes the Company's investment in Highway 407 ETR, for which the net book value was \$nil as at December 31, 2020 and 2019.

I) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE CONSOLIDATION METHOD

SNC-Lavalin's main Capital investments accounted for by the consolidation method are detailed below:

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
					DECEMBER 31 2020	DECEMBER 31 2019
InPower BC General Partnership	John Hart Generating Replacement Facility	Yes	2033	Canada	100.0%	100.0%
TransitNEXT General Partnership	New Trillium Line extension (under construction)	Yes	2049	Canada	100.0%	100.0%

5. CAPITAL INVESTMENTS (CONTINUED)

II) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

SNC-Lavalin's main Capital investments accounted for by the equity method are listed below:

					OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2020	DECEMBER 31 2019
Joint ventures:						
407 East Development Group General Partnership (“407 EDGGP”)	32-km toll Highway 407 East	Yes	2045	Canada	50.0%	50.0%
407 International Inc. ⁽¹⁾ (“Highway 407 ETR”)	108-km toll highway under a 99-year concession agreement	No	2098	Canada	6.76%	6.76%
Crosslinx Transit Solutions General Partnership (“Eglinton Crosstown”)	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	25.0%	25.0%
Rideau Transit Group Partnership (“Rideau”)	The Confederation Line, City of Ottawa’s light rail transit system	Yes	2043	Canada	40.0%	40.0%
Signature on the Saint-Laurent Group General Partnership (“SSL”)	New Champlain Bridge Corridor	Yes	2049	Canada	50.0%	50.0%
TC Dôme S.A.S. ⁽²⁾ (“TC Dôme”)	5.3-km electric cog railway	Yes	2043	France	51.0%	51.0%
Associates:						
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	N/A	Algeria	25.5%	25.5%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	26.0%	26.0%
SNC-Lavalin Infrastructure Partners LP	Holding interests in mature Capital investments	No	N/A	Canada	20.0%	20.0%

⁽¹⁾ Although the Company holds less than 20% of the equity shares of Highway 407 ETR, the Company exercises joint control over this entity based on its contractual agreements.

⁽²⁾ Although the Company's ownership interest in TC Dôme is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

N/A: not applicable

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its Capital investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below:

YEAR ENDED DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	\$ 908,566	\$ 1,028,104	\$ 1,936,670
Interest income (at 100%)	\$ 15,734	\$ 4,760	\$ 20,494
Interest expense (at 100%)	\$ 456,902	\$ 94,251	\$ 551,153
Depreciation and amortization (at 100%)	\$ 97,434	\$ —	\$ 97,434
Income tax expense (at 100%)	\$ 53,379	\$ 2	\$ 53,381

YEAR ENDED DECEMBER 31, 2019	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	\$ 1,505,301	\$ 1,271,169	\$ 2,776,470
Interest income (at 100%)	\$ 24,512	\$ 20,584	\$ 45,096
Interest expense (at 100%)	\$ 444,615	\$ 116,317	\$ 560,932
Depreciation and amortization (at 100%)	\$ 105,512	\$ —	\$ 105,512
Income tax expense (at 100%)	\$ 207,489	\$ 4	\$ 207,493

YEAR ENDED DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	\$ 147,934	\$ 57,724	\$ 205,658
Other comprehensive loss (at 100%)	(833)	(6,359)	(7,192)
Total comprehensive income (at 100%)	\$ 147,101	\$ 51,365	\$ 198,466

YEAR ENDED DECEMBER 31, 2019	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	\$ 575,748	\$ 93,281	\$ 669,029
Other comprehensive loss (at 100%)	(778)	(3,006)	(3,784)
Total comprehensive income (at 100%)	\$ 574,970	\$ 90,275	\$ 665,245

YEARS ENDED DECEMBER 31	2020	2019
Company's share of net income of Capital investments based on its ownership interest ⁽¹⁾	\$ 30,858	\$ 109,565
Company's net income from Capital investments included in its income statement ⁽¹⁾	\$ 59,174	\$ 185,266

⁽¹⁾ See Note 1 on the following page

5. CAPITAL INVESTMENTS (CONTINUED)

DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	\$ 614,532	\$ 66,329	\$ 680,861
Other current assets (at 100%)	439,922	223,125	663,047
Non-current assets (at 100%)	4,597,899	2,811,978	7,409,877
Total assets (at 100%)	5,652,353	3,101,432	8,753,785
Trade payables (at 100%)	58,390	78,525	136,915
Other current financial liabilities (at 100%)	124,418	131,804	256,222
Other current non-financial liabilities (at 100%)	18,359	55,783	74,142
Other non-current financial liabilities (at 100%)	9,602,978	2,360,444	11,963,422
Other non-current non-financial liabilities (at 100%)	551,433	534	551,967
Total liabilities (at 100%)	10,355,578	2,627,090	12,982,668
Net assets (liabilities) (at 100%)	\$ (4,703,225)	\$ 474,342	\$ (4,228,883)
Company's carrying value of Capital investments included in its statement of financial position ⁽¹⁾	\$ —	\$ 214,323	\$ 214,323

DECEMBER 31, 2019	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	\$ 557,316	\$ 122,903	\$ 680,219
Other current assets (at 100%)	254,470	663,691	918,161
Non-current assets (at 100%)	4,539,752	2,669,759	7,209,511
Total assets (at 100%)	5,351,538	3,456,353	8,807,891
Trade payables (at 100%)	81,248	102,259	183,507
Other current financial liabilities (at 100%)	142,614	568,539	711,153
Other current non-financial liabilities (at 100%)	18,008	56,908	74,916
Other non-current financial liabilities (at 100%)	8,868,430	2,321,948	11,190,378
Other non-current non-financial liabilities (at 100%)	529,066	428	529,494
Total liabilities (at 100%)	9,639,366	3,050,082	12,689,448
Net assets (liabilities) (at 100%)	\$ (4,287,828)	\$ 406,271	\$ (3,881,557)
Company's carrying value of Capital investments included in its statement of financial position ⁽¹⁾	\$ —	\$ 227,943	\$ 227,943

⁽¹⁾ Under the equity method of accounting, distributions from a joint venture reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends declared by the joint venture are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to \$nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. In these situations, the Company no longer recognizes its share of net income of a Capital investment based on its ownership, but rather recognizes the excess amount of dividends declared by a joint venture in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 ETR of \$38.0 million in 2020 (2019: \$146.1 million) and did not recognize its share of Highway 407 ETR's net income of \$10.0 million (2019: \$72.0 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was \$nil at December 31, 2020 and 2019. The negative carrying value of the Company's investment in Highway 407 ETR, which is not recognized on the Company's statement of financial position, amounted to \$319.0 million as at December 31, 2020 (2019: negative carrying value of \$291.0 million).

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of Capital investments classified as associates:

YEARS ENDED DECEMBER 31	2020	2019
Statements of comprehensive income		
Revenues (at 100%)	\$ 272,550	\$ 308,023
Expenses (at 100%)	162,146	196,102
Net income (at 100%)	110,404	111,921
Other comprehensive income (loss) (at 100%)	—	—
Total comprehensive income (at 100%)	\$ 110,404	\$ 111,921
Company's share of net income of Capital investments based on its ownership interest	\$ 28,175	\$ 25,277
Company's share of net income from Capital investments included in its income statement	\$ 28,175	\$ 25,277
	DECEMBER 31 2020	DECEMBER 31 2019
Statements of financial position		
Current assets (at 100%)	\$ 336,972	\$ 358,457
Non-current assets (at 100%)	592,094	685,714
Total assets (at 100%)	929,066	1,044,171
Current liabilities (at 100%)	77,808	146,578
Non-current liabilities (at 100%)	186,539	261,971
Total liabilities (at 100%)	264,347	408,549
Net assets (at 100%)	\$ 664,719	\$ 635,622
Company's carrying value of Capital investments included in its statement of financial position	\$ 164,407	\$ 171,596

III) CAPITAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The main Capital investments at fair value through other comprehensive income are listed below:

			OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	LOCATION	DECEMBER 31 2020	DECEMBER 31 2019
Carlyle Global Infrastructure Opportunity Fund, L.P. ⁽¹⁾	Holding investments in infrastructure projects related to energy, power and other natural resources	U.S.A.	4.5%	4.5%
Highway Concessions One Private Limited ⁽¹⁾	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	India	10.0%	10.0%

⁽¹⁾ Included in the measurement category of "at fair value through other comprehensive income"

The investments in Carlyle Global Infrastructure Opportunity Fund, L.P. and in Highway Concession One Private Limited are designated to be measured at fair value through other comprehensive income to avoid the variability of the Company's net income in the future periods.

For the years ended December 31, 2020 and 2019, the Company's consolidated income includes dividends of \$nil and \$1.9 million, respectively, from investments at fair value through other comprehensive income.

5. CAPITAL INVESTMENTS (CONTINUED)

C) PAYMENTS AND REMAINING COMMITMENTS IN CAPITAL INVESTMENTS

When making investments in infrastructure concessions, SNC-Lavalin may not be required to make its contribution immediately but instead may commit to make its contribution over time.

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income as at December 31, 2020 and 2019:

	2020	2019
Commitments to invest in Capital investments – January 1	\$ 70,724	\$ 108,312
Increase in commitments to invest in Capital investments	10,031	2,379
Payments for Capital investments during the year	(55,834)	(39,967)
Commitments to invest in Capital investments – December 31	\$ 24,921	\$ 70,724

At December 31, 2020, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2019: SSL, Eglinton Crosstown and Carlyle Global Infrastructure Opportunity Fund, L.P.) and were presented as "Other current financial liabilities" (see Note 18) since they are either expected to be paid in the following year or are callable on demand.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US\$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects. Such commitment to invest amounted to US\$82.5 million (approximately CA\$105.7 million) as at December 31, 2020 (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.

6. DISPOSALS OF PS&PM BUSINESSES

A) DISPOSAL OF SUBSIDIARIES IN SOUTH AFRICA

In 2020, SNC-Lavalin completed the sale of its ownership interests in three of its subsidiaries in South Africa, which were part of the Oil & Gas business, classified as a discontinued operation, previously included in the Resources segment, in exchange for a total consideration of \$14.9 million.

Net gain on disposal of South African subsidiaries

YEAR ENDED DECEMBER 31	2020
Consideration received	\$ 13,003
Additional deferred consideration receivable	1,908
Total consideration	14,911
Net assets disposed of	(38,006)
Cumulative exchange loss on translating foreign operations reclassified from equity	29,516
Disposition-related costs	(216)
Gain on disposal of South African subsidiaries	6,205
Income taxes	—
Net gain on disposal of South African subsidiaries ⁽¹⁾	\$ 6,205

⁽¹⁾ Included in "Net loss from discontinued operations" in the consolidated income statement (see Note 39)

Upon disposal, the major classes of assets and liabilities of subsidiaries disposed of in South Africa were as follows:

Cash and cash equivalents	\$ 20,462
Other current assets	31,437
Other non-current assets	6,546
Assets disposed of	58,445
Current liabilities	18,376
Non-current liabilities	2,063
Liabilities disposed of	20,439
Net assets disposed of	\$ 38,006

6. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

B) DISPOSAL OF A SUBSIDIARY IN BELGIUM

In 2020, SNC-Lavalin completed the sale of its ownership interest of 100% in SNC-Lavalin SA (Belgium) in exchange for a total consideration of \$nil. On the date of disposal, SNC-Lavalin SA held \$7.5 million in cash and cash equivalents, which amount was effectively transferred to the acquirer on closing as per of the terms of the sale agreement. The loss on disposal of SNC-Lavalin's ownership interest in SNC-Lavalin SA amounted to \$7.5 million before and after income taxes and is included in "Loss on disposals of PS&PM businesses" in the Company's consolidated income statement.

C) CASH OUTFLOW ON DISPOSALS OF PS&PM BUSINESSES

In 2020, cash outflow on disposals of subsidiaries in South Africa and in Belgium included in the Company's consolidated statement of cash flows was as follows:

YEAR ENDED DECEMBER 31		2020
Consideration received in cash	\$	13,003
Less: cash and cash equivalents balances disposed of		28,046
Cash outflow on disposals of PS&PM businesses	\$	(15,043)

7. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS	DECEMBER 31 2020	DECEMBER 31 2019
Bank balances, bank term deposits and bankers' acceptances	\$ 932,902	\$ 1,188,636
Cash and cash equivalents	\$ 932,902	\$ 1,188,636

B) RESTRICTED CASH	DECEMBER 31 2020	DECEMBER 31 2019
Bank balances, bank term deposits and bankers' acceptances	\$ 29,300	\$ 34,118
Restricted cash	\$ 29,300	\$ 34,118

8. TRADE RECEIVABLES AND CONTRACT ASSETS

A) TRADE RECEIVABLES

The following table presents the Company's trade receivables that are within normal terms of payment separately from those that are past due, with a reconciliation to the net carrying amount:

	DECEMBER 31 2020	DECEMBER 31 2019
Trade receivables:		
Within normal terms of payment	\$ 894,248	\$ 1,161,005
Past due	477,068	628,135
Total trade receivables	1,371,316	1,789,140
Allowance for expected credit losses	(172,150)	(255,698)
Trade receivables, net of allowance for expected credit losses	\$ 1,199,166	\$ 1,533,442

The change in the allowance for expected credit losses is detailed below:

YEARS ENDED DECEMBER 31	2020	2019
Balance at beginning of year	\$ 255,698	\$ 240,264
Change in allowance, other than write-offs and recoveries	43,750	43,102
Write-offs of trade receivables	(44,047)	(9,133)
Recoveries	(9,253)	(18,535)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(73,998)	—
Balance at end of year	\$ 172,150	\$ 255,698

B) CONTRACT ASSETS

As at December 31, 2020, the Company has contract assets of \$1,090.1 million (2019: \$1,755.3 million), which is net of an allowance for expected credit losses of \$23.3 million (2019: \$18.3 million). The change in the allowance for expected credit losses is detailed below:

YEARS ENDED DECEMBER 31	2020	2019
Balance at beginning of year	\$ 18,262	\$ 11,193
Change in allowance, other than write-offs	16,020	10,523
Write-offs of contract assets	(7,217)	(3,454)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(3,806)	—
Balance at end of year	\$ 23,259	\$ 18,262

The significant changes in the balance of contract assets are disclosed in Note 9B, while the information about the credit exposures is disclosed in Note 30B.

9. REVENUE

A) DISAGGREGATION OF REVENUE

Revenues by geographic area

The following tables present revenues by geographic area according to project location for the years ended December 31, 2020 and 2019:

YEAR ENDED DECEMBER 31				2020
	REVENUE FROM CONTRACTS WITH CUSTOMERS		OTHER REVENUE	TOTAL
Americas:				
Canada	\$	2,016,539	\$ 85,858	\$ 2,102,397
United States		1,357,825	25,819	1,383,644
Latin America		80,976	—	80,976
Middle East and Africa:				
Saudi Arabia		167,388	—	167,388
Other Middle East countries		382,071	3,590	385,661
Africa		178,076	25,289	203,365
Asia Pacific:				
Australia		38,531	—	38,531
Other		342,178	—	342,178
Europe:				
United Kingdom		1,881,723	11,866	1,893,589
Other		409,772	—	409,772
	\$	6,855,079	\$ 152,422	\$ 7,007,501

YEAR ENDED DECEMBER 31				2019 ⁽¹⁾
	REVENUE FROM CONTRACTS WITH CUSTOMERS		OTHER REVENUE	TOTAL
Americas:				
Canada	\$	2,399,914	\$ 218,757	\$ 2,618,671
United States		1,363,446	18,599	1,382,045
Latin America		146,212	—	146,212
Middle East and Africa:				
Saudi Arabia		275,967	—	275,967
Other Middle East countries		583,983	1,924	585,907
Africa		134,263	19,636	153,899
Asia Pacific:				
Australia		96,306	—	96,306
Other		319,576	—	319,576
Europe:				
United Kingdom		1,756,061	2,933	1,758,994
Other		290,337	1,918	292,255
	\$	7,366,065	\$ 263,767	\$ 7,629,832

⁽¹⁾ Comparative figures have been re-presented (see Notes 2C and 39).

In the years ended December 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.

9. REVENUE (CONTINUED)

Revenues by type of contracts

The types of contracts presented are defined as follow:

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

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

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

The following tables present revenues by type of contracts for the years ended December 31, 2020 and 2019:

YEAR ENDED DECEMBER 31					2020
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS		TOTAL
EDPM	\$ 3,721,120	\$ —	\$ —	\$	3,721,120
Nuclear	882,470	—	11,079		893,549
Infrastructure Services	789,888	533,547	—		1,323,435
Revenue from contracts with customers – SNCL Engineering Services	5,393,478	533,547	11,079		5,938,104
Resources	134,918	—	23,657		158,575
Infrastructure EPC Projects	20,704	—	719,485		740,189
Revenue from contracts with customers – SNCL Projects	155,622	—	743,142		898,764
	\$ 5,549,100	\$ 533,547	\$ 754,221	\$	6,836,868
Revenue from PS&PM investments accounted for by the equity method (Note 17)					41,274
Revenue from contracts with customers – Capital segment					18,211
Other revenue – Capital segment					111,148
				\$	7,007,501

YEAR ENDED DECEMBER 31					2019 ⁽¹⁾
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS		TOTAL
EDPM	\$ 3,908,772	\$ —	\$ —	\$	3,908,772
Nuclear	895,657	—	11,018		906,675
Infrastructure Services	697,773	480,809	—		1,178,582
Revenue from contracts with customers – SNCL Engineering Services	5,502,202	480,809	11,018		5,994,029
Resources	128,150	—	144,734		272,884
Infrastructure EPC Projects	—	—	1,076,744		1,076,744
Revenue from contracts with customers – SNCL Projects	128,150	—	1,221,478		1,349,628
	\$ 5,630,352	\$ 480,809	\$ 1,232,496	\$	7,343,657
Revenue from PS&PM investments accounted for by the equity method (Note 17)					23,455
Revenue from contracts with customers – Capital segment					22,408
Other revenue – Capital segment					240,312
				\$	7,629,832

⁽¹⁾ Comparative figures have been re-presented (see Notes 2C and 39).

9. REVENUE (CONTINUED)

B) CONTRACT BALANCES

	DECEMBER 31 2020	DECEMBER 31 2019
Trade receivables (Note 8A)	\$ 1,199,166	\$ 1,533,442
Contract assets (Note 8B)	1,090,149	1,755,325
Contract liabilities	\$ 836,991	\$ 889,953

Trade receivables are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such rights are only conditional on the passage of time. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such rights are not only conditional on passage of time, but also on something else, such as the satisfaction of further performance obligations under the contract. Contract assets are initially recognized for revenue earned from PS&PM activities and are usually derecognized when they become trade receivables.

Contract liabilities arise from PS&PM activities and represent the cumulative amounts received and contractually receivable from customers by the Company that exceed the right to consideration resulting from the Company's performance under a given contract.

The following table presents the amount of revenue recognized from:

YEARS ENDED DECEMBER 31	2020	2019
Amounts included in contract liabilities at the beginning of the year	\$ 534,379	\$ 486,775
Performance obligations satisfied or partially satisfied in previous years (reversal)	\$ (353,109)	\$ (254,787)

As a significant portion of the Company's revenues are recognized over time, the contractual terms which determine when consideration becomes receivable from the customer, such as upon the achievement of certain milestones, the attainment by the Company of such milestones earlier or later than anticipated and the ability to obtain deposits on contracts will influence, among other factors, the balance of trade receivables, contract assets and contract liabilities on a given contract. Due to i) the large number of contracts entered into by the Company; ii) the variety of contractual terms of such contracts; and iii) the different level of progress of the underlying projects, the variance of the contract assets and contract liabilities balances is not usually attributable to a single factor, except for significant business combinations or divestitures. In 2020 and 2019, there were no business combinations. The amount of contract assets and contract liabilities decreased at the end of 2020, reflecting mainly: i) a reclassification of contract balances related to the Oil & Gas business as part of the disposal group classified as held for sale (see Note 39); ii) the reduction of variable consideration expected from certain commercial claims combined with some unfavorable reforecasts on certain major projects; and iii) the disposals of PS&PM businesses in Belgium and in South Africa (see Note 6).

C) REMAINING PERFORMANCE OBLIGATIONS

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2020, on all contracts with customers, is expected to be recognized in revenues from continuing operations as follows: 2021 – \$4.4 billion, 2022 – \$2.0 billion, 2023 – \$1.2 billion, and thereafter – \$5.6 billion (2019: 2020 – \$4.8 billion, 2021 – \$2.2 billion, 2022 – \$1.1 billion, and thereafter – \$6.0 billion). The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2020, on all contracts with customers, is expected to be recognized in revenues from discontinued operations is \$0.8 billion (2019: \$1.1 billion). It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

10. INVENTORIES

	DECEMBER 31 2020	DECEMBER 31 2019
Raw materials	\$ —	\$ 38,042
Work in progress	130	29,563
Finished goods	15,992	17,283
Inventories	\$ 16,122	\$ 84,888

The cost of inventories recognized by the Company as an expense in continuing operations in its consolidated income statement during the year ended December 31, 2020 was \$8.7 million (2019: \$6.3 million).

11. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Advances to suppliers, subcontractors and employees and deposits on contracts	\$ 45,282	\$ 54,895
Derivative financial instruments used for hedges – favourable fair value	41,808	19,246
Life insurance policies measured at FVTPL ⁽¹⁾	6,200	6,047
Current portion of receivables under service concession arrangements	17,370	17,556
Recovery of costs expected from suppliers and subcontractors	23,178	49,687
Current portion of finance lease receivables	2,627	3,277
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	148	1,900
Other	120,819	69,700
Other current financial assets	\$ 257,432	\$ 222,308

⁽¹⁾ Fair value through profit or loss (“FVTPL”)

12. OTHER CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Income taxes and other taxes receivable	\$ 145,341	\$ 220,629
Prepaid expenses and other	107,970	110,746
Other current non-financial assets	\$ 253,311	\$ 331,375

13. PROPERTY AND EQUIPMENT

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2020	\$ 97,798	\$ 470,761	\$ 164,242	\$ 156,385	\$ 270,394	\$ 1,159,580
Additions	3,804	67,566	2,285	7,758	22,274	103,687
Effect of foreign currency exchange differences	(2,099)	(2,800)	(584)	(6,389)	(2,590)	(14,462)
Disposals / retirements / salvage	(4,276)	(31,732)	(12,856)	(34,723)	(55,813)	(139,400)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(44,512)	(13,683)	(26,288)	(32,086)	(35,927)	(152,496)
Balance as at December 31, 2020	\$ 50,715	\$ 490,112	\$ 126,799	\$ 90,945	\$ 198,338	\$ 956,909
Accumulated depreciation and impairment losses						
Balance as at January 1, 2020	\$ 42,103	\$ 349,089	\$ 128,210	\$ 66,132	\$ 103,416	\$ 688,950
Depreciation expense	22,865	45,763	9,058	27,298	15,221	120,205
Effect of foreign currency exchange differences	(1,487)	(1,884)	(479)	(4,243)	(511)	(8,604)
Impairment loss	—	—	—	5,358	2,894	8,252
Disposals / retirements / salvage	(2,675)	(30,957)	(11,249)	(34,210)	(27,312)	(106,403)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(44,055)	(11,649)	(20,731)	(31,824)	(13,096)	(121,355)
Balance as at December 31, 2020	\$ 16,751	\$ 350,362	\$ 104,809	\$ 28,511	\$ 80,612	\$ 581,045

13. PROPERTY AND EQUIPMENT (CONTINUED)

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
Gross carrying amount						
Balance as at January 1, 2019	\$ 102,748	\$ 433,670	\$ 158,762	\$ 147,060	\$ 234,794	\$ 1,077,034
Additions	366	51,291	8,377	17,235	48,243	125,512
Effect of foreign currency exchange differences	(2,832)	(7,620)	(2,650)	(6,279)	(11,924)	(31,305)
Disposals / retirements / salvage	(2,484)	(6,580)	(247)	(1,631)	(719)	(11,661)
Balance as at December 31, 2019	\$ 97,798	\$ 470,761	\$ 164,242	\$ 156,385	\$ 270,394	\$ 1,159,580
Accumulated depreciation and impairment losses						
Balance as at January 1, 2019	\$ 40,141	\$ 311,800	\$ 120,981	\$ 28,400	\$ 93,093	\$ 594,415
Depreciation expense	4,509	43,704	8,960	31,584	19,483	108,240
Effect of foreign currency exchange differences	(1,355)	(6,309)	(2,065)	(1,591)	(8,894)	(20,214)
Impairment loss	33	92	446	9,429	—	10,000
Disposals / retirements / salvage	(1,225)	(198)	(112)	(1,690)	(266)	(3,491)
Balance as at December 31, 2019	\$ 42,103	\$ 349,089	\$ 128,210	\$ 66,132	\$ 103,416	\$ 688,950

Net book value:

As at December 31, 2020	\$ 33,964	\$ 139,750	\$ 21,990	\$ 62,434	\$ 117,726	\$ 375,864
As at December 31, 2019	\$ 55,695	\$ 121,672	\$ 36,032	\$ 90,253	\$ 166,978	\$ 470,630

Net book value of assets subject to operating leases:

As at December 31, 2020	\$ —	\$ —	\$ —	\$ 57,059	\$ —	\$ 57,059
As at December 31, 2019	\$ —	\$ —	\$ —	\$ 66,570	\$ —	\$ 66,570

An amount of \$6.9 million as at December 31, 2020 (2019: \$23.9 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash additions of property and equipment amounted to \$30.9 million in the year ended December 31, 2020 (2019: \$3.1 million).

14. GOODWILL

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

Balance at January 1, 2019	\$ 5,369,723
Net foreign currency exchange differences	(143,435)
Additional amount recognized from the adjustments to the final allocation of purchase price of Linxon	3,821
Impairment of goodwill	(1,801,015)
Balance at December 31, 2019	3,429,094
Net foreign currency exchange differences	384
Balance at December 31, 2020	\$ 3,429,478

For the purpose of annual impairment testing, goodwill is allocated to CGU or groups of CGU, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

14. GOODWILL (CONTINUED)

As at December 31, 2020 and 2019, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	DECEMBER 31 2020	DECEMBER 31 2019
EDPM	\$ 2,624,526	\$ 2,625,033
Infrastructure Services	142,782	141,741
Nuclear	642,770	642,516
Linxon	19,400	19,804
	\$ 3,429,478	\$ 3,429,094

I) IN 2020

As at October 31, 2020, goodwill was not considered to be impaired.

In 2020, approximately 77% of the Company's goodwill balance is allocated to the EDPM CGU. The recoverable amount of this CGU, determined in accordance with the value in use approach, based on a terminal growth rate of 2.5% and a discount rate of 9.5%, exceeded its carrying amount by approximately \$563 million as at October 31, 2020. Assuming all other assumptions remained the same, a 140-basis point decrease in the terminal growth rate or a 107-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 that date.

No reasonable change in the key assumptions used for the other CGU or group of CGU would have resulted in an impairment loss as at October 31, 2020. The recoverable amount of other CGU or group of CGU was determined based on the value in use approach. Under this approach, the following assumptions were used: cash flows beyond the long-term forecast were extrapolated using a growth rate of 2.5% in 2020 and discount rates ranging from 9.8% to 12.1% have been used in 2020.

II) IN 2019

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

In 2019, approximately 77% of the Company's goodwill balance was allocated to the EDPM CGU. The recoverable amount of this CGU, based on a terminal growth rate of 2.5% and a discount rate of 9.4%, exceeded its carrying amount by approximately \$829 million as at October 31, 2019. Assuming all other assumptions remained the same, a 220-basis point decrease in the terminal growth rate or a 165-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 that date.

No reasonable change in the key assumptions used for the other CGU or group of CGU would have resulted in an impairment loss as at October 31, 2019. The recoverable amount of other CGU or group of CGU was determined based on the value in use approach. Under this approach, the following assumptions were used: cash flows beyond the long-term forecast were extrapolated using a growth rate of 2.5% in 2019 and discount rates ranging from 9.5% to 11.0% have been used in 2019.

15. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

The following tables detail a reconciliation of the carrying amount of intangible assets related to business combinations:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2020	\$ 214,630	\$ 999,907	\$ 137,981	\$ 1,352,518
Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
Effect of foreign currency exchange differences	1,906	8,131	(256)	9,781
Reclassification to assets of disposal groups classified as held for sale (Note 39)	—	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020	\$ 16,531	\$ 766,333	\$ 107,323	\$ 890,187
Accumulated depreciation and impairment losses				
Balance as at January 1, 2020	\$ 173,205	\$ 430,238	\$ 83,477	\$ 686,920
Amortization expense	36,367	75,489	14,914	126,770
Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
Effect of foreign currency exchange differences	2,420	2,526	(396)	4,550
Reclassification to assets of disposal groups classified as held for sale (Note 39)	—	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020	\$ 11,987	\$ 266,548	\$ 67,593	\$ 346,128

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2019	\$ 206,220	\$ 1,008,313	\$ 140,929	\$ 1,355,462
Additions through a business combination	14,138	—	—	14,138
Derecognition of intangible assets	(3,815)	—	—	(3,815)
Effect of foreign currency exchange differences	(1,913)	(8,406)	(2,948)	(13,267)
Balance as at December 31, 2019	\$ 214,630	\$ 999,907	\$ 137,981	\$ 1,352,518
Accumulated depreciation and impairment losses				
Balance as at January 1, 2019	\$ 106,414	\$ 264,830	\$ 63,632	\$ 434,876
Amortization expense	70,663	91,657	19,663	181,983
Impairment loss	—	71,756	1,075	72,831
Derecognition of intangible assets	(3,815)	—	—	(3,815)
Effect of foreign currency exchange differences	(57)	1,995	(893)	1,045
Balance as at December 31, 2019	\$ 173,205	\$ 430,238	\$ 83,477	\$ 686,920
Net book value:				
As at December 31, 2020	\$ 4,544	\$ 499,785	\$ 39,730	\$ 544,059
As at December 31, 2019	\$ 41,425	\$ 569,669	\$ 54,504	\$ 665,598

16. OTHER NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	\$ 908	\$ 6,561
Derivative financial instruments used for hedges – favourable fair value	1,065	2,436
Non-current portion of finance lease receivables	13,601	24,666
Contingent consideration receivable related to disposal of the 10.01% interest in Highway 407 ETR (Note 5A)	—	57,207
Other	15,824	25,071
Other non-current financial assets	\$ 31,398	\$ 115,941

The Company's finance lease receivables relate mainly to the subleases of its unused office space. In 2020, the decrease of finance lease receivables was mainly due to the passage of time and to a reclassification of leases included in the Oil & Gas business to assets of disposal group classified as held for sale (see Note 39).

17. OTHER NON-CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Post-employment benefit assets (Note 32A)	\$ 8,327	\$ 10,979
PS&PM investments accounted for by the equity method	54,067	27,145
Other	20,557	55,374
Other non-current non-financial assets	\$ 82,951	\$ 93,498

PS&PM investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its PS&PM investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below. Joint ventures included in assets of disposal groups classified as held for sale as at December 31, 2020 are not included in the tables below for the current year (see Note 39).

YEARS ENDED DECEMBER 31	2020	2019
Income statements		
Revenues (at 100%)	\$ 1,786,311	\$ 1,629,284
Interest income (at 100%)	\$ 4,743	\$ 4,162
Interest expense (at 100%)	\$ 5,520	\$ 5,253
Depreciation and amortization (at 100%)	\$ 317	\$ 3,361
Income tax expense (at 100%)	\$ —	\$ 209

YEARS ENDED DECEMBER 31	2020	2019
Statements of comprehensive income		
Net income (at 100%)	\$ 100,668	\$ 102,862
Other comprehensive loss (at 100%)	—	(2,025)
Total comprehensive income (at 100%)	\$ 100,668	\$ 100,837

YEARS ENDED DECEMBER 31	2020	2019 ⁽¹⁾
Company's share of net income of PS&PM investments based on its ownership interest	\$ 41,274	\$ 23,455
Company's net income from PS&PM investments included in its income statement	\$ 41,274	\$ 23,455

⁽¹⁾ Comparative figures have been re-presented (see Notes 2C and 39).

	DECEMBER 31 2020	DECEMBER 31 2019
Statements of financial position		
Cash and cash equivalents (at 100%)	\$ 211,852	\$ 232,152
Other current assets (at 100%)	279,008	215,780
Non-current assets (at 100%)	4,649	85,320
Total assets (at 100%)	495,509	533,252
Trade payables (at 100%)	344,412	110,785
Other current financial liabilities (at 100%)	14,983	198,978
Other current non-financial liabilities (at 100%)	4,934	7,506
Other non-current financial liabilities (at 100%)	7,504	26,490
Total liabilities (at 100%)	371,833	343,759
Net assets (at 100%)	\$ 123,676	\$ 189,493
Company's carrying value of PS&PM investments included in its statement of financial position	\$ 54,067	\$ 27,145

17. OTHER NON-CURRENT NON-FINANCIAL ASSETS (CONTINUED)

PS&PM investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of PS&PM investments classified as associates.

YEARS ENDED DECEMBER 31	2020	2019
Statements of comprehensive income		
Revenues (at 100%)	\$ 33,053	\$ 181,922
Expenses (at 100%)	34,112	180,505
Net income (loss) (at 100%)	(1,059)	1,417
Other comprehensive income (at 100%)	—	—
Total comprehensive income (loss) (at 100%)	\$ (1,059)	\$ 1,417
Company's share of net income of PS&PM investments based on its ownership interest	\$ —	\$ —
Company's share of net income from PS&PM investments included in its income statement	\$ —	\$ —
Statements of financial position		
Current assets (at 100%)	\$ 21,092	\$ 62,649
Non-current assets (at 100%)	3,716	4,527
Total assets (at 100%)	24,808	67,176
Current liabilities (at 100%)	17,225	54,320
Non-current liabilities (at 100%)	1,953	3,168
Total liabilities (at 100%)	19,178	57,488
Net assets (at 100%)	\$ 5,630	\$ 9,688
Company's carrying value of PS&PM investments included in its statement of financial position	\$ —	\$ —

18. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2020	DECEMBER 31 2019
Commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income (Note 5C)	\$ 24,921	\$ 70,724
Retentions on supplier contracts	90,793	112,470
Balance of purchase price payable relating to acquisition of businesses	—	1,736
Derivative financial instruments used for hedges – unfavourable fair value	12,981	17,086
Derivative financial instruments related to share unit plans – unfavourable fair value (Note 23C)	3,025	—
Federal charges settlement (PPSC) payable	55,865	55,625
Other	169	30,075
Other current financial liabilities	\$ 187,754	\$ 287,716

On February 19, 2015, the Royal Canadian Mounted Police and the Public Prosecution Service of Canada (“PPSC”) laid charges (the “Charges”) against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. On December 18, 2019, the Company announced it had reached a settlement with the PPSC regarding the Charges (the “Federal charges settlement (PPSC)”). As part of the Federal charges settlement (PPSC), SNC-Lavalin Construction Inc. is required to pay a fine in the amount of \$280 million, payable over 5 years, and is subject to a three-year probation order. The Company estimated the net present value of these installments at \$257.3 million at October 18, 2019, the date of the Federal Charges settlement, of which \$154.3 million is included in “Other non-current financial liabilities” (see Note 21) as at December 31, 2020 (2019: \$201.8 million).

19. OTHER CURRENT NON-FINANCIAL LIABILITIES

	DECEMBER 31 2020	DECEMBER 31 2019
Income taxes and other taxes payable	\$ 434,987	\$ 324,662
Share unit plans' liabilities (Note 23C)	38,793	56,122
Other	—	2,416
Other current non-financial liabilities	\$ 473,780	\$ 383,200

20. SHORT-TERM DEBT AND LONG-TERM DEBT

As at December 31, 2020 and 2019, the Company's short-term debt and long-term debt included in its consolidated statement of financial position were as follows:

A) RECOURSE DEBT

	DECEMBER 31 2020	DECEMBER 31 2019
Recourse debt:		
Revolving Facility (i)	\$ —	\$ —
Term Loan (ii)	499,360	499,085
Series 3 Debentures (iii)	174,960	174,722
Series 4 Debentures (iii)	199,540	199,338
Series 6 Debentures (iii)	297,105	—
2020 Debentures (iv)	—	299,518
Total recourse short-term debt and long-term debt	\$ 1,170,965	\$ 1,172,663
Less: recourse short-term debt	174,960	299,518
Recourse long-term debt	\$ 996,005	\$ 873,145

B) LIMITED RECOURSE DEBT

	DECEMBER 31 2020	DECEMBER 31 2019
Limited recourse debt:		
CDPQ Loan (v)	\$ 400,000	\$ 400,000
Limited recourse long-term debt	\$ 400,000	\$ 400,000

C) NON-RECOURSE DEBT (UNSECURED OR SECURED ONLY BY CAPITAL OR PS&PM INVESTMENT'S SPECIFIC ASSETS)

	DECEMBER 31 2020	DECEMBER 31 2019
Non-recourse debt:		
Senior bonds – InPower BC General Partnership (vi)	\$ 276,297	\$ 292,125
Credit facility – InPower BC General Partnership (vi)	—	63,130
Senior Secured Notes from a PS&PM investment (vii)	34,631	42,495
Unsecured Loan of Linxon (viii)	8,888	8,147
Credit facility – TransitNEXT General Partnership (ix)	102,843	70,983
Other	8,886	8,238
Total non-recourse short-term debt and long-term debt	\$ 431,545	\$ 485,118
Less: non-recourse short-term debt	31,262	93,664
Non-recourse long-term debt	\$ 400,283	\$ 391,454

20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

- i. The Company's unsecured revolving credit facility (the "Revolving Facility"), which is part of the Company's second amended and restated credit agreement, dated April 30, 2018, between, among others, the Company, as borrower, and the syndicate of lenders party thereto (as amended, from time to time, the "Credit Agreement"), is comprised of two tranches: (i) tranche A is for an amount of \$2,000 million (2019: \$2,000 million); and (ii) tranche B is for an amount of \$600 million (2019: \$600 million). Borrowings under tranche A may be obtained in the form of: (i) prime rate loans; (ii) acceptances; (iii) US base rate loans; (iv) Libor loans in US dollars, Euros and British pounds; and (v) non-financial, financial or documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non-financial or documentary letters of credit. The Revolving Facility maturity date is May 15, 2022 (2019: May 15, 2022) or such other date as may be agreed pursuant to extension provisions of the Credit Agreement. The aggregate outstanding amount of uncommitted bilateral letters of credit allowed under the Credit Agreement is \$3,000 million (2019: \$3,000 million).

In 2019, the Credit Agreement was amended to modify the calculation of a financial ratio (net recourse debt to earnings before interest, taxes, depreciation and amortization ("EBITDA")) and to provide that such ratio be temporarily increased. Furthermore, the Company amended its Credit Agreement to modify the calculation of the ratio of net recourse debt to earnings before interest, taxes, depreciation and amortization to a pro-forma basis so as to include the sale of 10.01% of the shares of Highway 407 ETR for the second quarter of 2019. The same amendments were made to the CDPQ Loan agreement (see below) in 2019.

As at December 31, 2020 and 2019, the cash draws and letters of credit outstanding under the Company's Revolving Facility were as follows:

AT DECEMBER 31, 2020	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Revolving Facility	\$ 2,600,000	\$ —	\$ 205,324 ⁽¹⁾	\$ 2,394,676

⁽¹⁾ Includes \$3.5 million of financial letters of credit

AT DECEMBER 31, 2019	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Revolving Facility	\$ 2,600,000	\$ —	\$ 188,062 ⁽²⁾	\$ 2,411,938

⁽²⁾ Includes \$3.3 million of financial letters of credit

In addition, as at December 31, 2020, \$1,495.5 million (2019: \$1,878.9 million) of uncommitted bilateral letters of credit were outstanding, of which \$98.2 million (2019: \$256.3 million) related to financial letters of credit.

- ii. The Company's non-revolving term loan, which is part of the Company's Credit Agreement, is in the principal amount of \$500 million (the "Term Loan"). Borrowings under the Term Loan were available by way of prime rate loans or acceptances. The Term Loan maturity date is April 30, 2023.
- iii. These unsecured debentures were in the aggregate principal amount of \$675 million and were issued in four series consisting of: (i) \$150 million in floating rate Series 2 Debentures due in March 2019 (the "Series 2 Debentures"); (ii) \$175 million in floating rate Series 3 Debentures due in March 2021 bearing interest at a rate equal to the 3-month CDOR plus applicable margin (the "Series 3 Debentures"); (iii) \$200 million in 3.235% Series 4 Debentures due in March 2023 (the "Series 4 Debentures"); and (iv) \$150 million in floating rate Series 5 Debentures due in June 2019 (the "Series 5 Debentures"). The Series 2 Debentures and the Series 5 Debentures bore interest at a rate equal to the 3-month CDOR plus an applicable margin. The Series 2 Debentures and the Series 5 Debentures were repaid in full at maturity in 2019. In 2020, the Company issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of \$300 million, which bear interest at the rate of 3.80% *per annum* and mature on August 19, 2024 (the "Series 6 Debentures").
- iv. The unsecured Series 1 Debentures in the principal amount of \$300 million bore interest at a rate of 2.689% *per annum* and matured on November 24, 2020 (the "2020 Debentures"). \$40 million in principal amount of the 2020 Debentures was repurchased in August 2020 using a portion of the proceeds of the issuance of the Series 6 Debentures and the remaining \$260 million in principal of the outstanding 2020 Debentures was repaid in full at maturity in November 2020.

20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

- v. The loan (“CDPQ Loan”) made under the loan agreement (as amended, from time to time, the “CDPQ Loan Agreement”), dated April 20, 2017, between SNC-Lavalin Highway Holdings Inc. (“Highway Holdings”), an indirect wholly-owned subsidiary of the Company holding the shares of Highway 407 ETR, as borrower, and CDPQ Revenu Fixe Inc., as lender, is a limited recourse debt comprised of two tranches: (i) tranche A which is a non-revolving term loan in an aggregate amount of \$400 million (2019: \$400 million); and (ii) tranche B which was a non-revolving term loan in an aggregate amount of \$500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of Highway Holdings. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: (i) the CDOR rate; and (ii) 0.9%, plus an applicable margin. In 2018, the Company repaid borrowings under tranche B of its CDPQ Loan in full. Tranche A of the CDPQ Loan matures in 2024.

In 2019, the CDPQ Loan Agreement was amended to align it with the amendments made to the Credit Agreement (see above). The amendments to the CDPQ Loan Agreement, which also included: i) the Company’s commitment to repay an amount of \$600 million out of \$1,000 million outstanding under the tranche A of the CDPQ Loan; and ii) the decrease of the margin applicable to the base rate and payment by the Company of fees of \$15 million, were accounted for as an extinguishment of financial liability with the issuance of a new financial liability, giving rise to a loss of \$33.8 million recognized in “Net financial expenses” (see Note 27). Such loss included the \$15 million cash outflow corresponding to the fees disclosed above and the amount of \$18.8 million representing the unamortized balance of deferred financing costs of the CDPQ Loan on the date of its amendment.

In 2020, the CDPQ Loan Agreement was amended to: (i) temporarily increase the financial ratio covenant in order to align it with that under the Credit Agreement; and (ii) disapply a condition under a restrictive covenant in order to allow a dividend received by Highway Holdings from Highway 407 ETR in September 2020 to be distributed to the Company.

- vi. The senior bonds of InPower BC General Partnership in the principal amount of \$300 million bear interest at a rate of 4.471% and are due in 2033. The credit facility of InPower BC General Partnership in the principal amount of \$63.2 million bore interest at a variable rate equal to CDOR plus an applicable margin and was due in 2020. The senior bonds are and the credit facility was secured by all assets of InPower BC General Partnership. The credit facility of InPower BC General Partnership was repaid in full in 2020.
- vii. The senior secured notes of a subsidiary of the Company are up to US\$40.0 million (approximately CA\$51.3 million) aggregate principal amount (the “Senior Secured Notes”), of which US\$38.0 million (approximately CA\$48.7 million) aggregate principal amount was issued as at December 31, 2020 (2019: US\$38.0 million [approximately CA\$49.9 million]). The Senior Secured Notes are due in 2026 and bear interest at a variable rate. The net proceeds from the issuance of the senior secured notes are used by the subsidiary of the Company to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract.
- viii. In relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of the non-controlling interest of 49% in Linxon granted an unsecured loan (the “Unsecured Loan”) and provided an unsecured working capital revolving credit facility to Linxon. The Unsecured Loan in the principal amount of US\$9.3 million (approximately CA\$11.9 million) [2019: approximately CA\$12.2 million] is an interest-free loan and is repayable in full on September 1, 2023. The working capital credit facility in a maximum aggregate amount of €30.0 million (approximately CA\$47.1 million) [2019: approximately CA\$43.7 million] bears interest at a variable rate and is repayable at the latest on September 30, 2022.
- ix. The credit facility of TransitNEXT General Partnership in the aggregate maximum principal amount of \$149.0 million 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.

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

20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

D) REPAYMENT OF PRINCIPAL OF SHORT-TERM DEBT AND LONG-TERM DEBT

The future principal payments of SNC-Lavalin's recourse, limited recourse and non-recourse short-term and long-term debt are summarized below and reconciled to their net carrying amount:

AT DECEMBER 31, 2020		Recourse	Limited recourse	Non-recourse	Total
2021	\$	175,000	\$ —	\$ 33,302	\$ 208,302
2022		—	—	128,699	128,699
2023		700,000	—	37,926	737,926
2024		300,000	400,000	26,865	726,865
2025		—	—	27,747	27,747
Thereafter		—	—	187,248	187,248
Total	\$	1,175,000	\$ 400,000	\$ 441,787	\$ 2,016,787
Net unamortized deferred financing costs and unamortized discounts		(4,035)	—	(10,242)	(14,277)
Net carrying amount of short-term debt and long-term debt	\$	1,170,965	\$ 400,000	\$ 431,545	\$ 2,002,510

21. OTHER NON-CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2020	DECEMBER 31 2019
Federal charges settlement (PPSC) payable (Note 18)	\$ 154,332	\$ 201,764
Contingent consideration payable to seller related to Linxon acquisition	15,181	14,405
Derivative financial instrument used for hedges - unfavourable fair value	3,929	2,345
Derivative financial instrument related to share unit plans - unfavourable fair value (Note 23C)	4,627	—
Other	15,792	14,055
Other non-current financial liabilities	\$ 193,861	\$ 232,569

22. PROVISIONS

	Pension, other long-term benefits and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other ⁽¹⁾	Total
Balance at January 1, 2020	\$ 543,560	\$ 91,994	\$ 121,376	\$ 204,393	\$ 961,323
Additional provisions recognized in the year	29,300	58,556	91,671	275,576	455,103
Amounts used during the year	(110,251)	(31,697)	(124,450)	(22,098)	(288,496)
Unused amounts reversed during the year	—	(6,206)	—	(46,599)	(52,805)
Remeasurement recognized in equity	116,598	—	—	—	116,598
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	20,838	(433)	486	(3,712)	17,179
Reclassification to liabilities of disposal groups classified as held for sale (Note 39)	(31,837)	(8,230)	—	(11,372)	(51,439)
Decrease in post-employment benefit assets	(2,652)	—	—	—	(2,652)
Balance at December 31, 2020	\$ 565,556	\$ 103,984	\$ 89,083	\$ 396,188	\$ 1,154,811

Presented on the statement of financial position as follows:

Current portion of provisions	\$ 401,585
Non-current portion of provisions	\$ 753,226

⁽¹⁾ Other provisions include mainly provisions recognized for legal proceedings and claims, warranty provisions, environmental liabilities and other asset retirement obligations.

The expected timing of outflows of economic benefits relating to the Company's provisions are as follows: i) most of the provisions for legal proceedings and claims relate to matters that are subject to significant uncertainties, including uncertainties over the timing of resolution, which could extend to several years; ii) forecasted losses on certain contracts are expected to be incurred over the period of a contract duration, usually up to 3 years; iii) most of the accrued restructuring costs are expected to be disbursed within the next 12 months; iv) warranty expenditures are expected to take place within the next 5 years; and v) most of the other provisions are expected to be resolved over the next 10 years. The main assumptions used to determine the provision for pension, other long-term benefits and other post-employment benefits and other information, including the expected level of future funding payments in respect of those arrangements, are given in Note 32.

23. SHARE CAPITAL

A) AUTHORIZED

The Company is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

The issued and outstanding share capital of the Company consists only of fully paid common shares without nominal value. All common shares are equally eligible to receive dividends, subject to the prior rights of the holders of preferred shares. Each common share carries one vote at the shareholders' meeting of the Company.

Subject to the prior rights of the holders of preferred shares, upon the liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, all the Company's assets available for payment or distribution to the holders of the common shares shall be paid or distributed equally, share for share, to the holders of such common shares.

23. SHARE CAPITAL (CONTINUED)

B) STOCK OPTION PLAN

The main features of the stock option plan are summarized below:

	2013 STOCK OPTION PLAN
Grant date	Sixth trading day following the approval by the Company's Board of Directors
Exercise price of stock options	The greater of: i) the average closing price for the five trading days preceding the grant date and ii) the closing price on the first trading day immediately preceding the grant date
Vesting of stock options	Graded vesting in three equal tranches: two years, three years and four years, respectively, after the grant date
Expiry of stock options	Six years after the grant date
Other provisions	In the event of cessation of employment, except in the event of death or if the optionee is eligible to retire, unvested options are cancelled immediately and vested options remain exercisable for a specified period not exceeding 30 days. In the event of death or if the optionee is eligible to retire, both vested and unvested options continue to run their normal course.

The table below presents the changes in the number of options outstanding in 2020 and 2019:

	2020		2019	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	—	\$ —	260,866	\$ 40.98
Expired	—	\$ —	(260,866)	\$ 40.98
Options outstanding at end of year	—	\$ —	—	\$ —

As at December 31, 2020, 2,787,863 stock options remained available for future grants under the 2013 stock option plan (2019: 2,787,863 stock options).

The stock option compensation cost recorded in the year ended December 31, 2020 was \$nil (2019: \$nil).

23. SHARE CAPITAL (CONTINUED)

C) SHARE UNIT PLANS

As at December 31, 2020 and 2019, the Company had five share unit compensation plans for executives, namely the 2019 PSU plan, the 2019 RSU plan, the 2017 PSU plan, the 2009 DSU plan, and the RSU plan, and a share unit compensation plan, the DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc.

The terms and conditions of the executive plans are summarized below:

	2009 DSU PLAN	2019 RSU PLAN / RSU PLAN	2019 PSU PLAN / 2017 PSU PLAN
Grant date	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
Number of units	Determined at grant date, without any further changes	Determined at grant date, without any further changes	Subject to performance conditions, the number of units granted shall be adjusted depending on the total shareholder return compared to peers, as defined in the plan
Vesting of units	Units vest at a rate of 20% per year at the end of each calendar year following the grant date	Units vest in full three years following their grant date	Units vest in full at the end of the third calendar year following the grant date
Payment	Units are redeemable for cash by the Company within thirty days following the first anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company no later than March 15 th of the year following the end of the vesting period	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting on January 1 st of the calendar year during which the grant of such award was made and ending on the vesting date
Redemption price	Average closing price per share on the Toronto Stock Exchange on the first anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
Forfeiture	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
Other provisions	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a <i>pro rata</i> basis, with payment being made no later than March 15 th of the year following the event	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a <i>pro rata</i> basis, with payment being made no later than two and a half months following the event

The terms and conditions of the DSU plan are as follows: each member of the Board of Directors of SNC-Lavalin Group Inc. (the "member") receives an annual retainer consisting of: (a) a lump sum credited in DSU plan units, and (b) a cash award payment. Each member may elect to receive 100% of the cash award payment, as well as 100% of their committee chair retainer, meeting fees and travel fees, if applicable, in either cash or DSU plan units. DSU plan units track the price of SNC-Lavalin's common shares on the Toronto Stock Exchange. They accumulate during a member's term in office and are redeemed in cash when the member leaves the Board of Directors. For the purposes of redeeming DSU plan units, the value of a unit on any given date is equivalent to the average of the closing price for a common share on the Toronto Stock Exchange for the five trading days immediately prior to such date. DSU plan units are credited on a quarterly basis and do not carry voting rights. Furthermore, additional DSU plan units accumulate as dividend equivalents whenever cash dividends are paid on common shares.

23. SHARE CAPITAL (CONTINUED)

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2020 and 2019:

	2020		2019	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2019 PSU plan	802,180	\$ 26.09	595,778	\$ 35.87
2019 RSU plan	1,042,570	\$ 25.16	870,946	\$ 35.73
DSU plan	82,030	\$ 26.56	14,781	\$ 36.22
2009 DSU plan	71,204	\$ 21.62	79,652	\$ 26.15

The Company has entered into derivative financial instruments with investment grade financial institutions to limit the Company's exposure to the variability of the units caused by fluctuations in its share price. The derivative financial instruments, the fair value of which fluctuates in accordance with the movement in the Company's share price, are required to be classified as at FVTPL. As such, they are measured at fair value on the consolidated statement of financial position under "Other current financial assets" (see Note 11) and "Other non-current financial assets" (see Note 16) if the fair value of a derivative financial instrument is favourable or under "Other current financial liabilities" (see Note 18) and "Other non-current financial liabilities" (see Note 21) if the fair value of a derivative financial instrument is unfavourable.

The compensation expense related to the share unit plans was \$10.1 million for the year ended December 31, 2020 (2019: \$16.1 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was \$7.8 million as at December 31, 2020 (2019: \$12.4 million), while the share unit plans' liabilities amounted to \$38.8 million as at December 31, 2020 (2019: \$56.1 million).

D) WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES – BASIC AND DILUTED

The weighted average number of outstanding shares in 2020 and 2019 used to calculate the basic and diluted earnings per share were as follows:

YEARS ENDED DECEMBER 31 (IN THOUSANDS)	2020	2019
Weighted average number of outstanding shares – basic	175,554	175,554
Weighted average number of outstanding shares – diluted	175,554	175,554

In 2020, no dilutive effect of stock options has been calculated as no stock options were outstanding during this period. In 2019, 260,866 outstanding stock options were not included in the computation of diluted loss per share because they were anti-dilutive.

E) DIVIDENDS

During the year ended December 31, 2020, the Company recognized as distributions to its equity shareholders dividends of \$14.0 million or \$0.08 per share (2019: \$42.1 million or \$0.24 per share).

24. OTHER COMPONENTS OF EQUITY

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

	DECEMBER 31 2020	DECEMBER 31 2019
Exchange differences on translating foreign operations	\$ 292,568	\$ 365,600
Cash flow hedges	(17,450)	(11,652)
Share of other comprehensive income (loss) of investments accounted for by the equity method	(1,044)	125
Other components of equity	\$ 274,074	\$ 354,073
Presented on the statement of financial position as follows:		
Other components of equity	\$ (320,067)	\$ 354,073
Other components of equity of disposal groups classified as held for sale (Note 39)	\$ 594,141	\$ —

- 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.

24. 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 years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020		2019	
Exchange differences on translating foreign operations:				
Balance at beginning of year	\$	365,600	\$	505,297
Current year losses		(41,466)		(140,686)
Reclassification to net income		(28,305)		—
Net investment hedge – current year gains (losses)		(3,261)		989
Balance at end of year		292,568		365,600
Cash flow hedges:				
Balance at beginning of year		(11,652)		(7,989)
Current year gains (losses)		6,256		(7,595)
Income taxes relating to current year gains (losses)		(1,638)		2,615
Reclassification to net income		(12,460)		7,185
Income taxes relating to amounts reclassified to net income		2,044		(5,868)
Balance at end of year		(17,450)		(11,652)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of year		125		1,891
Current year share		(1,590)		(2,403)
Income taxes relating to current year share		421		637
Balance at end of year		(1,044)		125
Other components of equity	\$	274,074	\$	354,073
Presented on the statement of financial position as follows:				
Other components of equity	\$	(320,067)	\$	354,073
Other components of equity of disposal groups classified as held for sale (Note 39)	\$	594,141	\$	—

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

Remeasurement recognized in other comprehensive income

The following table presents 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 years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020			2019		
	BEFORE TAX	INCOME TAX ⁽¹⁾	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (49,588)	\$ 6,184	\$ (43,404)	\$ 5,756	\$ (2,050)	\$ 3,706
Remeasurement recognized during the year:						
Defined benefit pension plans	(111,311)	29,180	(82,131)	(41,081)	6,067	(35,014)
Other post-employment benefits	(5,287)	(111)	(5,398)	(14,263)	2,167	(12,096)
	(116,598)	29,069	(87,529)	(55,344)	8,234	(47,110)
Cumulative amount at December 31	\$ (166,186)	\$ 35,253	\$ (130,933)	\$ (49,588)	\$ 6,184	\$ (43,404)

⁽¹⁾ For the year ended December 31, 2020, an amount of \$18.5 million of income taxes is included in deferred income taxes while the remaining balance of \$10.6 million is included in current income taxes.

24. OTHER COMPONENTS OF EQUITY (CONTINUED)

Equity instruments designated at fair value through other comprehensive income

The following table presents changes in fair value of the equity instruments designated at fair value through other comprehensive income for the years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020			2019		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (2,035)	\$ 65	\$ (1,970)	\$ (1)	\$ 49	\$ 48
Gains (losses) recognized during the year	(7,747)	40	(7,707)	(2,034)	16	(2,018)
Cumulative amount at December 31	\$ (9,782)	\$ 105	\$ (9,677)	\$ (2,035)	\$ 65	\$ (1,970)

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

The following tables provide 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 years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020			2019		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (2,234)	\$ —	\$ (2,234)	\$ —	\$ —	\$ —
Gains (losses) recognized during the year	(2,775)	—	(2,775)	(2,234)	—	(2,234)
Cumulative amount at December 31	\$ (5,009)	\$ —	\$ (5,009)	\$ (2,234)	\$ —	\$ (2,234)

25. CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31	2020	2019
Selling expenses	\$ 97	\$ 2,662
General and administrative expenses	175,836	71,282
Corporate selling, general and administrative expenses	\$ 175,933	\$ 73,944

26. RESTRUCTURING COSTS

I) IN 2020

The Company incurred \$63.3 million of restructuring costs in 2020. Restructuring actions were taken during the year to adjust the cost base of the Company's segments, notably in the Middle East and the U.K. regions of the EDPM segment, for which an amount of \$40.3 million of restructuring costs was recognized in 2020. The restructuring costs of \$63.3 million were mainly for severance obligations, but also included \$16.4 million of non-cash charges, notably \$13.5 million related to impairment of right-of-use assets and \$2.9 million of impairment of property and equipment.

II) IN 2019

Over the past years, the Company has been engaged in restructuring its activities. In 2019, the Company announced a new strategy under which the Company is no longer bidding on LSTK contracts.

SNC-Lavalin was also reducing its geographic footprint to reduce risk and complexity by focusing on its core growth regions: Canada, the U.S., and the U.K., along with regional markets such as the Middle East and Asia Pacific, which involves exiting unprofitable operations in certain countries.

The Company incurred \$79.7 million of restructuring costs in 2019, which were mainly for severance obligations.

27. NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL INVESTMENTS	TOTAL	FROM PS&PM	FROM CAPITAL INVESTMENTS	TOTAL
Interest on debt:						
Recourse	\$ 45,956	\$ —	\$ 45,956	\$ 85,048	\$ —	\$ 85,048
Limited recourse	17,160	—	17,160	45,128	—	45,128
Non-recourse	4,612	15,997	20,609	5,733	18,085	23,818
Interest on lease liabilities	21,167	7	21,174	20,872	151	21,023
Other ⁽²⁾	19,706	98	19,804	47,894	—	47,894
Financial expenses	108,601	16,102	124,703	204,675	18,236	222,911
Financial income	(10,867)	(390)	(11,257)	(7,640)	(167)	(7,807)
Net foreign exchange losses (gains)	(2)	552	550	232	(227)	5
Financial income and net foreign exchange losses (gains)	(10,869)	162	(10,707)	(7,408)	(394)	(7,802)
Net financial expenses	\$ 97,732	\$ 16,264	\$ 113,996	\$ 197,267	\$ 17,842	\$ 215,109

⁽¹⁾ Comparative figures have been re-presented (see Notes 2C and 39).

⁽²⁾ In 2019, “Other” included \$33.8 million of loss related to amendments to the CDPQ Loan (see Note 20C) and \$3.7 million related to other PS&PM financing arrangements in connection with the sale of 10.01% of the shares of Highway 407 ETR.

28. 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, for the years ended December 31:

	2020	2019
Depreciation of property and equipment and amortization of other non-current non-financial assets	\$ 246,975	\$ 290,223
Depreciation of right-of-use assets	107,318	112,037
Income taxes recognized in net income	3,980	198,738
Net financial expenses recognized in net income	114,257	212,083
Share-based expense (Note 23C)	10,079	16,061
Income from Capital investments accounted for by the equity method	(87,349)	(210,543)
Dividends and distributions received from Capital investments accounted for by the equity method	93,176	160,063
Income from PS&PM investments accounted for by the equity method	(47,186)	(29,702)
Dividends and distributions received from PS&PM investments accounted for by the equity method	38,262	38,043
Net change in provisions related to forecasted losses on certain contracts	20,653	(84,861)
Gain or adjustment on gain from disposal of a Capital investment (Note 5A)	(25,000)	(2,970,783)
Restructuring costs recognized in net income	121,128	182,801
Restructuring costs paid	(124,450)	(92,872)
Loss on disposals of PS&PM businesses (Note 6)	1,262	294
Impairment of intangible assets related to business combinations (Note 15)	—	72,831
Impairment of goodwill (Note 14)	—	1,801,015
Federal charges settlement (PPSC) (Note 18)	—	257,327
Loss arising on financial assets (liabilities) at fair value through profit or loss ⁽¹⁾	61,859	4,743
Impairment loss on remeasurement of assets of disposal groups classified as held for sale to fair value less cost to sell	277,660	—
Net change in other provisions ⁽²⁾	231,355	7,951
Other ^{(1), (2)}	(67,928)	(89,310)
Other reconciling items	\$ 976,051	\$ (123,861)

⁽¹⁾ In 2019, a loss arising on financial assets (liabilities) at fair value through profit or loss of \$4.7 million was included in "Other".

⁽²⁾ In 2019, "Net change in other provisions" of \$8.0 million was included in "Other". Net change in other provisions includes changes in all provisions, except for: i) pension, other long-term benefits and other post-employment benefits; ii) forecasted losses on certain contracts; iii) restructuring; and iv) reversal of a provision related to a disposal of a Capital investment.

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, for the years ended December 31:

	2020	2019
Decrease (increase) in trade receivables	\$ 196,175	\$ (15,214)
Decrease (increase) in contract assets	361,597	(34,506)
Decrease in inventories	69,500	15,193
Increase in other current financial assets	(29,454)	(2,970)
Increase in other current non-financial assets	(32,968)	(12,926)
Decrease in trade payables and accrued liabilities	(330,717)	(193,288)
Increase (decrease) in contract liabilities	6,803	(91,888)
Increase (decrease) in other current financial liabilities	(64,893)	16,720
Increase (decrease) in other current non-financial liabilities	53,205	(15,667)
Net change in non-cash working capital items	\$ 229,248	\$ (334,546)

28. STATEMENTS OF CASH FLOWS (CONTINUED)

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 year ended December 31, 2020:

	Recourse ⁽¹⁾ debt	Limited recourse debt	Non- ⁽²⁾ recourse debt	Lease ⁽³⁾ liabilities	Dividends declared to SNC-Lavalin shareholders	Other non- ⁽⁴⁾ current financial liabilities	Other non- ⁽⁴⁾ current non- financial liabilities
Balance at January 1, 2020	\$ 1,172,663	\$ 400,000	\$ 485,118	\$ 611,750	\$ —	\$ 232,569	\$ 551
Changes arising from cash flows:							
Increase	1,297,600	—	31,625	—	—	7,272	611
Repayment	(1,300,729)	—	(87,172)	(118,651)	(14,044)	(5,906)	(984)
Total – changes arising from cash flows	(3,129)	—	(55,547)	(118,651)	(14,044)	1,366	(373)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	14,044	—	—
Effect of foreign currency exchange differences	—	—	48	1,392	—	78	41
Amortization of deferred financing costs and discounts and increase from the passage of time	1,431	—	1,926	—	—	6,950	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	6,211	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	1,095	—
Net increase on lease liabilities	—	—	—	23,856	—	—	—
Disposal of PS&PM businesses	—	—	—	(1,265)	—	—	—
Reclassification of payable related to Federal charges settlement (PPSC) to “Other current financial liabilities”	—	—	—	—	—	(54,408)	—
Reclassification to liabilities of disposal groups classified as held for sale (Note 39)	—	—	—	(20,472)	—	—	—
Balance at December 31, 2020	\$ 1,170,965	\$ 400,000	\$ 431,545	\$ 496,610	\$ —	\$ 193,861	\$ 219

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

28. STATEMENTS OF CASH FLOWS (CONTINUED)

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

YEAR ENDED DECEMBER 31	2020		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 1,000,000	\$ (1,000,000)	\$ —
2020 Debentures	—	(300,000)	—
Series 6 Debentures (Note 20)	297,600	—	(729)
Total – Recourse debt	1,297,600	(1,300,000)	(729)
Non-recourse debt:			
Credit facility – InPower BC General Partnership	—	(63,130)	—
Senior Bonds – InPower BC General Partnership	—	(16,495)	—
Credit facility – TransitNEXT General Partnership	31,625	—	—
Senior Secured Notes of a PS&PM investment	—	(7,547)	—
Total – Non-recourse debt	31,625	(87,172)	—
Total	\$ 1,329,225	\$ (1,387,172)	\$ (729)

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

	DECEMBER 31 2020	JANUARY 1 2020
Recourse short-term debt	\$ 174,960	\$ 299,518
Recourse long-term debt	996,005	873,145
Total	\$ 1,170,965	\$ 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:

	DECEMBER 31 2020	JANUARY 1 2020
Non-recourse short-term debt	\$ 31,262	\$ 93,664
Non-recourse long-term debt	400,283	391,454
Total	\$ 431,545	\$ 485,118

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

	DECEMBER 31 2020	JANUARY 1 2020
Current portion of lease liabilities	\$ 97,409	\$ 131,075
Non-current portion of lease liabilities	399,201	480,675
Total	\$ 496,610	\$ 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:

YEAR ENDED DECEMBER 31	2020
Other non-current financial liabilities	\$ 1,366
Other non-current non-financial liabilities	(373)
Other	(52)
Total	\$ 941

28. 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 year ended December 31, 2019:

	Recourse ⁽¹⁾ debt	Limited recourse debt	Non- ⁽²⁾ recourse debt	Lease ⁽³⁾ liabilities	Dividends declared to SNC-Lavalin shareholders	Other non- ⁽⁴⁾ current financial liabilities	Other non- ⁽⁴⁾ current non- financial liabilities
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	1,829,988	—	96,224	—	—	608	5,543
Repayment	(2,952,302)	(600,000)	(10,747)	(119,106)	(42,133)	(3,368)	(6,556)
Total – changes arising from cash flows	(1,122,314)	(600,000)	85,477	(119,106)	(42,133)	(2,760)	(1,013)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	42,133	—	—
Effect of foreign currency exchange differences	(3,316)	—	(2,501)	(6,108)	—	(522)	100
Amortization of deferred financing costs and discounts	4,321	19,697	2,437	—	—	—	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	(13,578)	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	(2,911)	—
Reclassification of deferred financing costs to “Other current non- financial assets” and “Other non- current non-financial assets” upon repayment of Revolving Facility	5,952	—	—	—	—	—	—
Net increase on lease liabilities	—	—	—	122,812	—	—	—
Federal charges settlement (PPSC) (Note 18)	—	—	—	—	—	201,764	—
Balance at December 31, 2019	\$ 1,172,663	\$ 400,000	\$ 485,118	\$ 611,750	\$ —	\$ 232,569	\$ 551

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

28. STATEMENTS OF CASH FLOWS (CONTINUED)

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

YEAR ENDED DECEMBER 31	2019		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 1,529,988	\$ (1,942,052)	\$ —
Bridge Facility (Note 20)	300,000	(300,000)	(1,060)
Series 2 Debentures	—	(150,000)	—
Series 5 Debentures	—	(150,000)	—
2019 Debentures	—	(350,000)	—
Bank overdraft	—	(59,190)	—
Total – Recourse debt	1,829,988	(2,951,242)	(1,060)
Limited recourse debt:			
CDPQ Loan	—	(600,000)	—
Total – Limited recourse debt	—	(600,000)	—
Non-recourse debt:			
Credit facility – InPower BC General Partnership	14,895	—	—
Senior Bonds – InPower BC General Partnership	—	(1,350)	—
Credit facility – TransitNEXT General Partnership	74,717	(2,859)	(998)
Senior Secured Notes of a PS&PM investment	6,612	(5,540)	—
Total – Non-recourse debt	96,224	(9,749)	(998)
Total	\$ 1,926,212	\$ (3,560,991)	\$ (2,058)

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

	DECEMBER 31 2019	JANUARY 1 2019
Recourse short-term debt	\$ 299,518	\$ 1,116,587
Recourse long-term debt	873,145	1,171,433
Total	\$ 1,172,663	\$ 2,288,020

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

	DECEMBER 31 2019	JANUARY 1 2019
Non-recourse short-term debt	\$ 93,664	\$ 60,168
Non-recourse long-term debt	391,454	339,537
Total	\$ 485,118	\$ 399,705

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

	DECEMBER 31 2019	JANUARY 1 2019
Current portion of lease liabilities	\$ 131,075	\$ —
Non-current portion of lease liabilities	480,675	—
Total	\$ 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:

YEAR ENDED DECEMBER 31	2019
Other non-current financial liabilities	\$ (2,760)
Other non-current non-financial liabilities	(1,013)
Other	(298)
Total	\$ (4,071)

28. STATEMENTS OF CASH FLOWS (CONTINUED)

D) 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

YEAR ENDED DECEMBER 31	2019
Consideration paid in cash	\$ —
Less: Return of contingent consideration to be transferred to seller received in cash ⁽¹⁾	5,539
Less: Cash received by Linxon for working capital adjustment	9,351
Net cash inflow on acquisition of Linxon	\$ (14,890)

⁽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 outcomes of such right to a return of contingent consideration to be transferred to the seller was between US\$nil and US\$8.3 million (approximately between CA\$nil and CA\$10.8 million).

29. INCOME TAXES

A) DEFERRED INCOME TAX ASSET AND DEFERRED INCOME TAX LIABILITY

Deferred income tax asset (liability) arising from temporary differences and unused tax losses can be summarized as follows:

	JANUARY 1 2020	Reclassification to disposal groups classified as held for sale	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2020
Current:						
Contract assets	\$ (30,462)	\$ 426	\$ —	\$ 36,406	\$ (619)	\$ 5,751
Retentions on supplier contracts	7,509	—	—	(2,678)	—	4,831
Accrued employee compensation	33,113	(525)	—	574	(685)	32,477
Current liabilities	67,291	(731)	—	25,040	(199)	91,401
Other	5,808	—	—	(7,415)	(26)	(1,633)
Non-current:						
Property and equipment, and goodwill	(111,805)	(358)	—	(13,346)	2,803	(122,706)
Right-of-use assets	(77,192)	(918)	—	34,342	252	(43,516)
Other non-current financial assets	(41,808)	—	40	22,608	(264)	(19,424)
Provisions	(21,620)	—	—	(10,703)	(1,044)	(33,367)
Capital investments accounted for by the equity method and at fair value through other comprehensive income	(116,316)	—	421	(31,752)	—	(147,647)
Lease liabilities	100,842	955	—	(33,962)	(498)	67,337
Pension plans and other post-employment benefits	82,337	—	18,458	(344)	4,195	104,646
Other	40,592	238	406	2,333	667	44,236
Unused tax losses	233,228	(3,851)	—	94,778	(5,051)	319,104
Deferred income tax asset, net	\$ 171,517	\$ (4,764)	\$ 19,325	\$115,881	\$ (469)	\$ 301,490
Presented on the statement of financial position as follows:						
Deferred income tax asset	\$ 520,451					\$ 655,838
Deferred income tax liability	\$ 348,934					\$ 354,348

29. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period of 2019 can be summarized as follows:

	JANUARY 1 2019	Impact of adoption of a new standard	Recognized in other comprehensive income	Recognized directly in equity	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2019
Current:							
Contract assets	(46,298)	—	—	—	15,438	398	(30,462)
Retentions on supplier contracts	16,609	—	—	—	(9,100)	—	7,509
Accrued employee compensation	34,320	—	—	—	(519)	(688)	33,113
Current liabilities	74,587	—	—	—	(6,924)	(372)	67,291
Other	22,138	(2,954)	—	—	(12,883)	(493)	5,808
Non-current:							
Property and equipment, and goodwill	(189,830)	—	—	—	74,439	3,586	(111,805)
Right-of-use assets	—	(100,679)	—	—	22,292	1,195	(77,192)
Other non-current financial assets	(36,437)	(8,776)	16	—	3,389	—	(41,808)
Provisions	(2,018)	(3,513)	—	—	(15,394)	(695)	(21,620)
Capital investments accounted for by the equity method and at fair value through other comprehensive income	(127,494)	—	637	—	10,541	—	(116,316)
Lease liabilities	—	140,463	—	—	(38,332)	(1,289)	100,842
Pension plans and other post-employment benefits	87,943	—	8,234	—	(10,678)	(3,162)	82,337
Other	66,318	(16,995)	(3,253)	(8,347)	4,332	(1,463)	40,592
Unused tax losses	389,230	—	—	—	(149,123)	(6,879)	233,228
Deferred income tax asset, net	\$ 289,068	\$ 7,546	\$ 5,634	\$ (8,347)	\$ (112,522)	\$ (9,862)	\$ 171,517

Presented on the statement of financial position as follows:

Deferred income tax asset	\$ 652,155	\$ 520,451
Deferred income tax liability	\$ 363,087	\$ 348,934

As at December 31, 2020, the Company had \$2,495.6 million (2019: \$2,255.6 million) of non-capital tax loss carryforwards, of which \$1,992.2 million will expire in varying amounts from 2021 to 2041 (2019: \$1,288.7 million expiring from 2020 to 2040). As at December 31, 2020, a deferred income tax asset of \$319.1 million (2019: \$233.2 million) has been recognized on \$1,347.3 million (2019: \$1,049.6 million) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized. As at December 31, 2020, the Company had \$783.3 million of the unrecognized non-capital tax losses that will expire in varying amounts from 2021 to 2041 (2019: \$512.6 million expiring in varying amounts from 2020 to 2040).

As at December 31, 2020, the Company had \$83.6 million (2019: \$82.1 million) of non-expiring capital tax loss carryforwards on which no deferred income tax asset has been recognized.

As at December 31, 2020, a deferred income tax liability has not been recognized on taxable temporary differences of \$620.6 million (2019: \$757.3 million) associated with investments in subsidiaries, associates and interests in joint arrangements, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

29. INCOME TAXES (CONTINUED)

B) INCOME TAXES

The relationship between the expected income taxes based on the Canadian effective tax rate of SNC-Lavalin at 26.3% (2019: 26.5%) and the reported income taxes in net income can be reconciled as follows:

YEARS ENDED DECEMBER 31		2020		2019	
	AMOUNT	%	AMOUNT	%	
Earnings (loss) before income taxes from continuing operations	\$ (405,968)		\$ 2,753,511		
Canadian tax rate for SNC-Lavalin		26.3		26.5	
Expected income taxes from continuing operations	\$ (106,597)		\$ 729,741		
Increase (decrease) resulting from:					
Effect of Federal charges settlement (PPSC)	2,327	(0.6)	68,545	2.5	
Effect of differences of foreign tax rates compared to Canadian rates	2,124	(0.5)	(14,435)	(0.5)	
Effect of Canadian provincial tax rate differences	(1,948)	0.5	2,384	0.1	
Effect of adjustments to deferred tax attributable to tax rate changes	(5,737)	1.4	—	—	
Net income and losses not affected by tax	6,350	(1.6)	(43,850)	(1.6)	
Effect of benefit from a previously unrecognized tax loss used to reduce current tax expense	(9,672)	2.4	(47,773)	(1.7)	
Effect of differences between accounting gain and taxable gain realized on disposals of Capital investments	—	—	(405,443)	(14.7)	
Non-deductible loss on revaluation of contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR	7,580	(1.9)	—	—	
Effect of benefit for losses carried back to prior years at higher tax rate	(5,373)	1.3	—	—	
Effect of reversal of a previous write-down of deferred income tax asset	(7,499)	1.8	—	—	
Effect of write-down of previously recognized deferred income tax asset (liability)	55,023	(13.6)	64,656	2.3	
Non-taxable income from certain Capital investments accounted for by the equity method and at fair value through other comprehensive income	(16,742)	4.1	(44,075)	(1.6)	
Non-deductible impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	1,600	(0.4)	—	—	
Non-deductible loss on disposal of a PS&PM business	1,870	(0.5)	—	—	
Other permanent differences for tax purposes	(413)	0.1	7,777	0.3	
Other	18,068	(4.3)	(7,179)	(0.3)	
Income taxes from continuing operations at effective tax rate	\$ (59,039)	14.5	\$ 310,348	11.3	

SNC-Lavalin's income taxes from continuing operations were comprised of the following:

YEARS ENDED DECEMBER 31		2020	2019
Current income taxes	\$	63,674	\$ 92,194
Deferred income taxes		(122,713)	218,154
Income taxes	\$	(59,039)	\$ 310,348

30. 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 December 31, 2020 by category and classification, with the corresponding fair value, when available. Financial assets classified as held for sale as at December 31, 2020 are not included in the table below (see Note 39).

AT DECEMBER 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	\$ 932,902	\$ —	\$ —	\$ —	\$ 932,902	\$ 932,902
Restricted cash	29,300	—	—	—	29,300	29,300
Trade receivables	—	—	1,199,166	—	1,199,166	1,199,166
Other current financial assets:						
Derivative financial instruments	—	—	—	41,956	41,956	41,956
Financial assets at FVTPL	6,200	—	—	—	6,200	6,200
Other	—	—	209,276	—	209,276	211,877
Capital investments at fair value through other comprehensive income	—	9,666	—	—	9,666	9,666
Non-current portion of receivables under service concession arrangements ⁽³⁾	—	—	433,914	—	433,914	505,332
Other non-current financial assets:						
Derivative financial instruments	—	—	—	1,973	1,973	1,973
Other ⁽³⁾	—	—	29,425	—	29,425	29,425
Total	\$ 968,402	\$ 9,666	\$ 1,871,781	\$ 43,929	\$ 2,893,778	

⁽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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

	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:						
Derivative financial instruments	—	—	—	21,146	21,146	21,146
Financial assets at FVTPL	6,047	—	—	—	6,047	6,047
Other	—	—	195,115	—	195,115	196,483
Capital investments at fair value through other comprehensive income	—	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:						
Derivative financial instruments	—	—	—	8,997	8,997	8,997
Financial asset at FVTOCI	—	303	—	—	303	303
Financial asset at FVTPL	57,207	—	—	—	57,207	57,207
Other ⁽³⁾	—	—	49,434	—	49,434	49,434
Total	\$ 1,286,008	\$ 8,410	\$ 2,130,978	\$ 30,143	\$ 3,455,539	

⁽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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities as at December 31, 2020 and 2019 by category and classification, with the corresponding fair value, when available. Financial liabilities classified as held for sale as at December 31, 2020 are not included in the table below (see Note 39).

AT DECEMBER 31	2020				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL ⁽¹⁾	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	\$ —	\$ —	\$ 1,730,398	\$ 1,730,398	\$ 1,730,398
Other current financial liabilities:					
Derivative financial instruments	16,006	—	—	16,006	16,006
Other	—	—	171,748	171,748	171,748
Provisions	—	—	89,083	89,083	89,083
Lease liabilities	—	—	496,610	496,610	N/A ⁽²⁾
Short-term debt and long-term debt ⁽³⁾ :					
Recourse	—	—	1,170,965	1,170,965	1,185,977
Limited recourse	—	—	400,000	400,000	400,000
Non-recourse	—	—	431,545	431,545	476,918
Other non-current financial liabilities	8,556	15,181	170,124	193,861	193,861
Total	\$ 24,562	\$ 15,181	\$ 4,660,473	\$ 4,700,216	

AT DECEMBER 31	2019				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL ⁽¹⁾	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	\$ —	\$ —	\$ 2,153,520	\$ 2,153,520	\$ 2,153,520
Other current financial liabilities:					
Derivative financial instruments	17,086	—	—	17,086	17,086
Other	—	—	270,630	270,630	270,630
Provisions	—	—	121,376	121,376	121,376
Lease liabilities	—	—	611,750	611,750	N/A ⁽²⁾
Short-term debt and long-term debt ⁽³⁾ :					
Recourse	—	—	1,172,663	1,172,663	1,172,458
Limited recourse	—	—	400,000	400,000	400,000
Non-recourse	—	—	485,118	485,118	511,838
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	

⁽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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	FINANCIAL INSTRUMENTS
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash, derivatives, life insurance policies, which are included in "Other current financial assets" and equity investments measured at FVTOCI
Level 3	Inputs for the asset or liability that are not based on observable market data	Contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR included in "Other non-current financial assets" and contingent consideration payable to seller related to Linxon acquisition included in "Other non-current financial liabilities"

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE AND FOR WHICH THE FAIR VALUE IS DISCLOSED

The methodology used to determine the fair value of the following Company's assets and liabilities not measured at fair value is based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	ASSETS AND LIABILITIES
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Trade receivables, receivables under service concession arrangements, trade payables and accrued liabilities, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, other non-current financial assets, other current financial liabilities, provisions and other non-current financial liabilities
Level 3	Inputs for the asset or liability that are not based on observable market data	None

For the years ended December 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 year ended December 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 ⁽¹⁾	(57,207)	1,095
Effect of foreign currency exchange differences	—	(319)
Balance as at December 31, 2020	\$ —	\$ 15,181

⁽¹⁾ Included in "Loss (gain) arising on financial assets (liabilities) at fair value through profit or loss" in the consolidated income statement

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 principal assumptions used in measuring fair value of Level 3 financial instruments as at December 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 11.42% 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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

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 year ended December 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⁾	\$ —	\$ (936)
Increase (decrease)	If the discount rate is 100 basis points higher ⁽¹⁾	\$ —	\$ 859
Increase (decrease)	If the expected future cash flows are 1% lower ⁽¹⁾	\$ —	\$ —
Increase (decrease)	If the expected future cash flows are 1% higher ⁽¹⁾	\$ 5,220	\$ —

⁽¹⁾ Assuming all other variables remain the same

B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

NATURE OF RISK	DESCRIPTION
Credit risk	Risk that SNC-Lavalin will incur a financial loss if the other party to a financial instrument fails to discharge an obligation. The maximum exposure to credit risk for SNC-Lavalin at the end of a given period usually corresponds to the carrying amount of its financial assets exposed to such risk, as presented in Note 30A.
Liquidity risk	Possibility that SNC-Lavalin will encounter difficulties in meeting the obligations associated with its financial liabilities
Market risk	Variability in the fair value or future cash flows of a financial instrument caused by a change in market prices in items such as currency rates, interest rates and equity prices

CREDIT RISK

For SNC-Lavalin, credit risk arises from:

- Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.
- Derivative financial instruments with a favourable fair value, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with high-grade financial institutions, which are expected to satisfy their obligations under the contracts.
- Trade receivables, as detailed in Note 8A, and contract assets, as detailed in Note 8B. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project.

The Company's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. The amounts of trade receivables presented in the consolidated statements of financial position are net of an allowance for expected credit losses, estimated by the Company and based, in part, on the age of specific and aggregated receivable balances, on the financial situation of specific customers and the current and expected collection trends. When assessing the credit risk associated with its trade receivables, the Company also considers the other financial and non-financial assets and liabilities recognized with the same customer or within the same project to provide additional indications on the Company's exposure to credit risk. As such, in addition to the age of its trade receivables, the Company also considers the age of its contract assets, as well as the existence of any contract liabilities on the same project or with the same customer.

In addition to providing for individual balances of trade receivables and other financial assets upon certain events, the Company has an internal policy in place which requires to record, by default, an allowance on any trade receivable or contract asset that has been outstanding longer than a specific threshold period, unless it can be demonstrated that the recovery of such trade receivable is not at risk or only partially at risk, in which case the allowance is adjusted accordingly. Moreover, the Company records an amount of additional expected credit losses on trade receivables and contract assets for balances that are not provided for and for which no impairment indicator exist as at period end, but for which it can be reasonably expected that credit losses might occur in the future. Such analysis incorporates the Company's past experience, adjusted as needed to better reflect anticipated conditions.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Generally, trade receivables and contract assets are written off if they are no longer subject to enforcement activity. As such, the amount of trade receivables and contract assets that have been written off but are still being pursued is minimal.

The Company does not generally hold collateral as security.

- iv) Other current financial assets, as detailed in Note 11, and other non-current financial assets, as detailed in Note 16. The current portion of receivables under service concession arrangements is within normal terms of payment and there were no significant amounts that were past due as at December 31, 2020 and 2019.

LIQUIDITY RISK

SNC-Lavalin monitors its liquidity risk arising from financial instruments on an ongoing basis by ensuring that it has access to sufficient resources to meet its obligations.

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed. Due to the nature of the Company's activities, the fact that its operations are conducted through multiple entities and joint operations and that it operates in many countries, the Company's cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various cash pooling agreements with financial institutions, may transfer cash balances between subsidiaries, joint arrangements or investees and use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

SNC-Lavalin's consolidated statement of financial position included \$457.2 million at December 31, 2020 (2019: \$482.4 million) of liabilities from Capital investments that are accounted for by the consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the Capital investments and are secured by the respective concession's assets, including \$492.2 million of financial assets at December 31, 2020 (2019: \$422.0 million), and by SNC-Lavalin's shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin, assuming its Capital investments accounted for by the consolidation method were unable to meet their obligations, corresponds to the carrying amount invested in these entities.

SNC-Lavalin's future principal payments on its short-term debt and long-term debt are presented in Note 20.

I) MATURITY ANALYSIS OF FINANCIAL LETTERS OF CREDIT

A draw on letters of credit or bank guarantees (Note 30C) by one or more third parties could, among other things, significantly reduce the Company's cash position and have a material adverse effect on its business and results of operations. The following table presents a maturity analysis for the financial letters of credit outstanding as at December 31, 2020 and 2019:

MATURITY	DECEMBER 31 2020	DECEMBER 31 2019
Not later than 1 year	\$ 41,985	\$ 201,802
Later than 1 year and not later than 5 years	59,240	57,269
Later than 5 years	450	521
	\$ 101,675	\$ 259,592

II) MATURITY ANALYSIS OF TRADE PAYABLES AND ACCRUED LIABILITIES

As at December 31, 2020, 98% (2019: 99%) of the outstanding balance of "Trade payables and accrued liabilities" of \$1,730.4 million (2019: \$2,153.5 million) had a maturity of not later than 1 year.

MARKET RISK

I) CURRENCY RISK

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets (liabilities) of its foreign operations.

Foreign currency risk is managed by the Company by matching, when possible, the cash receipts in a foreign currency and the cash disbursements in the same foreign currency, for revenue-generating projects in which foreign currencies are involved. Derivative financial instruments with financial institutions, usually forward foreign exchange contracts, are also used to hedge the cash flows in foreign currencies.

30. FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes the major forward foreign exchange contracts that were outstanding for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2020					AT DECEMBER 31, 2019				
BUY		SELL		MATURITY	BUY		SELL		MATURITY
CA\$	906,041	US\$	691,385	2021-2023	CA\$	943,877	US\$	721,956	2020-2023
CA\$	23,322	€	14,844	2021-2023	CA\$	13,205	€	8,593	2020-2022
US\$	361,387	CA\$	461,795	2021-2022	US\$	248,518	CA\$	327,226	2020-2022
€	51,472	CA\$	80,371	2021-2022	€	53,512	CA\$	79,623	2020-2022
CA\$	204,887	£	120,000	2021	CA\$	213,508	£	124,000	2020
AU\$	47,088	CA\$	45,444	2021	AU\$	58,787	CA\$	52,926	2020
£	227,287	CA\$	387,786	2021	£	131,344	CA\$	226,473	2020
€	10,827	US\$	13,206	2021	€	57,765	US\$	67,098	2020
INR	8,314,500	£	78,936	2021-2023	INR	5,305,000	£	52,054	2020-2021
US\$	68,022	£	50,847	2021	US\$	97,621	£	75,561	2020
CHF	30,068	US\$	33,692	2021-2022	CHF	46,503	US\$	48,208	2020-2021

As at December 31, 2020, the forward foreign exchange contracts used for hedging purposes by the Company had a net favourable fair value of \$28.7 million (2019: \$1.7 million). The majority of the forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar.

CURRENCY SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2020 has been calculated from the Company's net assets (liabilities) denominated in US dollars, Saudi Arabian riyals and British pounds, from derivative financial instruments used to hedge the exposure to US dollars, Saudi Arabian riyals and British pounds and from investments made in foreign operations.

		IMPACT ON EQUITY		
		CA\$/US\$ (2), (3)	CA\$/SAR (2), (4)	CA\$/£ (2), (5)
Increase (decrease)	10% appreciation in the Canadian dollar ⁽¹⁾	\$ (110,238)	\$ (9,689)	\$ (235,929)
Increase (decrease)	10% depreciation in the Canadian dollar ⁽¹⁾	\$ 110,238	\$ 9,689	\$ 235,929

(1) Assuming all other variables remain the same

(2) The Company's exposure to other currencies is not significant.

(3) Includes mainly \$150.9 million of change in exchange differences on translating foreign operations

(4) Includes mainly \$10.1 million of change in exchange differences on translating foreign operations

(5) Includes mainly \$198.2 million of change in exchange differences on translating foreign operations

As at December 31, 2020, a 10% appreciation in the Canadian dollar relative to: i) the US dollar would increase the Company's net income by \$9.0 million (10% depreciation in the Canadian dollar relative to the US dollar would decrease the Company's net income by \$9.0 million); ii) the Saudi Arabian riyal would increase the Company's net income by \$0.4 million (10% depreciation in the Canadian dollar relative to the Saudi Arabian riyal would decrease the Company's net income by \$0.4 million); and iii) the British pound would decrease the Company's net income by \$2.8 million (10% depreciation in the Canadian dollar relative to the British pound would increase the Company's net income by \$2.8 million).

II) INTEREST RATE RISK

Cash and cash equivalents, and restricted cash, usually involve limited interest rate risk due to their short-term nature.

NON-RECOURSE DEBT

Unlike PS&PM activities, Capital investments are often capital intensive due to the ownership of assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company. These investments usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing interest rates provides a measure of stability and predictability to the financing cash outflows of the Company's Capital investments, which are usually structured to match the expected timing of their cash inflows.

30. FINANCIAL INSTRUMENTS (CONTINUED)

In 2020 and 2019, a subsidiary of the Company from PS&PM activities issued senior secured notes to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract. The senior secured notes bear interest at a variable rate which exposes the Company to interest rate risk. Also, in relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of non-controlling interest of 49% in Linxon granted an interest-free loan and provided a working capital revolving credit facility to Linxon. The working capital revolving credit facility bears interest at a variable rate which exposes the Company to the interest rate risk.

LIMITED RECOURSE DEBT

SNC-Lavalin's limited recourse debt bears interest at a variable rate which exposes the Company to the interest rate risk.

RECOURSE DEBT

SNC-Lavalin's recourse short-term debt bears interest at a variable rate which exposes the Company to interest rate risk.

Certain of SNC-Lavalin's debentures bear interest at a fixed rate and are measured at amortized cost; therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

SNC-Lavalin's Term Loan and the Series 3 Debentures bear interest at a variable rate which exposes the Company to interest rate risk.

INTEREST RATE SWAP

TransitNEXT General Partnership (see Note 5A) entered into an interest rate swap agreement with financial institutions related to its credit facility in the aggregate maximum principal amount of \$149.0 million, which bears interest at a rate of CDOR plus an applicable margin, to hedge the variability of the interest rate. Under the interest rate swap agreement, TransitNEXT pays interest at a fixed rate and receives interest at a rate of CDOR. The interest rate swap agreement expires in August 2022. This hedge is classified as a cash flow hedge.

INTEREST RATE SENSITIVITY ANALYSIS

For floating rate debt, the analysis is prepared assuming the amount of the debt outstanding at the end of the reporting period was outstanding for the whole year. A 1% (100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower than the base rate and all other variables were held constant, the Company's net income for the year ended December 31, 2020 would decrease/increase by \$8.9 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has decreased in 2020 mainly due to repayment of certain variable rate debt instruments.

III) EQUITY PRICE RISK

SNC-Lavalin limits its exposure arising from the share unit plans caused by fluctuations in its share price, through financial arrangements with investment high-grade financial institutions described in Note 23C.

IV) COMMODITY PRICE RISK

In 2019, the Company entered into a copper commodity swap agreement with a financial institution related to its standardized EPC contracts for power substations executed through its Linxon subsidiary to hedge the variability of the copper price. The copper commodity agreement was for 1,308 metric tons at an average price of US\$5,805 (approximately CA\$7,617) per metric ton with gradual settlement dates until September 2020. This hedge was classified as a cash flow hedge.

C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. The amount outstanding under certain letters of credit decreases in relation to the percentage of completion of projects. As at December 31, 2020, SNC-Lavalin had outstanding letters of credit of \$1,700.8 million (2019: \$2,067.0 million).

31. CAPITAL MANAGEMENT

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between: i) having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time, ii) maximizing return on equity.

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the other components of equity are not representative of the Company's financial position.

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

The Company's capital for the years ended December 31, 2020 and 2019 was as follows:

	DECEMBER 31 2020	DECEMBER 31 2019
Equity attributable to SNC-Lavalin shareholders	\$ 2,557,505	\$ 3,715,006
Less: Other components of equity	(320,067)	354,073
Less: Other components of equity of disposal groups classified as held for sale	594,141	—
Plus: Recourse debt	1,170,965	1,172,663
Total amount of capital	\$ 3,454,396	\$ 4,533,596

The Company has paid quarterly dividends for 31 consecutive years. Dividend policy is determined by the Board of Directors of the Company.

COVENANTS ON RECOURSE AND LIMITED RECOURSE DEBT

The Company's unsecured recourse debentures are subject to affirmative and negative covenants, as defined in the underlying indentures related thereto.

The Company's Revolving Facility and Term Loan are committed and subject to affirmative, negative and financial covenants, including a requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to EBITDA ratio, as defined in the Credit Agreement, not exceeding a certain limit.

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and do not correspond to the Company's metrics as presented above and/or to the specific terms used in the Company's Management's Discussion and Analysis for the year ended December 31, 2020.

The CDPQ Loan is subject to affirmative and negative covenants, as well as financial covenants, notably not to exceed, on a rolling 12-month and consolidated basis, a maximum net recourse debt to EBITDA ratio, as defined under the CDPQ Loan Agreement.

In case of an event of default, the Company's debentures, the Revolving Facility, the Term Loan and the CDPQ Loan are subject to customary accelerated repayment terms.

In 2020, the Company complied with all of the covenants, as amended from time to time, related to its debentures, Revolving Facility, Term Loan and CDPQ Loan.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

A) PENSION PLANS

SNC-Lavalin has defined contribution and defined benefit pension plans. The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was \$248.8 million in 2020 (2019: \$228.4 million).

DEFINED CONTRIBUTION PENSION PLANS

SNC-Lavalin's contributions to its defined contribution plans are recorded as expenses in the year in which they are incurred and totaled \$170.4 million in 2020 (2019: \$153.3 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are mostly closed to new entrants, and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for all the plans. The measurement date used for the benefit obligation and plan assets is December 31 of each year. All of SNC-Lavalin's defined benefit pension plans are partly funded, except for two plans, of which one plan is unfunded and one plan is secured by a letter of credit.

The defined benefit plans are administered by committees composed of a number of representatives from employer's representatives, active employees, inactive employees and independent members. Members of the committees are required by law and by their articles of association to act in the best interest of the pension plans and all their relevant stakeholders, i.e. active employees, inactive employees, retirees and employers. The pension plan committees are responsible for the investment policy with regard to the assets of the pension plans, which are held by a trustee legally separated from SNC-Lavalin.

SNC-Lavalin's defined benefit pension plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, compensation risk and longevity risk.

NATURE OF RISK	DESCRIPTION
Investment risk	The present value of the defined benefit pension plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on the plans' assets is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plans' liabilities; however, this will be partially offset by an increase in the return on the plans' debt securities.
Compensation risk	The present value of the defined benefit pension plan obligation is calculated by reference to the final pensionable earnings of the plans' participants.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plans' participants both during and after their employment. An increase in the life expectancy of the plans' participants will increase the plans' liability.

The two main defined benefit pension plans of the Company are the Atkins Pension Plan and the U.K. Railways Pension Scheme (the "Railways Pension Scheme"), both of which are funded final salary schemes in the U.K. The latest actuarial valuations were performed on March 31, 2019 for the Atkins Pension Plan and on December 31, 2016 for the Railways Pension Scheme.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables set forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	\$ 3,073,604	\$ 703,654	\$ 306,073	\$ 4,083,331
Current service cost	172	3,784	2,074	6,030
Interest cost	61,228	14,103	5,872	81,203
Past service cost ⁽¹⁾	3,994	—	(1,577)	2,417
Benefits paid	(110,590)	(23,047)	(29,379)	(163,016)
Contributions by plan participants	—	1,720	552	2,272
Remeasurement:				
Actuarial gains arising from changes in demographic assumptions	(54,005)	(22,187)	(921)	(77,113)
Actuarial losses arising from changes in financial assumptions	485,528	126,241	32,252	644,021
Actuarial gains arising from experience adjustments	(78,084)	(12,211)	(3,964)	(94,259)
Effect of foreign currency exchange differences	71,019	16,498	10,141	97,658
Pension benefit obligation at end of year	\$ 3,452,866	\$ 808,555	\$ 321,123	\$ 4,582,544

Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	\$ 2,845,134	\$ 527,527	\$ 276,560	\$ 3,649,221
Interest income	57,273	10,491	5,299	73,063
Remeasurement:				
Return on plan assets (excluding interest income)	314,226	26,142	20,970	361,338
Administration costs	—	(1,376)	(329)	(1,705)
Benefits paid	(110,590)	(23,047)	(29,379)	(163,016)
Contributions by the employer	63,464	6,192	8,707	78,363
Contributions by plan participants	—	1,720	552	2,272
Effect of foreign currency exchange differences	66,281	11,771	9,116	87,168
Fair value of pension plan assets at end of year	\$ 3,235,788	\$ 559,420	\$ 291,496	\$ 4,086,704

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	\$ 3,452,866	\$ 808,555	\$ 321,123	\$ 4,582,544
Fair value of pension plan assets	3,235,788	559,420	291,496	4,086,704
Net accrued pension benefit liability	\$ 217,078	\$ 249,135	\$ 29,627	\$ 495,840

Presented on the statement of financial position as follows:

Other non-current non-financial assets (Note 17)	\$ 8,327
Non-current portion of provisions	\$ 504,167

⁽¹⁾ Relates to November 20, 2020 U.K. High Court ruling for the Atkins Pension Plan (see Note 3)

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables set forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

YEAR ENDED DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	\$ 2,810,839	\$ 646,364	\$ 288,948	\$ 3,746,151
Current service cost	169	4,065	1,027	5,261
Interest cost	75,882	17,446	7,431	100,759
Past service cost	—	—	(478)	(478)
Benefits paid	(112,468)	(24,221)	(13,198)	(149,887)
Contributions by plan participants	—	2,710	425	3,135
Remeasurement:				
Actuarial gains arising from changes in demographic assumptions	(11,179)	(678)	(847)	(12,704)
Actuarial losses arising from changes in financial assumptions	267,790	62,163	28,818	358,771
Actuarial losses arising from experience adjustments	68,091	1,694	1,710	71,495
Effect of foreign currency exchange differences	(25,520)	(5,889)	(7,763)	(39,172)
Pension benefit obligation at end of year	\$ 3,073,604	\$ 703,654	\$ 306,073	\$ 4,083,331
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	\$ 2,520,543	\$ 489,508	\$ 283,036	\$ 3,293,087
Interest income	68,768	13,211	7,493	89,472
Remeasurement:				
Return on plan assets (excluding interest income)	329,464	45,908	(1,744)	373,628
Administration costs	—	(847)	(278)	(1,125)
Benefits paid	(112,468)	(24,221)	(13,198)	(149,887)
Contributions by the employer	61,146	5,759	8,195	75,100
Contributions by plan participants	—	2,710	425	3,135
Effect of foreign currency exchange differences	(22,319)	(4,501)	(7,369)	(34,189)
Fair value of pension plan assets at end of year	\$ 2,845,134	\$ 527,527	\$ 276,560	\$ 3,649,221
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	\$ 3,073,604	\$ 703,654	\$ 306,073	\$ 4,083,331
Fair value of pension plan assets	2,845,134	527,527	276,560	3,649,221
Net accrued pension benefit liability	\$ 228,470	\$ 176,127	\$ 29,513	\$ 434,110
Presented on the statement of financial position as follows:				
Other non-current non-financial assets (Note 17)				\$ 10,979
Non-current portion of provisions				\$ 445,089

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SNC-Lavalin's net defined benefit pension costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	\$ 172	\$ 3,784	\$ 2,074	\$ 6,030
Net interest expense	3,955	3,612	573	8,140
Administration costs	—	1,376	329	1,705
Past service cost ⁽¹⁾	3,994	—	(1,577)	2,417
Components of benefit pension costs recognized in net income	\$ 8,121	\$ 8,772	\$ 1,399	\$ 18,292

⁽¹⁾ Relates to November 20, 2020 U.K. High Court ruling for the Atkins pension plan (see Note 3)

YEAR ENDED DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	\$ 169	\$ 4,065	\$ 1,027	\$ 5,261
Net interest expense	7,114	4,235	33	11,382
Administration costs	—	847	278	1,125
Past service cost	—	—	(478)	(478)
Components of benefit pension costs recognized in net income	\$ 7,283	\$ 9,147	\$ 860	\$ 17,290

SNC-Lavalin's net defined benefit pension costs recognized in other comprehensive income were comprised of:

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	\$ (314,226)	\$ (26,142)	\$ (20,970)	\$ (361,338)
Actuarial gains arising from changes in demographic assumptions	(54,005)	(22,187)	(921)	(77,113)
Actuarial losses arising from changes in financial assumptions	485,528	126,241	32,252	644,021
Actuarial gains arising from experience adjustments	(78,084)	(12,211)	(3,964)	(94,259)
Components of benefit pension costs recognized in other comprehensive income	\$ 39,213	\$ 65,701	\$ 6,397	\$ 111,311

YEAR ENDED DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	\$ (329,464)	\$ (45,908)	\$ 1,744	\$ (373,628)
Actuarial gains arising from changes in demographic assumptions	(11,179)	(678)	(847)	(12,704)
Actuarial losses arising from changes in financial assumptions	267,790	62,163	28,818	358,771
Actuarial losses arising from experience adjustments	68,091	1,694	1,710	71,495
Variation in liability due to minimum funding requirements	—	—	(2,853)	(2,853)
Components of (reversal of) benefit pension costs recognized in other comprehensive income	\$ (4,762)	\$ 17,271	\$ 28,572	\$ 41,081

SNC-Lavalin expects to make contributions of \$82.1 million in 2021 to its defined benefit pension plans.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables present the fair value of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Asset category				
Equity securities	\$ 739,564	\$ 229,448	\$ 44,284	\$ 1,013,296
Debt securities	2,012,764	226,834	175,067	2,414,665
Other ⁽¹⁾	483,460	103,138	72,145	658,743
Total	\$ 3,235,788	\$ 559,420	\$ 291,496	\$ 4,086,704

AT DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Asset category				
Equity securities	\$ 676,885	\$ 224,208	\$ 32,841	\$ 933,934
Debt securities	1,757,514	200,679	178,879	2,137,072
Other ⁽¹⁾	410,735	102,640	64,840	578,215
Total	\$ 2,845,134	\$ 527,527	\$ 276,560	\$ 3,649,221

⁽¹⁾ As at December 31, 2020 and 2019, the asset category "Other" includes mainly property and cash.

The fair values of the above equity and debt instruments are mainly determined based on quoted prices in active markets.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2020:

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
Accrued pension benefit obligation			
Discount rate	1.20%	1.20%	1.32%
Rate of compensation increase ⁽²⁾	2.80%	2.80%	1.77%
Inflation ⁽³⁾	2.80%	2.80%	1.94%
Longevity at age 65 for current pensioners			
Men	22.9 years	22.2 years	23.1 years
Women	24.9 years	23.2 years	25.0 years
Longevity at age 65 for future pensioners (current age 45)			
Men	24.2 years	23.5 years	24.7 years
Women	26.3 years	24.6 years	26.7 years

⁽²⁾ The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.51% as at December 31, 2020.

⁽³⁾ The inflation assumption shown for the Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.1% as at December 31, 2020.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2019:

AT DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
Accrued pension benefit obligation			
Discount rate	2.00%	2.00%	1.96%
Rate of compensation increase ⁽¹⁾	2.70%	2.70%	1.72%
Inflation ⁽²⁾	2.70%	2.70%	1.87%
Longevity at age 65 for current pensioners			
Men	23.0 years	22.6 years	23.2 years
Women	24.9 years	23.7 years	25.1 years
Longevity at age 65 for future pensioners (current age 45)			
Men	24.4 years	23.9 years	24.6 years
Women	26.3 years	25.2 years	26.5 years

⁽¹⁾ The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.51% as at December 31, 2019.

⁽²⁾ The inflation assumption shown for Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 1.80% as at December 31, 2019.

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2020, while holding all other assumptions constant.

If the discount rate is 1% higher (lower), the defined benefit pension obligation would decrease by an estimated amount of \$824.6 million (increase by an estimated amount of \$830.0 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$18.6 million (decrease by an estimated amount of \$18.5 million).

If the rate of inflation is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$616.1 million (decrease by an estimated amount of \$615.9 million).

If longevity increases by 1 year, the defined benefit pension obligation would increase by an estimated amount of \$161.2 million.

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit pension obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit pension obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same method applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The weighted average duration of the pension benefit obligation as at December 31, 2020 was 18.0 years for the Atkins Pension Plan (2019: 18.0 years), 17.4 years for Railways Pension Scheme (2019: 17.1 years) and 18.2 years for the other plans (2019: 16.5 years).

B) OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

SNC-Lavalin has a number of other long-term benefit and other post-employment benefit plans, which are all defined benefit plans and include mainly termination indemnities, medical and dental care benefits, and life insurance benefits. SNC-Lavalin's other long-term benefit and other post-employment benefit plans are unfunded plans.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table sets forth the change in obligation of SNC-Lavalin's other long-term benefit and other post-employment benefit plans:

YEARS ENDED DECEMBER 31	2020	2019
Change in obligation:		
Obligation at beginning of year	\$ 98,471	\$ 85,004
Current service cost	18,799	16,819
Past service cost	53	—
Loss arising from settlement	1,252	—
Interest cost	3,208	4,216
Remeasurement ⁽¹⁾	(956)	393
Benefits paid	(31,888)	(18,841)
Actuarial losses (Note 24)	5,287	14,263
Effect of foreign currency exchange differences	(1,000)	(3,383)
Reclassification to liabilities of disposal groups classified as held for sale (Note 39)	(31,837)	—
Obligation at end of year	\$ 61,389	\$ 98,471

SNC-Lavalin's net defined other long-term benefit and other post-employment benefit costs recognized in net income were comprised of:

YEARS ENDED DECEMBER 31	2020	2019
Current service cost	\$ 18,799	\$ 16,819
Past service cost	53	—
Loss arising from settlement	1,252	—
Interest cost	3,208	4,216
Remeasurement ⁽¹⁾	(956)	393
Components of other long-term benefit and other post-employment benefit costs recognized in net income	\$ 22,356	\$ 21,428

⁽¹⁾ Remeasurement relates to two other long-term employee benefit plans of SNC-Lavalin for which remeasurement is not recognized in other comprehensive income, but rather in the income statement.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued other long-term benefit and other post-employment benefit obligation:

	DECEMBER 31 2020	DECEMBER 31 2019
Accrued other long-term benefit and other post-employment benefit obligation		
Discount rate	3.26%	4.45%
Rate of compensation increase ⁽²⁾	4.51%	4.55%

⁽²⁾ Rate of compensation increase applies only to termination indemnities.

33. 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 against SNC-Lavalin and certain of its directors and officers (collectively, the “Ruediger Defendants”) pursuant to section 225.4 of the *Securities Act* (Québec) (the “Ruediger Class Action Motion”) was filed with the Superior Court of Québec (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 the *Securities Act* (Québec). The plaintiff in the proposed action claims damages and seeks the condemnation of the Ruediger 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, among other things, disclosure alleged to have been made regarding the Company’s ability to execute certain fixed price contracts.

The authorization hearing on the amended Ruediger Class Action Motion is scheduled between May 18 and May 21, 2021.

Drywall Class Action

On June 5, 2019, a Statement of Claim was filed against SNC-Lavalin and certain of its directors and officers (collectively, the “Drywall Defendants”) 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 from the Company’s Codelco project in Chile having been overstated in 2018 due to non-compliance with IFRS 15; (iv) the failure of the Company’s disclosure controls and procedures and its internal control 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 the *Securities Act* (Ontario). The plaintiffs in the proposed action claim damages and seek the condemnation of the Drywall 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 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. On November 5, 2019, the plaintiffs delivered a motion record for leave under the *Securities Act* (Ontario) and certification under the *Class Proceedings Act* (Ontario). The leave and certification hearing was scheduled for October 19 to 23, 2020 and prior to the hearing, the plaintiffs agreed to dismiss the Drywall Class Action on the basis that the claims asserted therein can be brought in the Ruediger Class Action.

Peters Class Action

On February 25, 2019, a Notice of action was issued with the Ontario Superior Court of Justice by a proposed representative plaintiff, Mr. John Peters, 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”).

33. CONTINGENT LIABILITIES (CONTINUED)

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 the *Securities Act* (Ontario) and the comparable securities legislation in other provinces and also asserts a claim for common law negligent misrepresentation. 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.

On March 5, 2020, the plaintiff in the Peters Class Action brought a motion for leave and certification of the Peters Class Action. On December 15, 2020, counsel to the defendants delivered their responding motion for the leave and certification hearing which is scheduled to be held between June 1 and June 3, 2021.

SNC-Lavalin believes that the claims outlined in the Ruediger Class Action Motion 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 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 any or all of the Ruediger Class Action and/or the Peters Class Action, such amount could have a material adverse effect on SNC-Lavalin’s liquidity and financial results.

Pyrrhotite case

On June 12, 2014, the Quebec Superior Court rendered a decision in “Wave 1” of the matter commonly referred to as the “Pyrrhotite Case” in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The 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”). The Quebec Superior Court ruled that SNC-Lavalin’s share of the damages award was approximately 70%. The Company’s external insurers dispute the extent of the insurance coverage available to the Company and this dispute is included in the Pyrrhotite Case. The Company, among other parties, appealed the Quebec Superior Court’s ruling and, on April 6, 2020, the Quebec Court of Appeal rendered its decision dismissing most of the appeals filed by all parties and upheld: (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 a further ruling, on June 12, 2020, the Quebec Court of Appeal confirmed SNC-Lavalin’s allocated share of the damages, inclusive of interest and costs at approximately \$200 million, and the Company paid this amount of damages awarded to the plaintiffs on August 3, 2020. The Company has filed a notice seeking leave to appeal to the Supreme Court of Canada.

The Quebec Court of Appeal also dismissed an appeal from SNC-Lavalin’s external insurers and confirmed that multiple insurance policy towers were triggered by the Wave 1 claims, resulting in multiple years of coverage. The Company’s external insurers have filed notices seeking leave to appeal to the Supreme Court of Canada.

Given that SNC-Lavalin’s external insurers initially refused to comply with terms contained in the relevant policies of insurance and the orders of the Quebec Superior Court and the Quebec Court of Appeal requiring them to pay a substantial portion of the \$200 million damages award, SNC-Lavalin filed an application with the Quebec Superior Court seeking an order requiring the Company’s external insurers to comply with the Quebec Court of Appeal’s order and facilitate execution of the \$200 million damages award by way of the multiple towers of insurance. On October 16, 2020, the Quebec Superior Court ruled in favour of SNC-Lavalin ordering SNC-Lavalin’s external insurers to pay the Company approximately \$141 million. The Quebec Superior Court also ruled that the order is enforceable notwithstanding any appeal and most of the amount receivable was received in the fourth quarter of 2020. An additional \$33 million in insurance proceeds was received by the Company in December 2020 through a reinsurance policy which was not subject to this court ruling. As at December 31, 2020, the remaining amount receivable of insurance proceeds totaled approximately \$38 million and was included in “Other current financial assets” on the Company’s consolidated statement of financial position as at December 31, 2020.

33. CONTINGENT LIABILITIES (CONTINUED)

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. The trial commenced in March 2019 and concluded in 2020. On February 4, 2021, the Quebec Superior Court dismissed SNC-Lavalin’s claim and SNC-Lavalin will appeal the Quebec Superior Court’s ruling to the Quebec Court of Appeal.

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. 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. Wave 2 claims are in a preliminary stage and SNC-Lavalin’s liability exposure in respect of the Wave 2 claims remains subject to several uncertainties.

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, as such, 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. In August 2020, a hearing on residual legal issues occurred and, in September 2020, the tribunal ruled in favour of the joint operation. The ruling has been challenged by the project owner. A hearing on the quantum of damages to be awarded against the joint operation (if any) has been postponed and is likely to occur in 2022.

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 properly document 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.

In addition, a number of project contracts have warranty periods and/or outstanding claims that may result in legal proceedings that extend beyond the actual performance and completion of the projects.

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.

33. CONTINGENT LIABILITIES (CONTINUED)

Ongoing and potential investigations

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.

The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters 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.

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 issued and 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 price of the Company's issued and 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 settlements 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.

33. CONTINGENT LIABILITIES (CONTINUED)

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.

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 considering further revisions to the Integrity Regime.

If a supplier is charged with or pleads guilty to 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 on December 18, 2019 regarding the charges of one count of fraud under Section 380 of the Criminal Code and one count of corruption under Section 3(1)(b) of the CFPOA laid by the PPSC against each of the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. (the “Charges”)), 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 to 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 and on December 18, 2020, the agreement terminated.

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.

34. LEASES

Right-of-use assets

	OFFICE REAL ESTATE	EQUIPMENT	TOTAL
YEAR ENDED DECEMBER 31, 2020			
Depreciation expense on right-of-use assets	\$ 91,697	\$ 15,621	\$ 107,318
Additions	\$ 33,506	\$ 6,926	\$ 40,432
YEAR ENDED DECEMBER 31, 2019			
Depreciation expense on right-of-use assets	\$ 99,266	\$ 12,771	\$ 112,037
Additions	\$ 136,727	\$ 22,207	\$ 158,934
Net book value:			
As at December 31, 2020	\$ 320,621	\$ 26,203	\$ 346,824
As at December 31, 2019	\$ 406,990	\$ 31,797	\$ 438,787

Lease liabilities

The table below presents the future gross lease liabilities payments from continuing operations as at December 31, 2020 and 2019:

MATURITY	DECEMBER 31 2020 ⁽¹⁾	DECEMBER 31 2019
Not later than 1 year	\$ 124,137	\$ 154,432
Later than 1 year and not later than 5 years	281,070	346,427
Later than 5 years	218,794	255,566
	\$ 624,001	\$ 756,425

⁽¹⁾ Excludes future gross lease liabilities payments related to lease liabilities reclassified to “Liabilities of disposal groups classified as held for sale” in the consolidated statement of financial position as at December 31, 2020.

Amounts recognized in the income statement from continuing operations

YEARS ENDED DECEMBER 31	2020	2019 ⁽²⁾
Depreciation expense on right-of-use assets	\$ 99,475	\$ 100,896
Interest expense on lease liabilities (Note 27)	\$ 21,174	\$ 21,023
Expense relating to short-term leases	\$ 1,337	\$ 1,317
Expense relating to variable lease payments not included in the measurement of the lease liabilities	\$ 28,561	\$ 33,926
Income from subleasing right-of-use assets	\$ 5,594	\$ 11,735

⁽²⁾ Comparative figures have been re-presented (see Notes 2C and 39)

Amounts recognized in the statement of cash flows

Total cash outflows for leases amounted to \$182.4 million for the year ended December 31, 2020 (2019: \$186.7 million).

Operating leases

Operating leases, in which the Company is the lessor, relate mainly to equipment owned by the Company. For the year ended December 31, 2020, the lease income on operating leases amounted to \$14.5 million (2019: \$13.4 million).

35. REMUNERATION

A) EMPLOYEE REMUNERATION

Expenses recognized for employee benefits, including expenses recognized for key management remuneration and directors' fees, are analyzed as follows:

YEARS ENDED DECEMBER 31	2020	2019
Short-term benefits ⁽¹⁾	\$ 3,704,686	\$ 4,098,596
Share-based payments	10,079	16,061
Defined contribution pension plans	170,472	153,327
Defined benefit pension plans, other long-term benefits and other post-employment benefits	40,648	38,718
	\$ 3,925,885	\$ 4,306,702

⁽¹⁾ Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses, non-monetary benefits and termination benefits that are expected to be settled within twelve months after the end of the annual reporting period.

B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

The Company's key management include all employees that are classified at the executive levels, corresponding mainly to the vice-presidents and above, and all members of the Company's Board of Directors.

In 2020, the number of individuals included as key management was 143 people (2019: 177 people).

Expenses recognized for key management remuneration and directors' fees, even if the services were provided only for a portion of the year, are detailed as follows:

YEARS ENDED DECEMBER 31	2020	2019
Short-term benefits ⁽²⁾	\$ 80,354	\$ 103,222
Share-based payments	7,505	2,219
Termination benefits	5,067	8,419
Defined benefit and defined contribution pension plans, other long-term benefits and other post-employment benefits	1,764	2,131
	\$ 94,690	\$ 115,991

⁽²⁾ Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits that are expected to be settled within twelve months after the end of the annual reporting period.

36. 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 years ended December 31, 2020 and 2019, SNC-Lavalin recognized the following transactions with its related parties:

YEARS ENDED DECEMBER 31	2020	2019
PS&PM revenue from contracts with investments accounted for by the equity method	\$ 556,541	\$ 717,471
Income from Capital investments accounted for by the equity method	87,349	210,543
Dividends and distributions received from Capital investments accounted for by the equity method ⁽¹⁾	93,176	160,063
Income from PS&PM investments accounted for by the equity method	47,186	29,702
Dividends and distributions received from PS&PM investments accounted for by the equity method	\$ 38,262	\$ 38,043

⁽¹⁾ In addition, an amount of \$2.4 million of distribution receivable from a Capital investment accounted for by the equity method was included in "Other current financial assets" in the consolidated statement of financial position as at December 31, 2020 (2019: \$nil).

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

	DECEMBER 31 2020	DECEMBER 31 2019
Trade receivables from investments accounted for by the equity method	\$ 177,598	\$ 165,371
Retentions on client contracts from investments accounted for by the equity method ⁽²⁾	110,169	108,330
Remaining commitment to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income (Note 5C) ⁽³⁾	\$ 24,921	\$ 70,724

⁽²⁾ Included in "Contract assets" or "Contract liabilities" in the statement of financial position

⁽³⁾ Included in "Other current financial liabilities" in the statement of financial position

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

37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2020 and 2019, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out below:

	DECEMBER 31 2020	DECEMBER 31 2019	
SUBSIDIARIES	%	%	COUNTRY
Atkins China Limited	100.0	100.0	China
Atkins Danmark A/S	100.0	100.0	Denmark
Atkins International Holdings Limited	100.0	100.0	United Kingdom
Atkins Limited	100.0	100.0	United Kingdom
Atkins North America, Inc.	100.0	100.0	United States
Atkins Nuclear Secured Holdings Corporation	100.0	100.0	United States
AUSHI LLC (previously, Atkins US Holdings Inc.) ⁽¹⁾	100.0	100.0	United States
Candu Energy Inc.	100.0	100.0	Canada
Faithful+Gould, Inc.	100.0	100.0	United States
Faithful+Gould Limited	100.0	100.0	United Kingdom
Faithful+Gould Saudi Arabia Limited	51.0	51.0	Saudi Arabia
InPower BC General Partnership	100.0	100.0	Canada
Kentz Canada Holdings Limited	100.0	100.0	Canada
Kentz Corporation Limited	100.0	100.0	Jersey
Kentz Pty Ltd.	100.0	100.0	Australia
Kentz US Resources Corporation	100.0	100.0	United States
Linxon Gulf LLC ⁽²⁾	49.0	49.0	United Arab Emirates
Linxon Pvt Ltd	51.0	51.0	United Kingdom
Linxon Switzerland Ltd	100.0	100.0	Switzerland
Protrans BC Operations Ltd.	100.0	100.0	Canada
P.T. SNC-Lavalin TPS	95.0	95.0	Indonesia
Saudi Arabian Kentz Co. Ltd.	75.0	75.0	Saudi Arabia
SNC-Lavalin SA	—	100.0	Belgium
SNC-Lavalin (GB) Holdings Limited	100.0	100.0	United Kingdom
SNC-Lavalin (GB) Limited	100.0	100.0	United Kingdom
SNC-Lavalin (Guernsey) Holdings Ltd.	100.0	100.0	Guernsey
SNC-Lavalin (Malaysia) Sdn. Bhd.	100.0	100.0	Malaysia
SNC-Lavalin (Proprietary) Limited	—	100.0	South Africa
SNC-Lavalin Algérie EURL	100.0	100.0	Algeria
SNC-Lavalin Arabia Co. Ltd.	100.0	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	100.0	100.0	Australia
SNC-Lavalin Capital Inc.	100.0	100.0	Canada
SNC-Lavalin Chile SpA	100.0	100.0	Chile
SNC-Lavalin Colombia S.A.S.	100.0	100.0	Colombia
SNC-Lavalin Construction Inc.	100.0	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors Inc.	100.0	100.0	United States
SNC-Lavalin Constructors International Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors (Pacific) Inc.	100.0	100.0	Canada
SNC-Lavalin Defence Programs Inc.	100.0	100.0	Canada
SNC-Lavalin Engineering India Private Limited	100.0	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	100.0	100.0	United States
SNC-Lavalin Europe B.V.	100.0	100.0	Netherlands
SNC-Lavalin Europe S.A.S.	100.0	100.0	France

⁽¹⁾ On December 31, 2020, Atkins US Holdings Inc. was converted from a Delaware corporation into a Delaware limited liability company bearing the name AUSHI LLC.

⁽²⁾ Although the Company holds less than 50% of the equity shares of Linxon Gulf LLC, the Company exercises control over this entity based on its contractual agreements.

37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	DECEMBER 31 2020	DECEMBER 31 2019	
SUBSIDIARIES	%	%	COUNTRY
SNC-Lavalin GEM Ontario Inc.	100.0	100.0	Canada
SNC-Lavalin GEM Québec Inc.	100.0	100.0	Canada
SNC-Lavalin Highway Holdings Inc.	100.0	100.0	Canada
SNC-Lavalin Inc.	100.0	100.0	Canada
SNC-Lavalin International Inc.	100.0	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	100.0	France
SNC-Lavalin Investments Inc.	100.0	100.0	Canada
SNC-Lavalin Major Projects Inc.	100.0	100.0	Canada
SNC-Lavalin Nuclear Inc.	100.0	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	100.0	Canada
SNC-Lavalin Peru S.A.	100.0	100.0	Peru
SNC-Lavalin Polska Sp. Z o.o.	100.0	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	100.0	100.0	Brazil
SNC-Lavalin Rail & Transit Limited	100.0	100.0	United Kingdom
SNC-Lavalin Romania S.A.	100.0	100.0	Romania
SNC-Lavalin SA (PTY) LTD	—	70.0	South Africa
SNC-Lavalin Stavibel Inc.	100.0	100.0	Canada
SNC-Lavalin UK Limited	100.0	100.0	United Kingdom
The Atkins North America Holdings Corporation	100.0	100.0	United States
The SNC-Lavalin Corporation	100.0	100.0	United States
TransitNEXT General Partnership	100.0	100.0	Canada
WS Atkins International Limited	100.0	100.0	United Kingdom
WS Atkins Limited (previously, WS Atkins plc)	100.0	100.0	United Kingdom
	DECEMBER 31 2020	DECEMBER 31 2019	
JOINT VENTURES	%	%	COUNTRY
Capital investments			
407 East Development Group General Partnership	50.0	50.0	Canada
407 International Inc. ⁽¹⁾	6.76	6.76	Canada
Crosslinx Transit Solutions General Partnership	25.0	25.0	Canada
Rideau Transit Group General Partnership	40.0	40.0	Canada
Signature on the Saint-Laurent Group General Partnership	50.0	50.0	Canada
TC Dôme S.A.S. ⁽²⁾	51.0	51.0	France
Other			
Canadian National Energy Alliance Ltd.	50.0	50.0	Canada
Central Plateau Cleanup Company LLC	22.0	22.0	United States
Comprehensive Decommissioning International, LLC	40.0	40.0	United States
SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company	50.0	50.0	Saudi Arabia
	DECEMBER 31 2020	DECEMBER 31 2019	
JOINT OPERATIONS	%	%	COUNTRY
407 East Construction General Partnership	50.0	50.0	Canada
Crosslinx Transit Solutions Constructors G.P.	25.0	25.0	Canada
NouvLR General Partnership	24.0	24.0	Canada
Signature on the Saint Lawrence Construction General Partnership	45.0	45.0	Canada
SLN-Aecon JV	40.0	40.0	Canada
SNC-Dragados-Pennecon G.P.	40.0	40.0	Canada
UGL Kentz Joint Venture	50.0	50.0	Australia

⁽¹⁾ Although the Company holds less than 20% of the equity shares of 407 International Inc., the Company exercises joint control over this entity based on its contractual agreements.

⁽²⁾ Although the Company's ownership interest in TC Dôme S.A.S. is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	DECEMBER 31 2020	DECEMBER 31 2019	
ASSOCIATES	%	%	COUNTRY
Capital investments			
Myah Tipaza S.p.A.	25.5	25.5	Algeria
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	26.0	Algeria
SNC-Lavalin Infrastructure Partners LP	20.0	20.0	Canada

38. GOVERNMENT GRANTS

In the year ended December 31, 2020, the Company participated in various government assistance programs related to COVID-19, mainly in Canada and in the United Kingdom. The main programs resulted in governments subsidizing a portion of salaries paid by qualifying employers who experienced a decrease in activities exceeding a certain threshold or subsidizing salaries of employees that were no longer providing services to their employers but continued to receive compensation.

In the year ended December 31, 2020, SNC-Lavalin recognized government grants in reduction of “Direct costs of activities” for \$75.3 million and in reduction of “Corporate selling, general and administrative expenses” for \$3.6 million in the consolidated income statement, as an offset of costs for which the grants were intended to compensate.

39. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

A) DISCONTINUED OPERATIONS - OIL & GAS BUSINESS

On February 9, 2021, the Company announced that it entered into a binding agreement to sell its Oil & Gas business, which was previously included in the Resources segment, to Kentech Corporate Holdings Limited. The transaction, subject to regulatory approvals and satisfaction of customary closing conditions, is expected to be completed in 2021. As at December 31, 2020, the Oil & Gas business was classified as a disposal group held for sale and as a discontinued operation.

The results of the Oil & Gas business for the years ended December 31, 2020 and 2019 were as follows:

YEARS ENDED DECEMBER 31	2020	2019
Revenues from PS&PM	\$ 1,142,375	\$ 1,885,778
Impairment of goodwill	—	(1,801,015)
Impairment of intangible assets related to business combinations	—	(72,831)
Other expenses	(1,423,078)	(2,239,144)
Gain on disposal of South African subsidiaries (Note 6)	6,205	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(271,566)	—
EBIT from discontinued operations	(546,064)	(2,227,212)
Net financial income (expenses)	(261)	3,026
Loss before income taxes from discontinued operations	(546,325)	(2,224,186)
Income taxes related to pre-tax loss from the ordinary activities of discontinued operations	(73,064)	111,610
Income taxes related to remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	10,045	—
Net loss from discontinued operations	\$ (609,344)	\$ (2,112,576)

Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell

Following the classification of the Oil & Gas business as held for sale, a write-down of \$271.6 million (\$261.5 million after income taxes) was recognized as at December 31, 2020 to reduce the carrying amount of the assets in the disposal group classified as held for sale to their estimated fair value less cost to sell. The expected proceeds to be received by the Company as contemplated in the agreement with Kentech Corporate Holdings Limited is substantially aligned with the Company’s estimated fair value of the disposal group classified as held for sale.

39. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTINUED)

Loss per share from discontinued operations

The loss per share from discontinued operations for the years ended December 31, 2020 and 2019 was as follows:

YEARS ENDED DECEMBER 31	2020	2019
Loss per share from discontinued operations – Basic	\$ (3.47)	\$ (12.03)
Loss per share from discontinued operations – Diluted	\$ (3.47)	\$ (12.03)

Cash flows from discontinued operations

The net cash flows incurred by the Oil & Gas business for the years ended December 31, 2020 and 2019 were as follows:

YEARS ENDED DECEMBER 31	2020	2019
Operating activities	\$ (165,899)	\$ (187,426)
Investing activities	(15,945)	(2,534)
Financing activities	(12,611)	(9,740)
Net cash outflow from discontinued operations	\$ (194,455)	\$ (199,700)

B) OTHER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at December 31, 2020, the Company classified Atkins Consulting Engineers Limited (Kenya), which is part of the EDPM segment, as a disposal group classified as held for sale. Upon such classification, SNC-Lavalin recognized an impairment loss on remeasurement of assets of the disposal group to their fair value less cost to sell in the amount of \$6.1 million before and after income taxes. At the beginning of 2021, the Company has entered into an agreement to sell its ownership interest in this disposal group classified as held for sale. The transaction, subject to regulatory approvals and satisfaction of customary closing conditions, is expected to be completed in 2021.

C) PRESENTATION OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities of the disposal groups classified as held for sale (see Notes 39A and 39B) as at December 31, 2020 were as follows:

AT DECEMBER 31	2020
Cash and cash equivalents	\$ —
Other current financial assets	134,689
Current non-financial assets	96,647
Deferred income tax asset (Note 29A)	6,259
Non-current financial assets	2,202
Other non-current non-financial assets	33,377
Assets of disposal groups classified as held for sale	273,174
Current financial liabilities	198,231
Current non-financial liabilities	95,073
Deferred income tax liability (Note 29A)	1,495
Non-current financial liabilities	12,279
Other non-current non-financial liabilities	33,225
Liabilities of disposal groups classified as held for sale	340,303
Net liabilities of disposal groups classified as held for sale	\$ (67,129)

Cumulative amounts recognized in the other comprehensive income related to the disposal groups classified as held for sale as at December 31, 2020 were as follows:

AT DECEMBER 31	2020
Exchange differences on translating foreign operations	\$ 594,141
Other components of equity of disposal groups classified as held for sale	\$ 594,141

2020 Management's Discussion and Analysis

March 8, 2021

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the Company's 2020 audited annual consolidated financial statements (the "**2020 Annual Financial Statements**") and accompanying notes, and should therefore **be read in conjunction with these documents, and should also be read together with the text below on forward-looking statements.** Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements or associates, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements or associates. Unless otherwise specified, references herein to "Sections" means to Sections of this MD&A.

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

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

Non-IFRS Financial Measures, Additional IFRS Measures and Non-Financial Information

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE

Performance

- Adjusted diluted earnings per share ("**Adjusted diluted EPS**")
- Adjusted earnings (loss) before net financial expenses (income), income taxes, depreciation and amortization ("**Adjusted EBITDA**")
- Adjusted net income (loss) attributable to SNC-Lavalin shareholders
- Booking-to-revenue ratio
- Earnings (loss) before net financial expenses (income) and income taxes ("**EBIT**")
- Earnings (loss) before net financial expenses (income), income taxes, depreciation and amortization ("**EBITDA**")
- Return on average shareholders' equity ("**ROASE**")
- Segment Adjusted EBIT
- Segment Adjusted EBITDA
- Segment Adjusted EBIT to revenues ratio (%)
- Segment Adjusted EBITDA to revenues ratio (%)

Liquidity

- Current ratio
- Net recourse debt (or Cash net of recourse debt)
- Days Sales Outstanding ("**DSO**") ⁽¹⁾
- Working capital

⁽¹⁾ DSO is non-financial information that is being presented by the Company for the first time in this MD&A and only for the EDPM segment. The Company believes that DSO can be additional meaningful non-financial information in evaluating the performance of this segment and is one that is used by certain peer companies operating a substantially similar business.

Definitions of all non-IFRS financial measures, additional IFRS measures and non-financial information are provided in Section 13 to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS, refer to Section 13 for references to the sections of this MD&A where these reconciliations are provided.

Comparative figures

Segment Disclosures

Effective as of the second quarter of 2020, the measure of profit or loss of each segment is referred to (without any change to this financial measure's composition) as Segment Adjusted EBIT (formerly "Segment EBIT") to clarify that this measure excludes items other than interest and taxes. Also, effective as of the second quarter of 2020, the Company presents the financial results of Capital separately from SNCL Engineering Services to further simplify the presentation of financial information excluding Capital. This change, which only modified the presentation of financial information provided, was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") resulting in the restatement of prior year figures.

Discontinued Operations

Certain comparative amounts in the consolidated income statement and in the consolidated statement of comprehensive income have been re-presented, as a result of the Oil & Gas business, which was previously included in the Resources segment, being presented as discontinued operations during the current year (refer to Section 3.2 to this MD&A). Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

Forward-Looking Statements

Statements made in this MD&A that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "aims", "anticipates", "assumes", "believes", "cost savings", "outlooks", "estimates", "expects", "goal", "intends", "may", "plans", "projects", "forecasts", "should", "synergies", "target", "vision", "will", "likely", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include statements relating to the following: i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; ii) business and management strategies and the expansion and growth of the Company's operations; and iii) the expected additional impacts of the ongoing COVID-19 pandemic on the business and its operating and reportable segments as well as elements of uncertainty related thereto. All such forward-looking statements are made pursuant to the "safe-harbour" provisions of applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on March 8, 2021. The assumptions are set out throughout this MD&A (particularly in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in this MD&A). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) additional impacts of the COVID-19 pandemic; (b) execution of the strategic direction announced in 2019; (c) fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently; (d) remaining performance obligations; (e) contract awards and timing; (f) being a provider of services to government agencies; (g) international operations; (h) Nuclear liability; (i) ownership interests in investments; (j) dependence on third parties; (k) joint ventures and partnerships; (l) information systems and data and compliance with privacy legislation; (m) competition; (n) professional liability or liability for faulty services; (o) monetary

damages and penalties in connection with professional and engineering reports and opinions; (p) insurance coverage; (q) health and safety; (r) qualified personnel; (s) work stoppages, union negotiations and other labour matters; (t) extreme weather conditions and the impact of natural or other disasters and global health crises; (u) divestitures and the sale of significant assets; (v) intellectual property; (w) liquidity and financial position; (x) indebtedness; (y) impact of operating results and level of indebtedness on financial situation; (z) security under the CDPQ Loan Agreement; (aa) dependence on subsidiaries to help repay indebtedness; (bb) dividends; (cc) post-employment benefit obligations, including pension-related obligations; (dd) working capital requirements; (ee) collection from customers; (ff) impairment of goodwill and other assets; (gg) the impact on the Company of legal and regulatory proceedings, investigations and litigation settlements; (hh) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations; (ii) reputation of the Company; (jj) inherent limitations to the Company's control framework; (kk) environmental laws and regulations; (ll) Brexit; (mm) global economic conditions; (nn) fluctuations in commodity prices; and (oo) income taxes.

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

The Company may, from time to time, make oral forward-looking statements. The Company advises that the above paragraphs and the risk factors described in this MD&A should be read for a description of certain factors that could cause the actual results of the Company to differ materially from those in the oral forward-looking statements. The forward-looking statements herein reflect the Company's expectations as at March 8, 2021, when the Company's Board of Directors approved this document, and they are subject to change after this date. The Company does not undertake to update publicly or to revise any written or oral forward-looking information or statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

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1 Our Business

1.1 OUR BUSINESS

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. Our expertise is wide-ranging - consulting & advisory, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, operations & maintenance ("O&M"), decommissioning and sustaining capital.

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

In certain parts of this MD&A, activities from Professional Services & Project Management are collectively referred to as "PS&PM" (formerly referred to as E&C, or engineering and construction) to distinguish them from "Capital" activities. PS&PM groups together five of the Company's segments, namely EDPM, Nuclear, Infrastructure Services, Resources and Infrastructure EPC Projects, while Capital is its own reportable segment and separate from PS&PM.

1.2 STRATEGIC DIRECTION FOR SNC-LAVALIN

On July 22, 2019, SNC-Lavalin announced a new strategic direction to position the Company for long-term sustainable success and become a leading provider of professional engineering services and project management solutions. The Company's strategic direction is centered around:

- Creating a simplified and more predictable business;
- Lowering the Company's risk profile; and
- Generating more consistent earnings, increased cash flow and profitability.

Strategic Priorities

In 2020, the Company continued to refine its strategic direction and reiterated its focus on creating long-term shareholder value. Despite pressures from the pandemic, SNC-Lavalin has been largely successful in doing this. Looking forward over the next several years the Company intends to maintain and enhance this focus, as described below.

SNC-Lavalin's Strategic Priorities:

- Running off LSTK projects successfully;
- Driving consistent performance in Engineering Services, unlocking significant value;
- Positioning for a sustainable future, driving organic growth by leveraging our current capabilities and technology; and
- Building a connected collaborative organization.

Addressing disruptive trends

The Company's strategic priorities are the focus for the years ahead. Running concurrently, management see two significant disruptive trends, which, over the next decade, will greatly influence the built environment, hence the industry as a whole. The first one is about what gets built and its impact on carbon emissions. As governments around the world are making carbon neutral commitments, there is a great opportunity for SNC-Lavalin to work with its customers to help them achieve their net zero aspirations by engineering both the current built environment and the future.

The Company already provides a strong range of services in relation to the generation of lower-carbon energy, including nuclear power, renewables, and power distribution solutions. There are many further opportunities as design influences heavily the demand side of carbon use, and the Company is working with customers already to design cleaner and more efficient transport, infrastructure, and urban landscapes. Additionally, the Company sees a strong market in solutions to address resiliency to climate change; for example, flood protection and water management. Management believes that the Company has a very significant opportunity to position itself ahead of the market so that it can differentiate the services that it provides to its customers and accelerate the journey to net zero.

The second disruptive trend is about how things get built. While many industries have adopted digital technology, the infrastructure sector has yet to fully adopt the technology available to become more efficient.

The design and engineering of the built environment will be driven by digital advances, and the Company will have an increased use of these solutions, with the aim of leading the transformation of the infrastructure sector by connecting people, technology and the power of data in making complex design decisions. The Company made good progress in laying the foundations for this in 2020 and intends to accelerate its digital focus in 2021 and beyond.

2

How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

The Company presents its financial information consistent with the manner in which management evaluates performance by regrouping its activities in six reportable segments, namely: (i) EDPM; (ii) Nuclear; (iii) Infrastructure Services; (iv) Resources; (v) Infrastructure EPC Projects; and (vi) Capital.

In addition, we further report certain results and provide certain financial information separately for (i) PS&PM activities across our lines of business, which is thus comprised of five of our six segments, namely EDPM, Nuclear, Infrastructure Services, Resources and Infrastructure EPC Projects, and (ii) Capital.

PS&PM

What we report in PS&PM includes contracts generating revenues derived mainly from consulting & advisory, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, O&M, decommissioning and sustaining capital. It also includes revenues from lump-sum turnkey ("LSTK") construction contracts, for which the Company ceased to bid in July 2019, except for certain repetitive EPC offerings that are lower-risk, standardized solutions.

EDPM incorporates all consultancy, engineering, design and project management services around the world. It also leads our efforts to transform the global infrastructure sector by leveraging data and technology to improve the delivery of our clients' projects from conception through to eventual operation. EDPM projects are mainly in transportation (including rail, mass transit, roads and airports), civil infrastructure, aerospace, defense and security and technology, including some of the world's most transformational projects. A significant portion of EDPM's revenues are derived from the public sector, including national, provincial, state and local and municipal authorities. Similar to 2019, the EDPM segment derived all of its revenues during 2020 from reimbursable and engineering services contracts.

Nuclear supports clients across the entire nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. The Nuclear segment derives its revenues from reimbursable and engineering services contracts (2020: 99%; 2019: 99%), and LSTK construction contracts (2020: 1% from one legacy LSTK construction contract; 2019: 1% from two legacy LSTK construction contracts).

Infrastructure Services includes O&M projects, as well as the Company's repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity. Segment Adjusted EBIT includes the contribution attributable to non-controlling interests. As such, the Segment Adjusted EBIT of Linxon, a 51% subsidiary, is reported at 100% both in 2020 and in 2019. The Infrastructure Services segment derives its revenues from both reimbursable and engineering services contracts (2020: 60%; 2019: 59%) and standardized EPC contracts (2020: 40%; 2019: 41%).

Combined, the three segments described above are presented under the SNCL Engineering Services line of business, while in previous periods, SNCL Engineering Services also included Capital.

Resources provides a full suite of delivery services primarily to the mining & metallurgy sector, covering the project lifecycle from project development through project delivery and support services. Resources ceased bidding for new EPC projects under the LSTK construction contracting modeling in July 2019.

Resources is now focused on providing engineering, EPCM, project management consultancy (“PMC”), commissioning and technical support services through a lower risk contracting model and operational delivery is focused on key regions and global clients. Resources also includes the operating phase of a Build-Own-Operate (BOO) contract in the United States. In the past, Resources included services and LSTK projects in Oil & Gas, which are now presented as discontinued operations. The Resources segment derives its revenues from reimbursable and engineering services contracts (2020: 85%; 2019: 47%) and LSTK construction contracts (2020: 15%; 2019: 53%).

Infrastructure EPC Projects includes LSTK construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. In July 2019, the Company decided to cease bidding on new LSTK construction contracts. The Infrastructure EPC Projects segment derives its revenues from LSTK construction contracts (2020: 97%; 2019: 100%) and reimbursable and engineering services contracts (2020: 3%; 2019: —%).

Combined, the two segments described above are presented under the SNCL Projects line of business.

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

While our contracts are negotiated using a variety of contracting options, PS&PM revenues are derived primarily from three major types of contracts: reimbursable and engineering services contracts, LSTK construction contracts, and standardized EPC contracts. PS&PM contracts can be found in the following segments and lines of business :

PS&PM Breakdown					
	SNCL Engineering Services Line of Business			SNCL Projects Line of Business	
	EDPM Segment	Nuclear Segment	Infrastructure Services Segment	Infrastructure EPC Projects Segment	Resources Segment
Reimbursable and engineering services contracts	✓	✓	✓	✓	✓
LSTK construction contracts	N/A	N/A ⁽¹⁾	N/A	✓	✓
Standardized EPC contracts	N/A	N/A	✓	N/A	N/A

⁽¹⁾ Nuclear includes certain legacy LSTK construction contracts.

The Company derives its PS&PM revenues from reimbursable and engineering services contracts (2020: 81%; 2019: 77%), standardized EPC contracts (2020: 8%; 2019: 7%) and LSTK construction contracts (2020: 11%; 2019: 17%).

CAPITAL

Capital is SNC-Lavalin's investment, financing and asset management arm, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals). The Capital segment includes SNC-Lavalin's 20% ownership interest in and management of SNC-Lavalin Infrastructure Partners LP.

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

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

It is the Company's view that the aggregate fair value of its Capital investments is much higher than their net book value of \$426.7 million as at December 31, 2020. The Company's remaining stake of 6.76% in 407 International Inc. ("Highway 407 ETR") represents the most significant portion of the total fair value of the Company's Capital investments portfolio.

As at December 31, 2020 and 2019, the net book value of Capital investments can be summarized as follows:

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019
Highway 407 ETR ⁽¹⁾	\$ —	\$ —
Others	426.7	356.0
Total	\$ 426.7	\$ 356.0

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

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

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

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

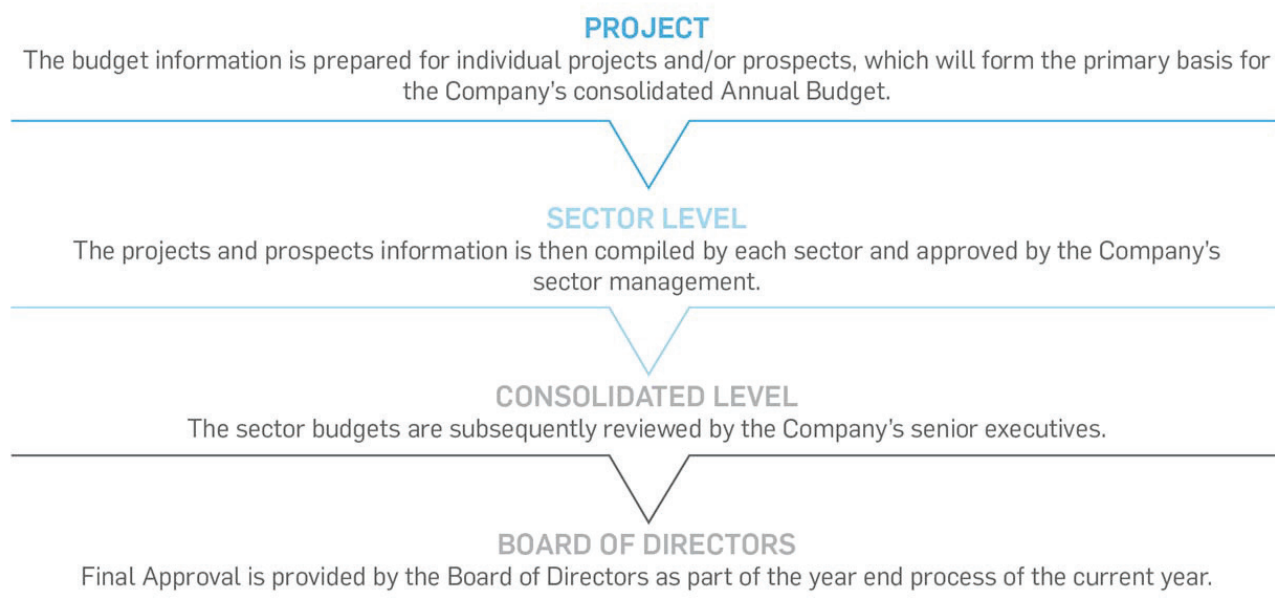
ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

The Company provides additional financial information on its Capital investments to allow the reader to have a better understanding of the financial position, results of operations and cash flows for PS&PM activities and Capital investments. As such, the following information on the Company's Capital investments is included in the 2020 Annual Financial Statements:

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

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

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



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

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

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

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

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

Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
Level of activity	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period.
Changes in the estimated costs to complete each individual project ("cost reforecasts")	Variation of the estimated costs to complete projects for fixed-price contracts result in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution.
Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables and contract assets may impact the financial results of the Company.
Changes in the results of its Capital investments	Variation in the financial results of each Capital investment accounted for under the consolidation or equity methods will impact the financial results of the Company. Additions to the Company's Capital investments portfolio, or divestitures from it, can also impact the Company's results.

SOURCE OF VARIATION	EXPLANATION
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance that can be recurring or not.
Acquisition-related costs and integration costs	Business acquisitions might require the Company to incur significant acquisition-related costs and integration costs, which have an impact on actual and future results.
Restructuring costs, goodwill and other intangible assets impairment	Changes made to the way the Company operates, closure of certain locations where it conducts business, modifications to its offerings and changes in market perspectives might result, among other factors, in restructuring costs, goodwill and other intangible assets impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, such as the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company, the recoverability of deferred tax assets as well as tax assessments made by authorities.
Financial expense	Variation in interest rates could have an impact on the Company's results, as some of its financing bears interest at a variable rate.
Foreign exchange	As the Company operates in many countries, foreign currency exchange rates can cause variances to estimates as the budgets and forecasts are prepared at specific rates. It should be noted that the Company has a foreign exchange hedging policy that limits the volatility in results caused by foreign exchange fluctuations.
Unforeseen impacts related to ongoing and continued duration of COVID-19 pandemic	Although the Company's financial and operational results commencing during the latter part of the first quarter of 2020 demonstrated a measure of resilience to the COVID-19 pandemic as described elsewhere in this MD&A, despite the commencement of vaccination campaigns in various regions and countries, the duration, scope, severity and full impacts of COVID-19 (including subsequent waves and variants thereof) continue to remain inherently uncertain and difficult to quantify and account for and plan for in the Company's budgeting and planning processes and COVID-19 particularly impacted certain infrastructure projects. Refer to the updated risk factor entitled "Additional impacts of the COVID-19 Pandemic" in Section 14 of this MD&A for a description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs.

3 2020 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019 ⁽¹⁾	CHANGE (%)
Income Statements			
Revenues	\$ 7,007.5	\$ 7,629.8	(8.2)%
EBIT ⁽²⁾	(292.0)	2,968.6	N/A
EBITDA ⁽²⁾	28.7	3,327.2	(99.1)%
Net income (loss) from continuing operations	(346.9)	2,443.2	N/A
Net loss from discontinued operations	(609.3)	(2,112.6)	(71.2)%
Net income (loss)	(956.3)	330.6	N/A
Earnings (loss) per share diluted from continuing operations ("Diluted EPS") (in \$)	(2.03)	13.90	N/A
Revenues from PS&PM from continuing operations	6,878.1	7,367.1	(6.6)%
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM ⁽²⁾	(188.4)	150.2	N/A
Adjusted diluted EPS from PS&PM (in \$) ⁽²⁾	(1.07)	0.86	N/A
Adjusted PS&PM EBITDA (% of revenues from PS&PM) ⁽²⁾	1.6%	6.6%	(75.4)%
Financial Position & Cash Flows			
Cash and cash equivalents (at December 31)	\$ 932.9	\$ 1,188.6	(21.5)%
Cash net of recourse debt (Net recourse debt) (at December 31) ⁽²⁾	(240.0)	7.7	N/A
Net cash generated from (used for) operating activities	121.5	(355.3)	N/A
Additional Indicator			
Revenue backlog (at December 31)	\$ 13,187.8	\$ 14,137.7	(6.7)%

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

⁽²⁾ Non-IFRS financial measures or additional IFRS measures. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

The Company's financial highlights reflect the following major items:

2020

- The presentation of the Company's Oil & Gas business as held for sale and as discontinued operations. The net loss from discontinued operations in 2020 also includes:
 - a write down of \$271.6 million in the value of this disposal group presented as held for sale;
 - activities of subsidiaries in South Africa that were part of the Oil & Gas business until their disposal in the fourth quarter of 2020, along with the associated \$6.2 million gain on disposal.
- A net loss from continuing operations of \$346.9 million, resulting mainly from:
 - a \$359.7 million negative Segment Adjusted EBIT from Infrastructure EPC Projects, mainly due to unfavourable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19;
 - a \$171.1 million negative Segment Adjusted EBIT from Resources mainly resulting from charges for remaining LSTK projects and other historical claims and litigation matters; and
 - a higher level of unallocated general and administrative expenses, which includes a \$58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation.
- Restructuring costs of \$63.3 million.
- A \$7.5 million loss on disposal of a subsidiary in Belgium and a \$6.1 million write down of the value of a disposal group presented as held for sale for an entity in Kenya.

- Income tax recognized in net income of \$59.0 million.
- Loss arising on financial assets (liabilities) at fair value through profit or loss in an amount of \$61.9 million, resulting mainly from the negative fair value revaluation of \$57.2 million of the 407 International Inc. ("Highway 407 ETR") contingent consideration receivable.

2019

- The disposal by the Company of 10.01% of the shares of Highway 407 ETR resulting in:
 - \$3.0 billion of cash proceeds collected at closing in August 2019 and up to \$250 million contingently payable over a period of 10 years;
 - A gain before taxes of \$3.0 billion; and
 - The repayment of some recourse and limited recourse debt.
- The settlement of the federal charges (PPSC), resulting in an expense of \$257.3 million.
- An impairment of goodwill and intangible assets related to Resources, now presented in discontinued operations, totaling \$1.9 billion and largely attributable to the Company's decision to cease bidding on LSTK construction projects, as well as lower than expected performance in Resources in the first half of 2019 and challenges in replenishing the backlog has been recorded under discontinued operations;
- A Segment Adjusted EBIT of \$558.9 million from SNCL Engineering Services and a negative Segment Adjusted EBIT of \$217.7 million from SNCL Projects;
- Restructuring costs of \$79.7 million.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

COVID-19 PANDEMIC

The COVID-19 pandemic has had and continues to have a significant impact on the global economy, clients' businesses and on the Company's operations, financial and operating results and planning ability. Revenue has been pressured by lower client volumes, delays in new business ramp-ups, travel restrictions and facility lockdowns, all of which impacts service delivery. SNC-Lavalin is actively working to manage its clients' changing requirements, adapt its service delivery models, ensure data security and manage costs. Going forward, impacts to the Company's financial performance will be a function of how long the COVID-19 pandemic lasts on a global basis, and how long it takes clients' businesses to stabilize and recover.

Early on in the pandemic, the Company announced actions taken in response to the economic disruptions resulting from the COVID-19 pandemic while continuing to closely monitor and adjust its plans for its different business segments and customers in response to the then rapidly evolving situation. Most of the Company's SNCL Engineering Services personnel continued servicing clients from non-office-based locations throughout large parts of 2020 and the Company transitioned work among different jurisdictions as required. The Company also announced that management had undertaken actions and measures focused on reducing costs and managing cash flow across the Company to provide flexibility in addressing varying levels of revenue and customer business, including significantly reducing discretionary expenditure where not required to directly support client delivery and carefully managing capital expenditure. Where it was not possible for employees to carry on productive client work, either due to temporary or extended shutdowns or the nature of the client service, remedial actions were taken. Across the broader employee population, this included reductions in base pay and hours, temporary leaves of absence and furloughs. All of SNC-Lavalin's executive leadership took a 20% reduction in base salary and members of the Company's Board of Directors took a 20% reduction in cash compensation for the second quarter of 2020. .

Given the nature of the Company's activities, including in the important infrastructure space, the Company continued, in compliance with international, federal, provincial, state, municipal and local requirements, to materially operate in 2020 despite the pandemic. However, notwithstanding the continued operations of the Company, COVID-19 has actually negatively impacted the Company's business and it will likely continue to have further adverse impacts on its operations and financial results.

On February 9, 2021, the Company announced that, due to unprecedented COVID-19 related challenges involving lower productivity attributable to revised working conditions caused by the pandemic and supply chain disruptions, it was taking a \$90 million charge on its remaining three Canadian LSTK infrastructure projects. In light of the ongoing uncertainty on the timing and scope of reimbursement of certain COVID-19 incremental costs, no revenue associated with the additional COVID-19 costs was recognized by the Company for these projects in the fourth quarter of 2020 and, until greater clarity is forthcoming, it will continue to only recognize COVID-19 expenses on the ongoing LSTK infrastructure projects. The Company believes that, in 2021, these types of infrastructure projects may continue to represent the areas of the Company's business that would likely be most adversely impacted by the ongoing COVID-19 pandemic.

From among its lines of business, the Company's SNCL Engineering Services business remained resilient in 2020 in the face of COVID-19, with only modest revenue decreases in 2020, compared to the prior year, and achieved a solid financial performance given the challenging circumstances, as the decisive and early actions that management took to align costs, as described above, proved to be effective and allowed the Company to continue delivering for its customers. In some geographies, the Company benefited from government support in 2020 that was primarily aimed at preventing job losses, re-hiring workers previously laid off as a result of COVID-19, and better positioning the Company to resume normal operations following the crisis. While such government support largely offset the costs incurred by the Company in 2020 to maintain capacities in excess of demand-driven employment requirements in certain regions, the Company stands ready to take additional cost action in the future should the situation demand, while looking to preserve its world class capability to be ready and available to deliver for its customers when the economic recovery begins.

COVID-19 also negatively impacted our Capital investment in Highway 407 ETR and no dividend revenues were received from this Capital investment in the second and fourth quarters of 2020.

Looking ahead, the Company has developed contingency plans to reduce costs even further if the situation further deteriorates or lasts longer than current expectations. The Company will continue to actively monitor the situation and may take further actions as may be necessary or appropriate for the health and safety of employees, contractors, customers, suppliers or others or as required by international, federal, provincial, state, municipal or local authorities.

Significant uncertainty continues to exist concerning the magnitude, duration and impacts of the COVID-19 pandemic, including with regard to the effects on clients and demand for the Company's services. Accordingly, actual results for future financial periods could differ materially versus current expectations and current results and financial condition discussed herein may not be indicative of future operating results and trends.

Refer to the risk factor entitled "Additional impacts of the COVID-19 Pandemic" in Section 14 of this MD&A for a more fulsome description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs.

TRANSFORMATION OF RESOURCES AND AGREEMENT TO SELL OIL & GAS BUSINESS (PRESENTED AS DISCONTINUED OPERATIONS)

In July 2019, the Company announced that it would be exploring all options with regard to its Resources Business, as part of its decision to exit LSTK contracting and focus on its high potential Engineering Services business. The Company subsequently decided and announced, in July 2020 that it would be transforming its Resources Business to focus on a Services offering in a limited number of existing primary markets, which complement the Company's broader engineering services capabilities and strategy.

The resulting Resources Services business was to be focused on the primary markets of the Americas and the Middle East, exiting all non-primary markets through either sale or closure, such as the disposals of the South African Resources business and the European fertilizer business based in Belgium in 2020.

On February 9, 2021, the Company announced it entered into a binding agreement to sell its Resources Oil & Gas business, including services and LSTK projects. The transaction is subject to regulatory approvals and satisfaction of customary closing conditions and is expected to close in the second quarter of 2021. Upon closing, the transaction is expected to generate a gain on disposal due to the reclassification of the foreign exchange cumulative translation adjustments balance from equity to the income statement at that time.

In line with the Company's strategy, the sale of this business, which includes all ongoing and recently completed Oil & Gas LSTK projects, is expected to significantly reduce operational and execution risks and will simplify the Company's corporate structure and enable management to dedicate more time, effort and resources to growing the higher margin and more stable Engineering Services business.

The Oil & Gas business is presented as a disposal group held for sale as at December 31, 2020 and is presented as discontinued operations. As such, the Resources segment now excludes the Oil & Gas business and presents activities from a full suite of delivery services to primarily the mining & metallurgy sector, in addition to the operating phase of a Build-Own-Operate (BOO) contract in the United States.

CHANGE TO THE COMPANY'S BOARD OF DIRECTORS

On May 7, 2020, Gary C. Baughman, Chris Clark, Mike Pedersen and Mary-Ann Bell were elected to the Company's Board of Directors as part of the ongoing renewal process focusing on meeting the evolving needs of the Company and supporting its strategic objectives and long-term sustainability.

On September 10, 2020, the Company announced the appointment of William (Bill) L. Young as Chairman of the Board of Directors, effective September 9, 2020 replacing Kevin Lynch.

APPOINTMENT OF CHIEF TRANSFORMATION OFFICER

On January 22, 2020, the Company announced the appointment of Louis G. Véronneau to the newly created role of Chief Transformation Officer (CTO), charged with rapidly simplifying the Company's structure and processes, while supporting the new strategic direction with a focus on Information Technology (IT) and divestitures.

APPOINTMENT OF CHIEF FINANCIAL OFFICER

On February 10, 2020, the Company announced the appointment of Jeffrey Allan Bell as Executive Vice-President and Chief Financial Officer (CFO), effective April 14, 2020.

OTHER CHANGES TO THE MANAGEMENT TEAM

On August 25, 2020, the Company appointed Robert E. Alger, as President, Infrastructure Projects, effective immediately and replacing Jonathan Wilkinson.

On November 2, 2020 the Company announced the appointment of Dale Clarke as President, Infrastructure Services, effective immediately and joining the Executive Committee.

On February 10, 2021, the Company announced that Steve Morriss, who has recently joined the Company as President, Middle East and Asia Pacific, will assume the executive leadership of the Latin America region as well as the Mining & Metallurgy business globally. In addition, following the announcement of the strategic divestiture of the Oil & Gas business, Craig Muir, President, Resources, will be leaving the Company at the end of March 2021.

4

Financial Performance Analysis

4.1 SELECTED ANNUAL FINANCIAL INFORMATION

The selected annual financial information presented in the table below has been derived from the 2020 Annual Financial Statements prepared in accordance with IFRS for each of the three most recently completed financial years, with the exception of the non-IFRS financial measures specifically identified in the “Additional selected financial information” section below.

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019 ⁽¹⁾	2018 ⁽¹⁾
Revenues:			
From PS&PM	\$ 6,878.1	\$ 7,367.1	\$ 7,308.3
From Capital	129.4	262.7	264.7
Total Revenue	\$ 7,007.5	\$ 7,629.8	\$ 7,573.0
Net income (loss) attributable to SNC-Lavalin shareholders	\$ (965.4)	\$ 328.2	\$ (1,316.9)
Earnings (loss) per share (in \$)			
Basic	\$ (5.50)	\$ 1.87	\$ (7.50)
Diluted	\$ (5.50)	\$ 1.87	\$ (7.50)
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:			
From PS&PM	\$ (401.7)	\$ (332.0)	\$ (350.2)
From Capital	45.6	2,772.8	246.1
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	\$ (356.1)	\$ 2,440.8	\$ (104.1)
Earnings (loss) per share from continuing operations (in \$):			
Basic	\$ (2.03)	\$ 13.90	\$ (0.59)
Diluted from continuing operations:			
From PS&PM	\$ (2.29)	\$ (1.89)	\$ (1.99)
From Capital	0.26	15.79	1.40
Diluted earnings (loss) per share from continuing operations	\$ (2.03)	\$ 13.90	\$ (0.59)
Additional selected financial information:			
Backlog (at December 31)	\$ 13,187.8	\$ 14,137.7	\$ 13,381.2
Adjusted EBITDA from PS&PM ⁽²⁾	\$ 111.4	\$ 485.7	\$ 141.8
Total assets (at December 31)	\$ 10,340.3	\$ 11,644.7	\$ 12,939.7
Non-current financial liabilities (at December 31) ⁽³⁾	\$ 2,389.4	\$ 2,378.1	\$ 2,551.9
Adjusted diluted EPS from PS&PM (in \$) ⁽²⁾	\$ (1.07)	\$ 0.86	\$ (0.18)
Dividends per share declared to SNC-Lavalin shareholders (in \$)	\$ 0.080	\$ 0.240	\$ 1.148

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

⁽²⁾ Non-IFRS financial measure. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

⁽³⁾ Non-current financial liabilities include long-term debt (Recourse, Limited recourse and Non-recourse), the financial portion of the Non-current portion of provisions, Other non-current financial liabilities, and the Non-current portion of lease liabilities.

While the variances between 2020 and 2019 are further described in the following sections of the MD&A, the main variances between 2019 and 2018 are explained as follows:

Revenues in 2019 were in line with revenues in 2018, reflecting stable revenues in both PS&PM and Capital. While revenues from PS&PM in 2019 were in line with revenues in 2018, lower revenues in SNCL Projects in 2019, in Infrastructure EPC Projects, were in fact offset by an increase in revenues in SNCL Engineering Services from PS&PM in 2019, mainly in Infrastructure Services and EDPM. The decrease in revenues from SNCL Projects in 2019 reflects the completion or near completion of certain major projects, combined with the Company's decision in July 2019 to cease bidding on LSTK construction contracts. The increase in revenues from SNCL Engineering Services in 2019 reflects mainly the first full year of operations of Linxon, acquired in September 2018, and an overall growth in activities in EDPM.

Net income attributable to SNC-Lavalin shareholders was \$328.2 million in 2019, compared to a net loss attributable to SNC-Lavalin shareholders of \$1,316.9 million in 2018. While there was a goodwill impairment related to Resources in both 2019 and 2018, for \$1.8 billion and \$1.2 billion before taxes, respectively, there was a gain of \$3.0 billion before taxes in 2019 on the disposal by the Company of 10.01% of the shares of Highway 407 ETR. The remaining variance between the two years is due to a lower contribution from the segments in 2018, the increase in amortization of intangible assets related to business combinations, the gain on disposal of the head office building in 2017 and the net expense in 2018 for the 2012 class action lawsuits settlement, partially offset by lower acquisition-related costs and integration costs in 2018.

4.2 STATEMENT OF INCOME

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019 ⁽¹⁾
Continuing operations		
Revenues	\$ 7,007.5	\$ 7,629.8
Segment Adjusted EBIT - Total	\$ 125.3	\$ 584.4
Corporate selling, general and administrative expenses	\$ 175.9	\$ 73.9
Impairment loss arising from expected credit losses	0.9	0.2
Loss arising on financial assets (liabilities) at fair value through profit or loss	61.9	4.7
Restructuring costs	63.3	79.7
Amortization of intangible assets related to business combinations	126.8	162.1
Acquisition-related costs and integration costs	—	8.3
Gain or adjustment on gain from disposal of a Capital investment	(25.0)	(2,970.8)
Loss on disposals of PS&PM businesses	7.5	0.3
Federal charges settlement (PPSC)	—	257.3
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—
Earnings (loss) before interest and income taxes	\$ (292.0)	\$ 2,968.6
Net financial expenses	\$ 114.0	\$ 215.1
Earnings (loss) before income taxes from continuing operations	\$ (406.0)	\$ 2,753.5
Income taxes	\$ (59.0)	\$ 310.3
Net income (loss) from continuing operations	\$ (346.9)	\$ 2,443.2
Net loss from discontinued operations	(609.3)	(2,112.6)
Net income (loss)	\$ (956.3)	\$ 330.6
Net income (loss) attributable to:		
SNC-Lavalin shareholders	\$ (965.4)	\$ 328.2
Non-controlling interests	9.2	2.4
Net income (loss)	\$ (956.3)	\$ 330.6
Earnings (loss) per share from continuing operations (in \$):		
Basic	\$ (2.03)	\$ 13.90
Diluted	\$ (2.03)	\$ 13.90
Additional financial indicators from continuing operations:		
Net loss attributable to SNC-Lavalin shareholders from PS&PM	\$ (401.7)	\$ (332.0)
Diluted EPS from PS&PM (in \$)	\$ (2.29)	\$ (1.89)
Adjusted diluted EPS from PS&PM (in \$) ⁽²⁾	\$ (1.07)	\$ 0.86
Adjusted EBITDA from PS&PM ⁽²⁾	\$ 111.4	\$ 485.7

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

⁽²⁾ Non-IFRS financial measure or additional IFRS measure. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

4.2.1 REVENUES AND SEGMENT ADJUSTED EBIT ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020		2019 ⁽¹⁾	
BY SEGMENT	REVENUES	SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT
EDPM	\$ 3,721.1	\$ 302.3	\$ 3,908.9	\$ 357.8
Nuclear	928.6	140.1	929.8	127.6
Infrastructure Services	1,325.3	97.2	1,178.6	73.5
SNCL Engineering Services - Total	\$ 5,975.0	\$ 539.5	\$ 6,017.3	\$ 558.9
Resources	\$ 162.9	\$ (171.1)	\$ 273.1	\$ (111.2)
Infrastructure EPC Projects	740.2	(359.7)	1,076.7	(106.5)
SNCL Projects - Total	\$ 903.1	\$ (530.8)	\$ 1,349.8	\$ (217.7)
PS&PM - Total	\$ 6,878.1	\$ 8.7	\$ 7,367.1	\$ 341.2
Capital	\$ 129.4	\$ 116.6	\$ 262.7	\$ 243.2
Total	\$ 7,007.5	\$ 125.3	\$ 7,629.8	\$ 584.4

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

4.2.1.1 EDPM

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (%)
Revenues from EDPM	\$ 3,721.1	\$ 3,908.9	(4.8%)
Segment Adjusted EBIT from EDPM	\$ 302.3	\$ 357.8	(15.5%)
Segment Adjusted EBIT to revenues ratio from EDPM (%)	8.1%	9.2%	
Additional information			
Segment Adjusted EBITDA from EDPM	\$ 400.9	\$ 470.3	(14.7%)
Segment Adjusted EBITDA to revenues ratio from EDPM (%)	10.8%	12.0%	
Backlog at year end	\$ 2,864.4	\$ 2,630.0	8.9%

EDPM revenues were \$3,721.1 million in 2020, compared with \$3,908.9 million in 2019. The decrease was mainly attributable to the combined impact of the COVID-19 pandemic, as clients deferred or cancelled projects in sectors such as aviation, education and commercial property, together with the impact of reduced investment in the Middle East associated with the fall in oil prices, partially offset by a continued strong demand in the road and rail sectors.

The major revenue contributors in 2020 included work in the United Kingdom as a result of a higher volume of rail and infrastructure projects as the U.K. Government maintained spending on critical infrastructure despite the impact of COVID-19. In addition, an increased volume of work in the defense and security sector was also secured.

In North America, ongoing major projects contributed to steady revenue during 2020, notably the Purple Line light rail project in Maryland, United States, the Réseau Express Métropolitain ("REM") and Eglinton LRT, in Canada.

Segment Adjusted EBIT from EDPM was \$302.3 million (Segment Adjusted EBITDA of \$400.9 million) in 2020 compared with a Segment Adjusted EBIT of \$357.8 million (Segment Adjusted EBITDA of \$470.3 million) in 2019, reflecting the volume impact of COVID-19 across some markets and the associated suppressed oil prices, partially offset by government support measures and Company restructuring actions to improve the cost base of the segment.

Changes in foreign exchange rates did not have a significant impact on revenues or on Segment Adjusted EBIT when comparing both periods.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring costs, of which \$40.3 million in 2020 (2019: \$15.2 million) were incurred in connection with the EDPM Segment. Please refer to Section 4.2.4 for further details of such restructuring costs.

Other Key Performance Indicator

AS AT (IN NUMBER OF DAYS)	DECEMBER 31, 2020	DECEMBER 31, 2019
DSO from EDPM	64 days	73 days

As at December 31, 2020, EDPM segment's DSO stood at 64 days, compared to 73 days as at December 31, 2019. The improvement is mainly due to accelerated cash receipts from reduced government payment terms. The DSO is expected to increase in 2021, as the situation normalizes during that period.

4.2.1.2 NUCLEAR

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (%)
Revenues from Nuclear	\$ 928.6	\$ 929.8	(0.1%)
Segment Adjusted EBIT from Nuclear	\$ 140.1	\$ 127.6	9.8%
Segment Adjusted EBIT to revenues ratio from Nuclear (%)	15.1%	13.7%	
Additional information			
Segment Adjusted EBITDA from Nuclear	\$ 153.9	\$ 140.7	9.3%
Segment Adjusted EBITDA to revenues ratio from Nuclear (%)	16.6%	15.1%	
Backlog at year end	\$ 890.6	\$ 1,154.0	(22.8%)

Nuclear revenues amounted to \$928.6 million in 2020, in line with \$929.8 million in 2019, as the higher volume mainly in the United States and in Europe was offset by the lower volume in Canada, resulting mainly from a decreased level of activity on certain major projects, some of which achieved major delivery milestones in 2020.

The major revenue contributors in 2020 are services for decommissioning, waste management and environmental clean-up projects (40%), services for life extension projects (30%), services for operating plants and new build plants (30%).

In 2020, Segment Adjusted EBIT from Nuclear increased to \$140.1 million (Segment Adjusted EBITDA of \$153.9 million), compared with \$127.6 million (Segment Adjusted EBITDA of \$140.7 million) in 2019, mainly due to a higher contribution from the United States and from Europe due to a more favourable business mix, combined with lower overhead across all markets in 2020, partially offset by a lower volume in Canada as mentioned above.

4.2.1.3 INFRASTRUCTURE SERVICES

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (%)
Revenues from Infrastructure Services	\$ 1,325.3	\$ 1,178.6	12.4%
Segment Adjusted EBIT from Infrastructure Services	\$ 97.2	\$ 73.5	32.2%
Segment Adjusted EBIT to revenues ratio from Infrastructure Services (%)	7.3%	6.2%	
Additional information			
Segment Adjusted EBITDA from Infrastructure Services	\$ 108.3	\$ 89.5	21.0%
Segment Adjusted EBITDA to revenues ratio from Infrastructure Services (%)	8.2%	7.6%	
Backlog at year end	\$ 7,098.5	\$ 7,337.0	(3.3%)

Infrastructure Services revenues were \$1,325.3 million in 2020, compared with \$1,178.6 million in 2019, mainly attributable to the growth of Linxon, which expanded its geographic activity after the second quarter of 2019, as well as additional revenues on certain O&M contracts in operations phase and increased scope of work on certain contracts. Infrastructure Services revenues in 2020 compared with 2019 were also higher for Program Management and Construction Management services

The major revenue contributors in 2020 were O&M contracts, Power & Industrial services, Program Management, as well as power substation projects from Linxon.

In 2020, Segment Adjusted EBIT from Infrastructure Services increased to \$97.2 million (Segment Adjusted EBITDA of \$108.3 million), compared with \$73.5 million (Segment Adjusted EBITDA of \$89.5 million) in 2019 resulting mainly from a higher level of revenues, as described above, with a higher contribution from O&M contracts as well as Program Management & Construction Management services and Linxon.

4.2.1.4 RESOURCES

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019 ⁽¹⁾	CHANGE (%)
Revenues from Resources	\$ 162.9	\$ 273.1	(40.3%)
Segment Adjusted EBIT from Resources	\$ (171.1)	\$ (111.2)	53.9%
Segment Adjusted EBIT to revenues ratio from Resources (%)	(105.0%)	(40.7%)	
Additional information			
Segment Adjusted EBITDA from Resources	\$ (159.1)	\$ (100.7)	58.0%
Segment Adjusted EBITDA to revenues ratio from Resources (%)	(97.7%)	(36.9%)	
Backlog at year end	\$ 161.6	\$ 255.4	(36.7%)

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

Resources revenues were \$162.9 million in 2020, compared with \$273.1 million in 2019, mainly due to the run-off of LSTK construction contracts.

The major revenue contributors in 2020 included an LSTK project for the construction of an ammonia plant in the Middle East, the engineering, procurement and overall project management of mining projects in the United States and Latin America, as well as revenue derived from in-year service contracts in North America.

Segment Adjusted EBIT from Resources was negative \$171.1 million (Segment Adjusted EBITDA of negative \$159.1 million) in 2020, compared with negative \$111.2 million (Segment Adjusted EBITDA of negative \$100.7 million) in 2019. The negative Segment Adjusted EBIT in 2020 mainly resulted from charges for remaining LSTK projects and other historical claims and litigation matters. The negative Segment Adjusted EBIT in 2019 was mainly due to net unfavourable reforecasts totaling \$89.3 million on certain major LSTK projects.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring costs, of which \$0.3 million in 2020 (2019: \$6.0 million) and \$0.5 million in 2020 (2019 : \$16.4 million) were incurred in connection with the Resources Segment. Please refer to Section 4.2.4 for further details of such restructuring costs. The Segment Adjusted EBIT and Segment Adjusted EBITDA of Resources also excludes a loss on disposal of SNC-Lavalin SA (Belgium) completed in 2020. Please refer to Section 4.2.6 for further details.

4.2.1.5 INFRASTRUCTURE EPC PROJECTS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (%)
Revenues from Infrastructure EPC Projects	\$ 740.2	\$ 1,076.7	(31.3%)
Segment Adjusted EBIT from Infrastructure EPC Projects	\$ (359.7)	\$ (106.5)	237.8%
Segment Adjusted EBIT to revenues ratio from Infrastructure EPC Projects (%)	(48.6%)	(9.9%)	
Additional information			
Segment Adjusted EBITDA from Infrastructure EPC Projects	\$ (342.1)	\$ (85.0)	302.6%
Segment Adjusted EBITDA to revenues ratio from Infrastructure EPC Projects (%)	(46.2%)	(7.9%)	
Backlog at year end	\$ 2,014.0	\$ 2,584.5	(22.1%)

Infrastructure EPC Projects revenues were \$740.2 million in 2020, compared with \$1,076.7 million in 2019, as the higher revenues from certain major construction projects were more than offset by the lower level of activities as a result of the completion or near completion of certain major construction and clean power projects, coupled with the negative impact of COVID-19.

The major revenue contributors in 2020 included multiple projects for mass transit systems and general infrastructure projects in Central and Eastern Canada.

In 2020, Infrastructure EPC Projects Segment Adjusted EBIT amounted to negative \$359.7 million (Segment Adjusted EBITDA of negative \$342.1 million), compared with negative \$106.5 million (Segment Adjusted EBITDA of negative \$85.0 million) in 2019. The negative Segment Adjusted EBIT in 2020 was mainly due to unfavourable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

The corresponding period of 2019 was impacted by net unfavourable reforecasts totaling approximately \$130 million on certain major projects resulting from higher forecasted costs or increased warranty costs, primarily on two LSTK construction projects nearing completion and on smaller clean power projects.

4.2.1.6 REVENUES AND SEGMENT ADJUSTED EBIT FROM CAPITAL

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Revenues from Capital	\$ 129.4	\$ 262.7
Segment Adjusted EBIT from Capital investments:		
From Highway 407 ETR	\$ 38.0	\$ 146.1
From other Capital investments ⁽¹⁾	78.6	97.1
Segment Adjusted EBIT from Capital	\$ 116.6	\$ 243.2

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

Revenues from Capital in 2020 amounted to \$129.4 million, compared with \$262.7 million in 2019. The decrease in revenues for 2020 was mainly due to the decrease in contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019 combined with the absence of dividends received from this investment in the second and fourth quarters of 2020.

Segment Adjusted EBIT from Capital decreased to \$116.6 million in 2020, compared with \$243.2 million in 2019. The decrease in Segment Adjusted EBIT was due to the reduction in revenues outlined above.

It should be noted that **Segment Adjusted EBIT** and **Segment Adjusted EBITDA** exclude the release in full of a provision for contingent indemnification of **\$25.0 million in 2020** related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period (refer to Section 4.2.6). It also excludes the gain of \$3.0 billion from the sale of 10.01% of the shares of Highway 407 ETR in 2019 (refer to Section 4.2.6), as well as the **\$57.2 million loss in 2020** arising from the negative fair value revaluation of the associated consideration receivable (refer to Section 4.2.3).

CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2020:

NAME							DESCRIPTION OF ACTIVITIES
407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP ("407 EDGGP")	50%	Equity	Yes	2012	2045	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
	100%	Consolidation	Yes	2014	2033	In operation	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility in Canada.
RIDEAU TRANSIT GROUP PARTNERSHIP ("RIDEAU")	40%	Equity	Yes	2013	2043	In operation	Designs, builds, finances and maintains the Confederation Line, City of Ottawa's light rail transit system.
CARLYLE GLOBAL INFRASTRUCTURE OPPORTUNITY FUND L.P.	4.5%	At fair value through other comprehensive income	N/A	2018	N/A	N/A	Holding investments in infrastructure projects related to energy, power and natural resources.
HIGHWAY 407 ETR	6.76%	Equity	No	1999	2098	In operation	Operates, maintains and manages highway 407, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
TRANSITNEXT GENERAL PARTNERSHIP ("TransitNEXT")	100%	Consolidation	Yes	2019	2049	Under construction	Designs, builds, finances and maintains the new Trillium Line extension, and also assumes responsibility for the long-term maintenance of the existing Trillium Line, under a 30-year contract.
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m ³ /day seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
SHARIKET KAHRABA HADJRET EN NOUSS S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owens, operates and maintains a 1,227 - MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
TC DÔME S.A.S. ("TC DÔME")	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3-km electric cog railway in France.
HIGHWAY CONCESSIONS ONE PRIVATE LIMITED	10%	At fair value through other comprehensive income	N/A	2012	N/A	N/A	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India.
SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")	50%	Equity	Yes	2015	2049	In operation	Designs, builds, finances, operates and maintains the New Champlain Bridge Corridor project.
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINTON CROSSTOWN")	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.
SNC-LAVALIN INFRASTRUCTURE PARTNERS LP ("PARTNERSHIP")	20%	Equity	No	2017	N/A	N/A	Holds the participations in Rainbow Hospital Partnership, Chinook Roads Partnership, InTransit BC Limited Partnership, Okanagan Lake Concession Limited Partnership and McGill Healthcare Infrastructure Group.

N/A: not applicable

4.2.2 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	\$ 147.7	\$ 28.2	\$ 175.9	\$ 45.8	\$ 28.2	\$ 73.9

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

Corporate selling, general and administrative expenses totaled \$175.9 million in 2020, compared with \$73.9 million in 2019, mainly reflecting the higher reversal of some corporate incentives and revision of certain estimates in the first quarter of 2019 combined with a \$58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation (as described in Section 14 of this MD&A and in Note 33 to the 2020 Annual Financial Statements), the cost related to a new digital transformation project representing approximately \$10.0 million in 2020 and a \$4.0 million revision to the GMP equalization provision recognized in 2020.

4.2.3 LOSS ARISING ON FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020		2019 ⁽¹⁾	
Loss arising on financial assets (liabilities) at fair value through profit or loss	\$	61.9	\$	4.7

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

The loss arising on financial assets (liabilities) at fair value through profit or loss of \$61.9 million in 2020 (2019: \$4.7 million) is mainly due to a \$57.2 million negative fair value revaluation for the Highway 407 ETR contingent consideration receivable. Such contingent consideration is payable over a period of 10 years by the acquirer of the 10.01% ownership interest in Highway 407 ETR sold by the Company in August 2019. The fair value of this financial asset was negatively impacted mainly by the actual and expected performance of Highway 407 ETR in 2020 due to lower traffic as a result of COVID-19 impacts, as the underlying payments are conditioned on the attainment of certain cumulative financial thresholds related to the performance of Highway 407 ETR.

4.2.4 RESTRUCTURING COSTS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020		2019 ⁽¹⁾	
Restructuring costs	\$	63.3	\$	79.7

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

The Company incurred \$63.3 million of restructuring costs in 2020 (2019: \$79.7 million). Restructuring actions were taken during the year to adjust the cost base of the Company's segments, notably in the Middle East and the U.K. regions of the EDPM segment, for which an amount of \$40.3 million of restructuring costs was recognized in 2020. The restructuring costs of \$63.3 million were mainly for severance obligations, but also included \$16.4 million of non-cash charges, notably \$13.5 million related to impairment of right-of-use assets and \$2.9 million of impairment of property and equipment.

The Company incurred \$79.7 million of restructuring costs in 2019, which were mainly for severance obligations.

4.2.5 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Acquisition-related costs and integration costs	\$ —	\$ 8.3

In 2020, the amount of acquisition-related costs and integration costs was \$nil, compared with \$8.3 million in 2019, related to Atkins and Linxon.

4.2.6 LOSS ON DISPOSALS OF PS&PM BUSINESSES AND GAIN OR ADJUSTMENT ON GAIN FROM DISPOSAL OF A CAPITAL INVESTMENT

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Gain or adjustment on gain from disposal of a Capital investment	\$ (25.0)	\$ (2,970.8)
Loss on disposals of PS&PM businesses	\$ 7.5	\$ 0.3

In the fourth quarter of 2020, the Company released in full a provision for contingent indemnification related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period. Such non-cash reversal of the provision in the amount of \$25.0 million is included in "Gain or adjustment on gain from disposal of a Capital investment" in the consolidated income statement for the year ended December 31, 2020.

In the third quarter of 2020, SNC-Lavalin completed the sale of its 100% ownership interest in SNC-Lavalin SA (Belgium) in exchange for total consideration of \$nil. The loss on disposal of SNC-Lavalin's ownership interest in SNC-Lavalin SA amounted to \$7.5 million before and after income taxes.

In 2019, the Company completed the sale of 10.01% of the shares of Highway 407 ETR to a company controlled by Canada Pension Plan Investment Board. At closing and in accordance with the terms and conditions of the agreement, SNC-Lavalin received the base purchase price proceeds of \$3.0 billion, with up to an additional \$250 million contingently payable over a period of 10 years, conditional on the attainment of certain financial thresholds related to the ongoing performance of Highway 407 ETR and recognized a gain before taxes of \$3.0 billion on this transaction.

4.2.7 AMORTIZATION OF INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019 ⁽¹⁾
Amortization of intangible assets related to business combinations	\$ 126.8	\$ 162.1

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

Amortization of intangible assets related to business combinations amounted to \$126.8 million in 2020, and to \$162.1 million in 2019, both mainly attributable to the amortization expense of intangible assets related to Atkins. The variance from the prior year was mainly due to the end of the amortization period in the third quarter of 2020 of intangible assets related to the revenue backlog of the Atkins acquisition.

4.2.8 IMPAIRMENT LOSS ON REMEASUREMENT OF ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE TO FAIR VALUE LESS COST TO SALE

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019 ⁽¹⁾
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	\$ 6.1	\$ —

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

In 2020, the amount of impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell was \$6.1 million compared with \$nil in 2019, due to the remeasurement of assets related to Atkins Consulting Engineers Limited, in Kenya, a subsidiary part of the EDPM segment and presented as a disposal group classified as held for sale as at December 31, 2020 .

4.2.9 FEDERAL CHARGES SETTLEMENT (PPSC)

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Federal charges settlement (PPSC)	\$ —	\$ 257.3

As part of a settlement reached on December 18, 2019, with the Public Prosecution Service of Canada ("PPSC") on federal charges arising from legacy activities in Libya between 2001 and 2011, a subsidiary of the Company agreed to pay a fine in the amount of \$280 million, payable in installments over 5 years starting in 2020. The \$257.3 million expense recognized in 2019 represents the net present value of these installments at the time of the agreement.

4.2.10 EBIT AND EBITDA ANALYSIS

EBIT and EBITDA are non-IFRS financial measures. Definitions and reconciliations of these financial measures to net income are presented in Section 13.

In 2020, **EBIT from PS&PM was negative \$348.2 million**, compared with negative \$214.7 million in 2019, a variance mainly due to a decrease in the Segment Adjusted EBIT of the Infrastructure EPC Projects of \$253.2 million in 2020 compared with 2019, as well as higher corporate selling, general and administrative expenses. This was partially offset by lower amortization of intangible assets related to business combinations and by \$257.3 million of Federal charges settlement (PPSC) recorded in 2019.

EBITDA from PS&PM was negative \$27.8 million in 2020, compared with \$143.7 million in 2019, mainly due to the factors described above for the EBIT from PS&PM other than the decrease in amortization of intangible assets related to business combinations. When adjusting for the charges related to restructuring, the acquisition-related costs and integration costs, the loss on disposals of PS&PM businesses, the adjustment to the provision for the Pyrrhotite Case litigation, the GMP equalization and the federal charges settlement (PPSC) (as described in Section 14 of this MD&A and in Note 33 to the 2020 Annual Financial Statements), **Adjusted EBITDA from PS&PM amounted to \$111.4 million in 2020**, compared with \$485.7 million in 2019.

In 2020, **EBIT from Capital decreased to \$56.2 million**, compared with \$3,183.3 million in 2019, as the latter included a gain on the disposal of a 10.01% stake of Highway 407 ETR of \$2,970.8 million. **EBIT and EBITDA from Capital were negatively impacted in 2020** by a negative fair value revaluation of \$57.2 million of the Highway 407 ETR contingent consideration receivable, as well as a lower contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019, combined with the absence of dividends received from this investment in the second and fourth quarters of 2020, partially offset by the release in full of a provision for contingent indemnification of \$25.0 million in 2020.

4.2.11 NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Interest revenues	\$ (10.9)	\$ (0.4)	\$ (11.3)	\$ (7.6)	\$ (0.2)	\$ (7.8)
Interest on debt:						
Recourse	46.0	—	46.0	85.0	—	85.0
Limited recourse	17.2	—	17.2	45.1	—	45.1
Non-recourse	4.6	16.0	20.6	5.7	18.1	23.8
Net foreign exchange losses (gains)	—	0.6	0.6	0.2	(0.2)	—
Interest on lease liabilities	21.2	—	21.2	20.9	0.2	21.0
Other	19.7	0.1	19.8	47.9	—	47.9
Net financial expenses	\$ 97.7	\$ 16.3	\$ 114.0	\$ 197.3	\$ 17.8	\$ 215.1

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

Net financial expenses from PS&PM decreased to \$97.7 million in 2020 compared with \$197.3 million in 2019, a variance mainly due to a decrease in debt, combined with \$33.8 million of loss related to the amendments to the CDPQ Loan Agreement and \$3.7 million related to other PS&PM financing arrangements in connection with the sale by the Company of 10.01% of the shares of Highway 407 ETR, both included in “Other” for the year 2019 in the table above.

Net financial expenses from Capital were \$16.3 million in 2020, compared with \$17.8 million in 2019, mainly due to lower interest expense on non-recourse debt.

4.2.12 INCOME TAXES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Earnings (loss) from continuing operations before income taxes	\$ (445.9)	\$ 40.0	\$ (406.0)	\$ (411.9)	\$ 3,165.5	\$ 2,753.5
Income tax expense (recovery)	\$ (53.4)	\$ (5.6)	\$ (59.0)	\$ (82.3)	\$ 392.7	\$ 310.3
Effective income tax rate (%)	12.0 %	(14.0)%	14.5 %	20.0 %	12.4 %	11.3 %

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

In 2020, the Company reported an income tax recovery of \$59.0 million, compared to an income tax expense of \$310.3 million in 2019.

In 2020, the effective income tax recovery rate from PS&PM was lower than the Canadian statutory income tax rate of 26.3%, mainly due to \$53.3 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of tax loss carryforwards in the United States, net losses not affected by tax and other permanent items. These impacts were partially offset by an income tax recovery on the carry back of net operating losses to a prior year at a higher tax rate and adjustments to deferred income tax balances attributable to changes in tax rates and laws.

In 2019, the effective income tax recovery rate from PS&PM was lower than the Canadian statutory income tax rate of 26.5%, mainly due to the non-tax deductible Federal Charges Settlement and \$64.7 million of write-down of previously recognized deferred income tax assets partially offset by the recognition of income tax recoveries on capital losses and earnings not affected by tax.

The effective income tax rate from Capital Investments was lower than the Canadian statutory income tax rate of 26.3% in 2020, mainly due to the non-taxable portion of investment income, including dividends from Highway 407 ETR and the adjustment on the gain from a disposal of a Capital investment. These impacts were partially offset with the non-deductible portion of the capital loss on the negative fair value revaluation for the Highway 407 ETR contingent consideration receivable.

The effective income tax rate from Capital investments was higher in 2019 but was lower than the Canadian statutory income tax rate of 26.5%, mainly due to the non-taxable portion of the gain on the disposal of a 10.01% stake in Highway 407 ETR.

4.2.13 NET INCOME (LOSS) ANALYSIS FROM CONTINUING OPERATIONS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019 ⁽¹⁾
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:		
From PS&PM	\$ (401.7)	\$ (332.0)
From Capital	45.6	2,772.8
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	\$ (356.1)	\$ 2,440.8
Non-controlling interests	9.2	2.4
Net income (loss) from continuing operations	\$ (346.9)	\$ 2,443.2

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

NET LOSS FROM PS&PM

Net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM was \$401.7 million in 2020, compared with a net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM of \$332.0 million in 2019. The net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM in 2020 includes a negative Segment Adjusted EBIT of \$359.7 million in the Infrastructure EPC Projects segment and of \$171.1 million in the Resources segment. In addition, restructuring costs of \$63.3 million before taxes (\$49.4 million after taxes) mainly related to the EDPM segment were incurred in 2020 and \$58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation, as well as a \$53.3 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of tax loss carryforwards in the United States. The net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM in 2019 included a negative Segment Adjusted EBIT of \$111.2 million in the Resources segment and of \$106.5 million in the Infrastructure EPC Projects segment, as well as a \$257.3 million charge related to the Federal Charges Settlement and \$76.1 million (\$59.8 million after taxes) of restructuring costs.

NET INCOME FROM CAPITAL

Net income attributable to SNC-Lavalin shareholders from continuing operations from Capital amounted to \$45.6 million in 2020, compared with a net income attributable to SNC-Lavalin shareholders from continuing operations from Capital of \$2,772.8 million in 2019, as the latter included a gain on the disposal of a 10.01% stake of Highway 407 ETR of \$2,586.0 million. The remaining variance was mainly due to a negative fair value revaluation in 2020 of \$57.2 million of the Highway 407 ETR contingent consideration receivable, as well as the decrease in contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019 combined with the absence of dividends received from this investment in the second and fourth quarters of 2020, partially offset by the release in full of a \$25.0 million provision for contingent indemnification in 2020.

4.2.14 NET LOSS FROM DISCONTINUED OPERATIONS

Net loss from discontinued operations was \$609.3 million in 2020, compared to a net loss from discontinued operations of \$2,112.6 million in 2019.

The table below presents the main components of the net loss from discontinued operations for both 2020 and 2019:

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Restructuring costs	\$ (57.8)	\$ (103.1)
Amortization of intangible assets related to business combinations	—	(19.9)
Gain on disposal of a PS&PM business	6.2	—
Impairment of goodwill	—	(1,801.0)
Impairment of intangible assets related to business combinations	—	(72.8)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(271.6)	—
Income taxes	(63.0)	111.6
Other contribution from discontinued operations	(223.2)	(227.3)
Net loss from discontinued operations	\$ (609.3)	\$ (2,112.6)

Restructuring costs related to discontinued operations were \$57.8 million in 2020, compared to \$103.1 million in 2019. The restructuring costs recognized in 2020 were mainly related to the closure of the Valerus operations. The restructuring costs recognized in 2019 included approximately \$72 million related to Valerus, of which \$52.5 million related to non-cash charges, notably \$31.2 million of inventory write-down, \$11.3 million of impairment of right-of-use assets and \$10.0 million of impairment of property and equipment.

The gain on disposal of a PS&PM business relates to the disposal of South African activities in 2020.

The impairment of goodwill and of intangible assets related to business combinations in 2019 was largely attributable to the Company's decision to cease bidding on LSTK construction projects, as well as lower than expected performance in Resources in the first half of 2019 and challenges in replenishing the backlog.

The impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell results from the presentation of the Company's Oil & Gas business as held for sale as at December 31, 2020 and its related remeasurement. Upon closing, the transaction is expected to generate a gain on disposal due to the reclassification of the foreign exchange cumulative translation adjustments balance from equity to the income statement at that time. As at December 31, 2020, such cumulative balance of the disposal groups classified as held for sale amounted to \$594.1 million and primarily related to the Oil & Gas business (see Note 39 to the 2020 Annual Financial Statements).

The income tax expense of \$63.0 million in 2020 was mainly a result of net losses not affected by tax, combined with the anticipated tax impact related to the expected disposition of the Oil & Gas business. The income tax benefit of \$111.6 million in 2019 was mainly due to the reversal of a deferred tax liability previously recognized on the Oil & Gas business prior to its impairment, combined with the recognition of a deferred tax benefit on certain operating losses.

The overall contribution of the Oil & Gas business, which was previously presented as part of the Resources segment, was negatively impacted in both 2020 and 2019 by unfavourable reforecasts on certain LSTK construction projects. Furthermore, in the third quarter of 2020, the Company recognized a \$57.9 million loss from an unfavorable ruling on a completed LSTK legacy project.

5

Backlog (Remaining Performance Obligations)

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

Revenue backlog is derived primarily from three major types of contracts: **Reimbursable and engineering services contracts, standardized EPC contracts and LSTK construction contracts.**

- **Reimbursable and engineering services contracts:** Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap or a target price accompanied by incentives and/or disincentives. Engineering services contracts include i) time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks, and ii) O&M contracts.
- **Standardized EPC contracts:** Under standardized EPC contracts, the Company provides repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary.
- **LSTK construction contracts:** Under LSTK construction contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs.

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

AT DECEMBER 31 (IN MILLIONS \$) BY SEGMENT AND GEOGRAPHIC AREA	2020	2019 ⁽¹⁾
EDPM	\$ 2,864.4	\$ 2,630.0
Nuclear	890.6	1,154.0
Infrastructure Services	7,098.5	7,337.0
SNCL Engineering Services - Total	\$ 10,853.5	\$ 11,121.0
Resources	\$ 161.6	\$ 255.4
Infrastructure EPC Projects	2,014.0	2,584.5
SNCL Projects - Total	\$ 2,175.6	\$ 2,839.9
PS&PM - Total	\$ 13,029.1	\$ 13,960.8
Capital ⁽²⁾	\$ 158.7	\$ 176.9
Total from continuing operations	\$ 13,187.8	\$ 14,137.7
From Canada	\$ 8,155.7	\$ 9,032.9
Outside Canada	5,032.1	5,104.8
Total from continuing operations ⁽³⁾	\$ 13,187.8	\$ 14,137.7

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

⁽²⁾ Backlog from Capital represents the amount that will be recognized as revenue from contracts with customers in the Capital segment from a concession agreement.

⁽³⁾ Revenue backlog excluding backlog related to discontinued operations of \$0.8 billion as at December 31, 2020 (December 31, 2019: \$1.1 billion).

The Company's revenue backlog decreased to \$13.2 billion as at December 31, 2020 compared with \$14.1 billion as at December 31, 2019, mainly reflecting a decrease in Infrastructure EPC Projects, Nuclear and Infrastructure Services, partially offset by an increase in EDPM.

BACKLOG RECONCILIATION

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

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019 ⁽¹⁾
Opening backlog	\$ 14,137.7	\$ 13,381.2
Plus: Contract bookings during the year	5,906.0	8,122.6
Less: Revenues from contracts with customers recognized during the year	6,855.1	7,366.1
Backlog of business sold during the year	0.8	—
Ending backlog	\$ 13,187.8	\$ 14,137.7
Booking-to-revenue ratio ⁽²⁾	0.86	1.10

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

⁽²⁾ Non-IFRS financial measures. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

BACKLOG BY TYPES OF CONTRACTS

The following tables show the amounts and proportions of reimbursable and engineering services contracts, standardized EPC contracts and LSTK construction contracts included in each segment's backlog as at December 31, 2020 and 2019:

AT DECEMBER 31, 2020 (IN MILLIONS \$)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
EDPM	\$ 2,864.4	100 %	\$ —	—%	\$ —	— %
Nuclear	840.0	94 %	—	—%	50.6	6 %
Infrastructure Services	5,997.4	84 %	1,101.1	16 %	—	—%
SNCL Engineering Services - Total	\$ 9,701.8	89 %	\$ 1,101.1	10 %	\$ 50.6	—%
Resources	\$ 89.3	55 %	\$ —	—%	\$ 72.3	45 %
Infrastructure EPC Projects ⁽¹⁾	248.2	12 %	—	—%	1,765.8	88 %
SNCL Projects - Total	\$ 337.5	16 %	\$ —	—%	\$ 1,838.1	84 %
PS&PM - Total	\$ 10,039.3	77 %	\$ 1,101.1	8 %	\$ 1,888.7	14 %
Capital	\$ 158.7	100 %	\$ —	—%	\$ —	—%
Total from continuing operations	\$ 10,198.0	77 %	\$ 1,101.1	8 %	\$ 1,888.7	14 %

⁽¹⁾ In 2020, the Husky White Rose project was reclassified from the LSTK construction contracts to the reimbursable and engineering services contracts to reflect changes made to the contractual terms of this project.

AT DECEMBER 31, 2019 ⁽¹⁾ (IN MILLIONS \$)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
EDPM	\$ 2,630.0	100 %	\$ —	—%	\$ —	—%
Nuclear	1,079.0	94 %	—	—%	75.0	6 %
Infrastructure Services	6,444.5	88 %	892.5	12 %	—	—%
SNCL Engineering Services - Total	\$ 10,153.5	91 %	\$ 892.5	8 %	\$ 75.0	1 %
Resources	\$ 82.7	32 %	\$ —	—%	\$ 172.7	68 %
Infrastructure EPC Projects	—	—%	—	—%	2,584.5	100 %
SNCL Projects - Total	\$ 82.7	3 %	\$ —	—%	\$ 2,757.2	97 %
PS&PM - Total	\$ 10,236.2	74 %	\$ 892.5	6 %	\$ 2,832.2	20 %
Capital	\$ 176.9	100 %	\$ —	—%	\$ —	—%
Total from continuing operations	\$ 10,413.1	74 %	\$ 892.5	6 %	\$ 2,832.2	20 %

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

BACKLOG PHASING

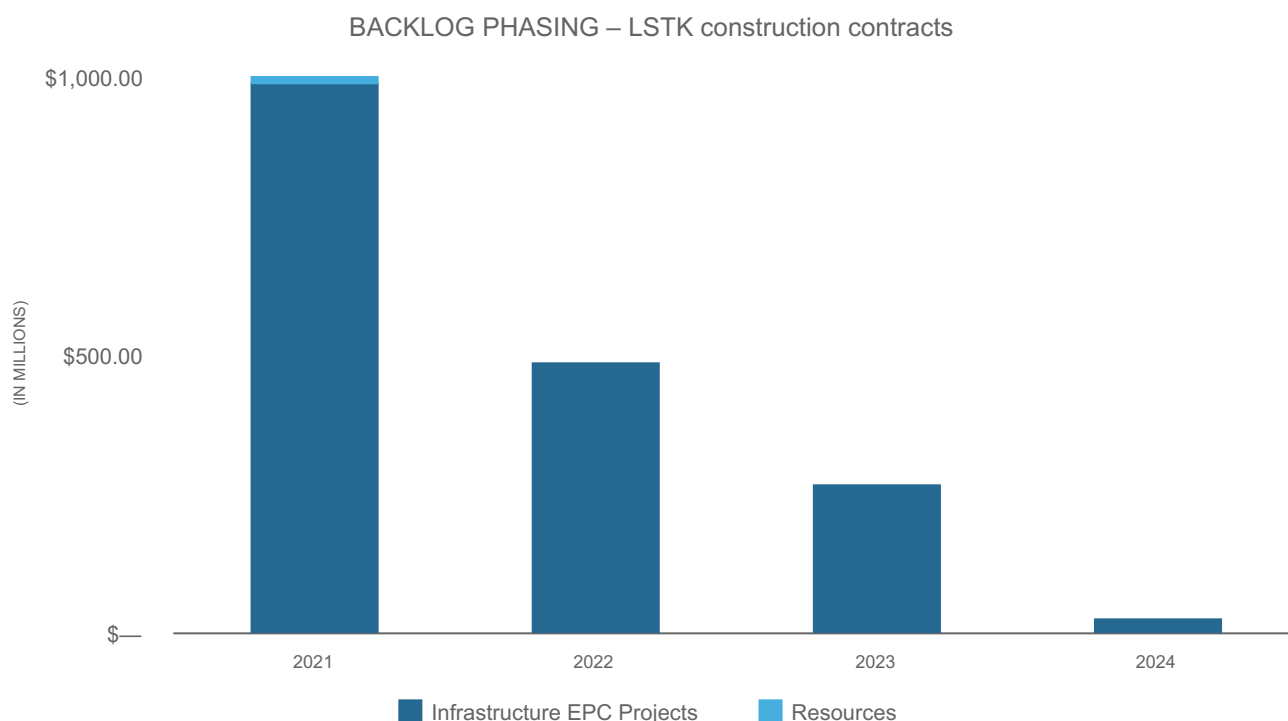
Backlog as at December 31, 2020, is expected to be recognized in revenues as follows: 2021 – \$4.4 billion, 2022 – \$2.0 billion, 2023 – \$1.2 billion, and thereafter – \$5.6 billion (2019: 2020 – \$4.8 billion, 2021 – \$2.2 billion, 2022 – \$1.1 billion, and thereafter – \$6.0 billion). It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

The LSTK construction contracts included in the backlog of the Resources and Infrastructure EPC Projects segments have expected completions varying between 2021 and 2024. The Company will fulfill the contractual obligations of its current LSTK construction projects. It may be necessary for the Company to accept change orders under existing LSTK construction contracts, which may temporarily extend the performance timeframe of such contracts.

In addition, a number of project contracts, particularly in the Resources and Infrastructure EPC Projects segments, have warranty periods and/or outstanding claims, that may result in legal proceedings that extend beyond the actual performance and completion of the projects. See Note 33 - “Contingent Liabilities” to the 2020 Annual Financial Statements.

Most of the backlog from LSTK construction contracts in these segments is derived from the following projects: Réseau Express Métropolitain (REM), Trillium Line Extension (Trillium), and Eglinton LRT. The REM project was temporarily suspended towards the end of the first quarter of 2020 due to the COVID-19 pandemic, but was authorized to resume in the second quarter of 2020. The Eglinton and Trillium projects remained open throughout 2020. All three projects have been negatively affected, and continue to be negatively affected, by revised working conditions due to COVID-19.

As such, while the backlog phasing presented below incorporates the Company's best estimates, the timing of projects is subject to uncertainties. See Section 14, “Risks and Uncertainties”, for a more specific overview of the risks and uncertainties relating to the Company caused by the COVID-19 pandemic.



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Geographic Breakdown of Revenues

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020		2019 ⁽¹⁾	
	TOTAL	%	TOTAL	%
Americas:				
Canada	\$ 2,102.4	30 %	\$ 2,618.7	34 %
United States	1,383.6	20 %	1,382.0	18 %
Latin America	81.0	1 %	146.2	2 %
Middle East and Africa:				
Saudi Arabia	167.4	2 %	276.0	4 %
Other Middle East countries	385.7	6 %	585.9	8 %
Africa	203.4	3 %	153.9	2 %
Asia Pacific:				
Australia	38.5	1 %	96.3	1 %
Other	342.2	5 %	319.6	4 %
Europe:				
United Kingdom	1,893.6	27 %	1,759.0	23 %
Other	409.8	6 %	292.3	4 %
Total	\$ 7,007.5	100 %	\$ 7,629.8	100 %

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

AMERICAS:

- Revenues in Canada in 2020 decreased compared with 2019, mainly due to a decrease in Infrastructure EPC Projects and Infrastructure Services.
- Revenues in the United States in 2020 are in line with 2019, reflecting an increase in Resources, EDPM and Nuclear, mostly offset by a decrease in Infrastructure EPC Projects, due to the completion or near completion of certain major projects.
- Revenues in Latin America decreased in 2020 compared with the previous year, principally reflecting a decrease in Resources.

MIDDLE EAST AND AFRICA:

- Revenues in Saudi Arabia decreased in 2020 compared with 2019, primarily due to Resources.
- Revenues in other Middle East countries decreased in 2020 compared with 2019, mainly due to Resources, partially offset by activities from the Linxon business in Infrastructure Services.
- Revenues in Africa in 2020 increased compared with 2019, primarily due to an increase in Resources.

ASIA PACIFIC:

- Revenues in Australia decreased in 2020 compared with the previous year, mainly attributable to a decrease in Resources due to completion or near completion of certain major projects in 2019, partially offset by an increase in Infrastructure EPC Projects.
- Revenues in other countries in Asia Pacific, increased in 2020 compared with the previous year, mainly reflecting incremental activities of the Linxon business in Infrastructure Services as well as those in EDPM.

EUROPE:

- Revenues in the United Kingdom, increased in 2020 compared with the previous year, mainly due to EDPM and Infrastructure Services.
- Revenues in other countries in Europe increased in 2020 compared with 2019, mainly due to incremental activities of the Linxon business in Infrastructure Services.



Fourth Quarter Results

FOURTH QUARTERS ENDED DECEMBER 31
(IN MILLIONS \$)

	2020	2019 ⁽¹⁾	CHANGE (%)
Income Statements			
Revenues	\$ 1,697.9	\$ 1,967.6	(13.7%)
Net income (loss) attributable to SNC-Lavalin shareholders:			
From PS&PM	\$ (736.2)	\$ (310.4)	137.2%
From Capital	33.5	17.5	91.4%
Net loss attributable to SNC-Lavalin shareholders	\$ (702.7)	\$ (292.9)	139.9%
Earnings (loss) per share attributable to SNC-Lavalin shareholders (in \$) :			
Basic	\$ (4.00)	\$ (1.67)	139.9%
Diluted	\$ (4.00)	\$ (1.67)	139.9%
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:			
From PS&PM	\$ (356.4)	\$ (197.7)	80.3%
From Capital	33.5	17.5	91.4%
Net loss attributable to SNC-Lavalin shareholders from continuing operations	\$ (322.9)	\$ (180.2)	79.2%
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM ⁽²⁾	\$ (268.7)	\$ 109.6	N/A
Diluted loss per share from continuing operations ("Diluted EPS") (in \$)	\$ (1.84)	\$ (1.03)	79.3%
Adjusted diluted EPS from PS&PM (in \$) ⁽²⁾	\$ (1.53)	\$ 0.62	N/A
EBIT ⁽²⁾	\$ (372.7)	\$ (132.9)	180.4%
EBITDA ⁽²⁾	\$ (300.7)	\$ (40.1)	650.0%
Adjusted PS&PM EBITDA (% of PS&PM revenues) ⁽²⁾	(14.8%)	10.6%	N/A

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

⁽²⁾ Non-IFRS financial measure. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

- Revenues totaled \$1,697.9 million in the fourth quarter of 2020, compared with \$1,967.6 million in the corresponding quarter of 2019, mainly reflecting lower revenues in Infrastructure EPC Projects, principally due to the completion or near completion of certain major projects, as well as the impact of the commercial claims receivable reduction in the fourth quarter of 2020, as described below.
- For the fourth quarter of 2020, the net loss attributable to SNC-Lavalin shareholders was \$702.7 million (\$4.00 per diluted share), compared with a net loss attributable to SNC-Lavalin shareholders of \$292.9 million (\$1.67 per diluted share) for the fourth quarter of 2019. The loss in the fourth quarter of 2020 was mainly attributable to the following factors :
 - approximately \$140 million of provisions recognized on certain legacy litigation matters;
 - commercial claims receivable reduction of approximately \$155 million on certain LSTK projects;
 - approximately \$90 million of charges recognized on remaining Canadian LSTK infrastructure projects affected by unprecedented COVID-19 challenges;
 - approximately \$95 million of charges related to historical legacy positions and one remaining LSTK mining project in Resources, of which approximately \$78 million relate to continuing operations and \$17 million relate to discontinued operations; and
 - a write down of \$277.7 million in the value of disposal groups presented as held for sale, of which \$6.1 million relate to continuing operations and \$271.6 million relate to discontinued operations.

- In the fourth quarter of 2019, the Company recognized a \$257.3 million expense related to the federal charges settlement (PPSC).
- **For the fourth quarter of 2020, Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM was \$268.7 million (\$1.53 per diluted share),** compared with an adjusted net income attributable to SNC-Lavalin shareholders from PS&PM of \$109.6 million (\$0.62 per diluted share) for the comparable quarter in 2019, mainly due to the negative Segment Adjusted EBIT from Infrastructure EPC Projects and Resources in the fourth quarter of 2020.
- **EBIT, EBITDA and Adjusted PS&PM EBITDA (% of PS&PM revenues) decreased in the fourth quarter of 2020** compared to the fourth quarter of 2019, mainly due to the factors described above.

AS AT (IN MILLIONS \$)	DECEMBER 31, 2020	SEPTEMBER 30, 2020	CHANGE (%)
Additional Indicator			
Cash and cash equivalents	\$ 932.9	\$ 1,150.5	(18.9%)
Revenue backlog	\$ 13,187.8	\$ 13,209.0	(0.2%)

- **At the end of December 31, 2020, the Company's cash and cash equivalents amounted to \$0.9 billion,** compared with \$1.2 billion at the end of September 30, 2020. The decrease is mainly attributable to cash used for financing activities, mainly for a \$260 million repayment of debentures maturing in November 2020.
- **Revenue backlog was \$13.2 billion as at December 31, 2020,** in line with \$13.2 billion as at September 30, 2020, mainly reflecting a decrease in Infrastructure EPC Projects and Nuclear, offset by an increase in EDPM and in Infrastructure Services.

The following table summarizes the Company's revenues and Segment Adjusted EBIT and reconciles the Segment Adjusted EBIT to the Company's net income (loss) for the fourth quarters ended December 31, 2020 and 2019.

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS \$)		2020				2019 ^{(1) (2)}			
BY SEGMENT		REVENUES	SEGMENT ADJUSTED EBIT FROM PS&PM	SEGMENT ADJUSTED EBIT FROM CAPITAL	TOTAL SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT FROM PS&PM	SEGMENT ADJUSTED EBIT FROM CAPITAL	TOTAL SEGMENT ADJUSTED EBIT
EDPM	\$ 943.3	\$ 84.9	\$ —	\$ 84.9	\$ 984.0	\$ 93.4	\$ —	\$ 93.4	\$ 93.4
Nuclear	245.3	36.2	—	36.2	250.8	45.4	—	45.4	45.4
Infrastructure Services	334.4	32.0	—	32.0	338.7	20.3	—	20.3	20.3
Total SNCL Engineering Services	\$ 1,523.0	\$ 153.1	\$ —	\$ 153.1	\$ 1,573.6	\$ 159.0	\$ —	\$ 159.0	\$ 159.0
Resources	53.7	(93.4)	—	(93.4)	64.0	(5.9)	—	(5.9)	(5.9)
Infrastructure EPC Projects	98.6	(319.4)	—	(319.4)	293.8	23.4	—	23.4	23.4
Total SNCL Projects	\$ 152.3	\$ (412.8)	\$ —	\$ (412.8)	\$ 357.8	\$ 17.4	\$ —	\$ 17.4	\$ 17.4
Capital	22.6	—	19.1	19.1	36.2	—	31.5	31.5	31.5
Total revenues and Segment Adjusted EBIT	\$ 1,697.9	\$ (259.7)	\$ 19.1	\$ (240.6)	\$ 1,967.6	\$ 176.4	\$ 31.5	\$ 208.0	\$ 208.0
Corporate selling, general and administrative expenses not allocated to the segments		(88.7)	(7.1)	(95.7)		(21.4)	(6.7)	(28.0)	(28.0)
Reversal of impairment loss (Impairment loss) arising from expected credit losses		—	—	—		0.5	—	0.5	0.5
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(0.3)	—	(0.3)		6.0	1.1	7.1	7.1
Restructuring costs		(31.8)	—	(31.8)		(23.0)	—	(23.0)	(23.0)
Acquisition-related costs and integration costs		—	—	—		(0.1)	—	(0.1)	(0.1)
Amortization of intangible assets related to business combinations		(23.2)	—	(23.2)		(40.0)	—	(40.0)	(40.0)
Adjustment on gain from disposal of a Capital investments		—	25.0	25.0		—	—	—	—
Loss from disposals of PS&PM businesses		—	—	—		(0.1)	—	(0.1)	(0.1)
Federal charges settlement (PPSC)		—	—	—		(257.3)	—	(257.3)	(257.3)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		(6.1)	—	(6.1)		—	—	—	—
EBIT		\$ (409.7)	\$ 37.0	\$ (372.7)		\$ (158.8)	\$ 25.9	\$ (132.9)	\$ (132.9)
Net financial expenses		23.6	3.9	27.5		24.0	4.4	28.4	28.4
Earnings (loss) before income taxes from continuing operations		\$ (433.3)	\$ 33.2	\$ (400.2)		\$ (182.8)	\$ 21.5	\$ (161.3)	\$ (161.3)
Income taxes		(80.2)	(0.3)	(80.5)		11.0	4.0	15.0	15.0
Net income (loss) from continuing operations		\$ (353.1)	\$ 33.5	\$ (319.7)		\$ (193.8)	\$ 17.5	\$ (176.3)	\$ (176.3)
Net loss from discontinued operations		(379.8)	—	(379.8)		(112.7)	—	(112.7)	(112.7)
Net income (loss)		\$ (732.9)	\$ 33.5	\$ (699.5)		\$ (306.5)	\$ 17.5	\$ (289.0)	\$ (289.0)

⁽¹⁾ Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 12 for further details.

⁽²⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

PS&PM total Segment Adjusted EBIT in the fourth quarter of 2020 was negative \$259.7 million, compared with a total Segment Adjusted EBIT from PS&PM of \$176.4 million in the fourth quarter of 2019. The variance is largely attributable to the negative Segment Adjusted EBIT from Infrastructure EPC Projects segment and Resources segment, while the contribution of segments included in SNCL Engineering Services in the fourth quarter of 2020 was in line with the contribution in the corresponding quarter of 2019.

The negative Segment Adjusted EBIT of Infrastructure EPC Projects in the fourth quarter of 2020 was mainly attributable to commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

The negative Segment Adjusted EBIT of Resources in the fourth quarter of 2020 was mainly due to charges for one remaining LSTK project and certain other historical legacy positions.

Segment Adjusted EBIT from Capital decreased to \$19.1 million in the fourth quarter of 2020, compared with \$31.5 million in the corresponding period of 2019, mainly due to lower contributions from certain Capital investments, notably from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019 and the absence of dividend from this investment in the fourth quarter of 2020.

Corporate selling, general and administrative expenses not allocated to segments amounted to \$95.7 million in the fourth quarter of 2020, compared to \$28.0 million in the corresponding period of 2019. The increase is mainly due to a \$48.3 million negative adjustment to the provision for the Pyrrhotite Case litigation, as well as a \$4.0 million revision to the Guaranteed Minimum Pension ("GMP") equalization provision and \$5.6 million from the digital transformation project, all recognized in the fourth quarter of 2020.

In the fourth quarter of 2020, the Company released in full a provision for contingent indemnification related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period. Such non-cash **reversal of the provision in the amount of \$25.0 million** is included in "Adjustment on gain from disposal of a Capital investment".

The \$257.3 million expense recognized in the fourth quarter of 2019 for Federal charges settlement represents the net present value of the agreement with Public Prosecution Service of Canada ("PPSC") on federal charges arising from legacy activities in Libya between 2001 and 2011 (see Section 4.2.9).

The income tax benefit of \$80.5 million in the fourth quarter of 2020 was mainly a result of the loss for the period. The effective income tax recovery rate was lower than the Canadian statutory income tax rate mainly due to non-deductible expenses and other permanent items and the write-down of previously recognized deferred income tax assets. The income tax expense of \$15.0 million in the fourth quarter of 2019, despite a net loss for the period, was mainly a result of the non-deductible expense related to the Federal Charges Settlement.

The net loss from discontinued operations was \$379.8 million in the fourth quarter of 2020, compared to \$112.7 million in the fourth quarter of 2019. While both periods included negative reforecasts on certain major projects, the net loss from discontinued operations in the fourth quarter of 2020 also included a write down of \$271.6 million in the value of this disposal group presented as held for sale.

8

Liquidity and Capital Resources

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

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

8.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Cash flows generated from (used for):		
Operating activities	\$ 121.5	\$ (355.3)
Investing activities	(185.1)	2,718.5
Financing activities	(190.4)	(1,802.1)
Decrease from exchange differences on translating cash and cash equivalents	(1.7)	(6.5)
Net increase (decrease) in cash and cash equivalents	\$ (255.7)	\$ 554.6
Cash and cash equivalents at beginning of year	1,188.6	634.1
Cash and cash equivalents at end of year	\$ 932.9	\$ 1,188.6

Cash and cash equivalents decreased by \$255.7 million in 2020, compared with an increase of \$554.6 million in 2019, as discussed further below.

OPERATING ACTIVITIES

Net cash generated from operating activities totaled \$121.5 million in 2020, compared with net cash used for operating activities of \$355.3 million in 2019, a variance reconciled as follows:

(IN MILLIONS \$)

Net cash used for operating activities for the year ended December 31, 2019	\$ (355.3)
Changes between the years ended December 31, 2020 and 2019:	
Decrease in net income	(1,286.9)
Increase in income taxes paid	(12.6)
Decrease in income taxes recognized in net income	(194.8)
Decrease in net financial expenses recognized in net income	(97.8)
Lower depreciation of property and equipment and amortization of other non-current non-financial assets	(43.2)
Decrease in interest paid	112.5
Decrease in income from Capital investments accounted for by the equity method	123.2
Decrease in dividends and distributions received from Capital investments accounted for by the equity method	(66.9)
Impairment loss on remeasurement of assets held for sale to fair value less cost to sell	277.7
Lower net change in provisions related to forecasted losses on certain contracts	105.5
2019 gain on disposal of a 10.01% stake of Highway 407 ETR	2,945.8
Increase in restructuring costs paid	(31.6)
2019 impairment of intangible assets related to business combinations	(72.8)
2019 impairment of goodwill	(1,801.0)
2019 Federal Charges settlement (PPSC)	(257.3)
Change in loss (gain) arising on financial asset (liabilities) at fair value through profit or loss	57.1
Other items	156.1
Changes in the net cash used for operating activities before net change in non-cash working capital items	\$ (87.0)
Variance from net change in non-cash working capital items	563.8
Net cash generated from operating activities for the year ended December 31, 2020	\$ 121.5

- **Net cash used for operating activities before net change in non-cash working capital items totaled \$107.8 million in 2020**, compared with net cash used for operating activities before net change in working capital items of \$20.7 million in 2019.
- As detailed in Note 28B to the 2020 Annual Financial Statements, **changes in non-cash working capital items generated net cash of \$229.2 million in 2020**, compared with net cash used of \$334.5 million in 2019. This difference reflected mainly a favourable variance in contract assets, trade receivables, contract liabilities, other current non-financial liabilities and inventories, partially offset by an unfavourable variance mainly in trade payables and accrued liabilities and in other current financial liabilities.
 - The favourable variance in other current non-financial liabilities is due in part to the deferral of payments of certain taxes, such as sales taxes and income taxes, in some jurisdictions. Such deferrals resulted from temporary measures implemented as part of certain governmental initiatives related to the COVID-19 pandemic.
- From a business line perspective, SNCL Engineering Services generated \$800.4 million of cash from operating activities in 2020 compared to \$732.6 million in 2019, while SNCL Projects and the Oil & Gas business presented as discontinued operations used \$347.5 million of cash from operating activities in 2020 compared with \$731.7 million in 2019. The remaining amount relates to Capital, corporate activities and items not allocated to the Company's segments.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to \$185.1 million in 2020, compared with net cash generated from investing activities of \$2,718.5 million in 2019, a variance reconciled as follows:

(IN MILLIONS \$)

Net cash generated from investing activities for the year ended December 31, 2019	\$ 2,718.5
Changes between the years ended December 31, 2020 and 2019:	
Decrease in acquisition of property and equipment	46.6
Increase in payments for Capital investments	(15.9)
Favourable change in restricted cash position	29.0
Lower increase in receivables under service concession arrangements, net of recovery	(44.7)
2019 net cash inflow on disposal of a 10.01% stake of Highway 407 ETR	(3,012.3)
2019 net cash inflow on acquisition of Linxon	(14.9)
2019 payment for disposition-related costs on disposals of Capital investments	94.9
Other items	13.6
Net cash used for investing activities for the year ended December 31, 2020	\$ (185.1)

- **In 2020, payments for Capital investments amounted to \$55.8 million**, compared with \$40.0 million in 2019. The payments made in 2020 included mainly the contribution made by the Company to the Signature on the Saint-Laurent Group General Partnership and Carlyle Global Infrastructure Opportunity Fund, L.P. The payments made in 2019 included mainly the contribution made by the Company to the Rideau Transit Group General Partnership.
- In 2019, there was a cash inflow of \$3.0 billion on disposal by the Company of 10.01% of the shares of Highway 407 ETR. This transaction is described in Note 5A to the 2020 Annual Financial Statements.

FINANCING ACTIVITIES

Net cash used for financing activities totaled \$190.4 million in 2020, compared with net cash used for financing activities of \$1,802.1 million in 2019, a variance reconciled as follows:

(IN MILLIONS \$)

Net cash used for financing activities for the year ended December 31, 2019	\$ (1,802.1)
Changes between the years ended December 31, 2020 and 2019:	
Lower repayment of recourse debt	1,651.6
Lower repayment in limited recourse debt	600.0
Lower increase in recourse debt	(532.4)
Higher repayment of non-recourse debt	(76.4)
Lower increase in non-recourse debt	(64.6)
Decrease in payment of dividends to SNC-Lavalin shareholders	28.1
Higher increase in other non-current financial liabilities	6.7
Other items	(1.2)
Net cash used for financing activities for the year ended December 31, 2020	\$ (190.4)

- The changes in cash flows related to financing activities between 2020 and 2019 were primarily explained by the elements in the table above. Notably, the following transactions on recourse debt and non-recourse debt took place during 2020:
 - The increase in recourse debt of \$1.3 billion in 2020, compared with \$1.8 billion in 2019.
 - In the first quarter of 2020, the Company drew down \$1.0 billion under the second amended and restated credit agreement, dated as of April 30, 2018, among the Company, as borrower, Bank of Montreal, as agent, and the financial institutions from time to time party thereto (as amended, restated or otherwise modified, from time to time, the "Credit Agreement") in order to secure access to liquidity while financial markets were facing challenges. The Company subsequently repaid this draw-down in full.

- In the third quarter of 2020, the Company issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of \$300 million, as further described in Section 8.4.
- The following transactions on recourse debt, limited recourse and non-recourse debt took place during 2019:
 - The repayment of the balance then outstanding on the revolving facility under the Credit Agreement;
 - The repayment of \$600 million of limited recourse debt;
 - The repayment in full of certain debentures maturing in 2019; and
 - The borrowing and repayment in full of \$300 million on a bridge credit facility.
- The Company also provides a reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the years ended December 31, 2020 and 2019 in Note 28C to the 2020 Annual Financial Statements.
- The Company did not issue and did not repurchase any shares either in 2020 or in 2019. The number of common shares outstanding as at March 5, 2021 was 175,554,252.
- **The dividend paid decreased to \$14.0 million in 2020**, from \$42.1 million in 2019, as the Company further reduced, starting with the dividend declared on August 1, 2019, the amount of dividends per share in order to deleverage and strengthen its balance sheet.

8.2 CAPITAL STRUCTURE MANAGEMENT

The Company's sources of funds stem primarily from its operating cash flows from PS&PM projects and Capital investments, the divestiture of matured Capital investments and non-core assets, the issuance of debt and the additional financial capacity available under the Credit Agreement. The Company's funds are mainly used to meet working capital requirements and sustain capital expenditures on projects, make equity investments, pay dividends to shareholders and for mergers and acquisitions activities.

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

- To drive organic and inorganic PS&PM growth;
- Optimize its balance sheet; and
- Return capital to shareholders.

8.3 CAPITAL RESOURCES

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019
Cash and cash equivalents	\$ 932.9	\$ 1,188.6
Unused portion of committed revolving credit facilities ^{(1), (2)}	2,394.7	2,411.9
Available short-term capital resources	\$ 3,327.6	\$ 3,600.5

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

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

As at December 31, 2020, the Company has a committed revolving facility of \$2,600 million under its Credit Agreement (December 31, 2019: \$2,600 million), of which \$2,394.7 million was unused (December 31, 2019: \$2,411.9 million), and uncommitted credit facilities by way of bilateral letters of credit.

While liquidity remains subject to numerous risks, uncertainties and limitations, including but not limited to the risks described under Section 14 "Risks and Uncertainties" and in this Section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations over the foreseeable future. However, the ongoing COVID-19 pandemic has created and continues to create an environment and circumstances in which it is difficult to anticipate future economic and financial conditions and access to capital, credit and financial markets and, as such, statements regarding the Company's future liquidity are uncertain and subject to the risks and uncertainties relating to the COVID-19 pandemic. See also Section 14, "Risks and Uncertainties", for a more specific overview of the risks and uncertainties relating to the Company caused by the COVID-19 pandemic.

In addition, due to the nature of the Company's activities and the fact that its operations are conducted through multiple entities and joint arrangements on an international level, the Company's cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various cash pooling agreements with financial institutions and may transfer cash balances between subsidiaries, joint arrangements or investees or use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

8.4 DEBT AND FINANCING AGREEMENTS

NON-RECOURSE DEBT, LIMITED RECOURSE DEBT AND RECOURSE DEBT

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

The Company was required to maintain, as at December 31, 2020, a ratio of net recourse debt to EBITDA not to exceed: (a) 3.75x under the Company's Credit Agreement; and (b) 3.50x under the loan agreement, dated as of April 20, 2017, between SNC-Lavalin Highway Holdings Inc., an indirect wholly-owned subsidiary of the Company ("Highway Holdings"), and CDPQ Revenu Fixe Inc. ("CDPQ RF"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (as amended, restated or otherwise modified, from time to time, the "CDPQ Loan Agreement" and the limited recourse loan established thereunder, the "CDPQ Loan"). As at December 31, 2020, the ratio of the Company's net recourse debt to EBITDA, as calculated under both the Credit Agreement and the CDPQ Loan Agreement, was 2.1x and, as such, the Company was in compliance with its financial ratio covenants under such agreements.

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

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

On October 15, 2019, the CDPQ Loan Agreement was, like the Credit Agreement, amended to extend the temporary increase in the net recourse debt to EBITDA ratio to 4x from June 30, 2019 to December 31, 2019.

As at December 31, 2019, the net recourse debt to EBITDA ratio in accordance with the terms of the Company's Credit Agreement was 2.1x.

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and in the CDPQ Loan Agreement and do not correspond to the specific terms used in this MD&A. Furthermore, such ratio is calculated using certain financial information not disclosed in the 2020 Annual Financial Statements or in this MD&A. For example, the ratio includes the amount of down-payments on contracts totaling \$226.1 million as at December 31, 2020 (December 31, 2019: \$322.4 million) and the amount of outstanding financial letters of credit totaling \$101.6 million as at December 31, 2020 (December 31, 2019: \$259.6 million) as part of the net recourse debt calculation.

ISSUANCE OF SERIES 6 DEBENTURES

In the third quarter of 2020, SNC-Lavalin issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of \$300 million, which bear interest at the rate of 3.80% *per annum* and mature on August 19, 2024.

8.5 CAPITAL MANAGEMENT INDICATORS

The Company periodically monitors capital using certain ratios, which are described further below.

CASH NET OF RECOURSE DEBT (NET RECOURSE DEBT)

Cash net of recourse debt (Net recourse debt) is a non-IFRS financial measure. A definition of this financial measure is provided in Section 13.

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	2018
Cash and cash equivalents	\$ 932.9	\$ 1,188.6	\$ 634.1
Less:			
Cash and cash equivalents of Capital investments accounted for by the consolidation method	1.9	8.3	3.3
Recourse debt ⁽¹⁾ :			
Revolving facility	—	—	466.9
Term Loan	499.4	499.1	498.8
Series 2 Debentures	—	—	149.9
Series 3 Debentures	175.0	174.7	174.5
Series 4 Debentures	199.5	199.3	199.1
Series 5 Debentures	—	—	149.9
Series 6 Debentures	297.1	—	—
2019 Debentures	—	—	349.9
2020 Debentures	—	299.5	299.0
Cash net of recourse debt (Net recourse debt)	\$ (240.0)	\$ 7.7	\$ (1,657.2)

⁽¹⁾ Refer to Note 20 to the 2020 Annual Financial Statements for a description of each debt instrument.

- Net recourse debt as at December 31, 2020 was \$240.0 million, compared with Cash net of recourse debt of \$7.7 million as at December 31, 2019, mainly resulting from a decrease in cash and cash equivalents as explained in Section 8.1.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 13. ROASE was -33.4% in 2020, compared with 9.9% for 2019 and -28.2% for 2018.

8.6 CREDIT RATING

On April 7, 2020, DBRS issued a rating report confirming the Company's rating of BBB (low) and maintaining the trend to negative. This rating confirmation is supported by a relatively better performance, comfortable liquidity position with cash balances of \$1.2 billion as at December 31, 2019, and the Company's ongoing efforts to execute the new strategy focusing on engineering service offerings and exiting LSTK contracting. On August 14, 2020, DBRS assigned a BBB (low) negative trend rating on the Company's unsecured Series 6 Debentures in the principal amount of \$300 million due on August 19, 2024. On November 2, 2020, DBRS announced that it was downgrading the Company's rating to BB (high) from BBB (low). This downgrade was driven by recurrent losses in the "Projects" business and continued underperformance in the Company's earnings and credit metrics during 2020 when compared to other investment grade peers.

On February 10, 2021, DBRS placed the Company's Issuer Rating and Unsecured Debentures rating, both currently rated BB (high), Under Review with Negative Implications. The rating actions were taken following the Company's announcement of approximately \$295 million in additional provisions taken for legacy LSTK litigation matters and commercial claims. The Company is also taking approximately \$90 million in charges on its remaining LSTK projects that continue to be affected by the COVID-19 pandemic. As a result of this announcement, key credit metrics continue to face short-term deterioration, below that of the current rating. DBRS anticipates gradual improvement in the Company's business profile in the medium term; however, earnings recovery and stability remain key issues in the near term. DBRS stated that it expects to resolve the Under

Review with Negative Implications status once the Company releases its 2020 financial results and upon further discussions with management about risk control processes and restructuring strategies as the Company continues to navigate the challenges surrounding its legacy business.

On May 15, 2020, S&P affirmed its BB+ rating and maintained its negative outlook. The negative outlook primarily reflects uncertainty in the Company's ability to improve earnings and cash flow so that the adjusted debt-to-EBITDA ratio, as per S&P's methodology, returns below 3x by 2020. On August 17, 2020, S&P assigned a BB+ issued-level rating on the Company's unsecured Series 6 Debentures in the principal amount of \$300 million due on August 19, 2024.

8.7 DIVIDENDS DECLARED

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

YEARS ENDED DECEMBER 31 (IN \$)	2020	2019	2018
Dividends per share declared to SNC-Lavalin shareholders ⁽¹⁾	\$ 0.080	\$ 0.240	\$ 1.148
Dividend decrease (%)	(67%)	(79%)	(13%)

⁽¹⁾ The dividends declared are classified in the period based on the declaration date.

Total cash dividends paid in 2020 were \$14.0 million, compared with \$42.1 million in 2019. The Company has paid quarterly dividends for 31 consecutive years. The Board of Directors of the Company determines the dividend policy.

8.8 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

CONTRACTUAL OBLIGATIONS

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

(IN MILLIONS \$)	2021	2022-2023	2024-2025	THEREAFTER	TOTAL
Short-term debt, long-term debt repayments, commitments to invest and lease liabilities:					
Recourse	\$ 175.0	\$ 700.0	\$ 300.0	\$ —	\$ 1,175.0
Limited recourse	—	—	400.0	—	400.0
Non-recourse	33.3	166.6	54.6	187.2	441.8
Commitments to invest in Capital investments	24.9	—	—	—	24.9
Lease liabilities	124.1	176.9	104.2	218.8	624.0
Total	\$ 357.3	\$ 1,043.5	\$ 858.8	\$ 406.0	\$ 2,665.7

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 20D to the 2020 Annual Financial Statements. The commitments to invest in Capital investments result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to the 2020 Annual Financial Statements. At December 31, 2020, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2019: SSL, Eglinton Crosstown and Carlyle Global Infrastructure Opportunity Fund, L.P.) and were presented as "Other current financial liabilities" (see Note 18 to the 2020 Annual Financial Statements) since they are either expected to be paid in the following year or are callable on demand. Information regarding the Company's lease liabilities can be obtained in Note 34 to the 2020 Annual Financial Statements.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US\$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects. Such commitment to invest amounted to US\$82.5 million (approximately CA\$105.7 million) as at December 31, 2020 (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.

FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 30 to the 2020 Annual Financial Statements.

Derivative financial instruments
SNC-Lavalin enters or may enter into derivative financial instruments, namely: ◦ Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates; ◦ Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements; ◦ Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company's share price; and ◦ Commodity swap agreements for certain contracts to hedge the variability of commodity prices. Refer to Note 30 to the 2020 Annual Financial Statements for further details. All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures.

9

Financial Position

9.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	CHANGE (\$)	EXPLANATIONS
Current Assets				
Cash and cash equivalents	\$ 932.9	\$ 1,188.6	\$ (255.7)	See discussion in Section 8.1.
Restricted cash	29.3	34.1	(4.8)	Decrease in restricted cash is mainly from a certain Capital investment.
Trade receivables	1,199.2	1,533.4	(334.3)	Decrease is mainly due to variation on multiple projects, as well as trade receivables included in the disposal group classified as held for sale as at December 31, 2020.
Contract assets	1,090.1	1,755.3	(665.2)	Decrease is mainly due to variation on multiple projects, as well as contract assets included in the disposal group classified as held for sale as at December 31, 2020.
Inventories	16.1	84.9	(68.8)	Decrease is mainly due to the closure of Valerus in the first quarter of 2020.
Other current financial assets	257.4	222.3	35.1	Increase is mainly due to an increase in fair value of favourable derivative financial instruments, partly offset by a decrease in recovery of costs expected from suppliers and subcontractors and an increase in advances to suppliers, subcontractors and employees and deposits on contracts.
Other current non-financial assets	253.3	331.4	(78.1)	Decrease is mainly due to a decrease in taxes receivable.
Assets of disposal group classified as held for sale	273.2	—	273.2	Increase mainly reflects the classification of the Oil & Gas business as a disposal group held for sale as at December 31, 2020.
Total current assets	\$ 4,051.6	\$ 5,150.1	\$ (1,098.5)	
Property and equipment	\$ 375.9	\$ 470.6	\$ (94.8)	Decrease is mainly due to disposals/retirements/salvage as well as a reclassification of property and equipment to assets of disposal group classified as held for sale as at December 31, 2020..
Right-of-use-assets	346.8	438.8	(92.0)	Decrease mainly reflecting depreciation expense, partially offset by additions in the year.
Capital investments accounted for by the equity method	378.7	399.5	(20.8)	Decrease is due to foreign exchange currency translation and dividends received in 2020 exceeding the Company's share of income.
Capital investments at fair value through other comprehensive income	9.7	8.1	1.6	Not a significant change compared with prior year.
Goodwill	3,429.5	3,429.1	0.4	Not a significant change compared with prior year.
Intangible assets related to business combinations	544.1	665.6	(121.5)	Decrease is mainly due to the amortization expense of 2020.
Deferred income tax asset	655.8	520.5	135.4	Increase is mainly due to an increase in unused tax losses.
Non-current portion of receivables under service concession arrangements	433.9	353.0	80.9	Increase is mainly due to progress of the construction phase of a service concession arrangement.
Other non-current financial assets	31.4	115.9	(84.5)	Decrease is mainly due to the fair value revaluation in 2020 of the contingent consideration receivable related to the sale of 10.01% of the shares of Highway 407 ETR.
Other non-current non-financial assets	83.0	93.5	(10.5)	Not a significant change compared with prior year
Total assets	\$ 10,340.3	\$11,644.7	\$ (1,304.4)	

LIABILITIES

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	CHANGE (\$)	EXPLANATIONS
Current Liabilities				
Trade payables	\$ 1,730.4	\$ 2,153.5	\$ (423.1)	Variation is principally attributable to multiple projects, as well as trade payables included in the disposal group classified as held for sale as at December 31, 2020.
Contract liabilities	837.0	890.0	(53.0)	Variation is mainly due to contract liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Other current financial liabilities	187.8	287.7	(100.0)	Variation is due to a decrease in commitments to invest in certain Capital investments, as well as other current financial liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Other current non-financial liabilities	473.8	383.2	90.6	Increase mainly reflects an increase in taxes payable.
Current portion of provisions	401.6	289.2	112.4	Refer to Note 22 to the 2020 Annual Financial Statements for details.
Current portion of lease liabilities	97.4	131.1	(33.7)	Decrease is mainly due to certain leases which matured or are close to maturity at the end of 2020, as well as lease liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Short-term debt and current portion of long-term debt:				
Recourse	175.0	299.5	(124.6)	Decrease is mainly due to the 2020 Debentures that were repaid in full at maturity in 2020, partly offset by certain debentures maturing in 2021.
Non-recourse	31.3	93.7	(62.4)	Decrease is mainly due to the credit facility of InPower BC.
Liabilities of disposal group classified as held for sale	340.3	—	340.3	Increase mainly reflects the classification of the Oil & Gas business as a disposal group held for sale as at December 31, 2020.
Total current liabilities	\$ 4,274.4	\$ 4,527.9	\$ (253.4)	
Long-term debt:				
Recourse	\$ 996.0	\$ 873.1	\$ 122.9	Increase is mainly due to the issuance of the Series 6 Debentures in 2020, partly offset by the maturity of certain debentures in 2021 now presented in the current portion of recourse debt.
Limited recourse	400.0	400.0	—	No variance compared to prior year.
Non-recourse	400.3	391.5	8.8	Not a significant variance compared to prior year.
Other non-current financial liabilities	193.9	232.6	(38.7)	Decrease is mainly due to the non-current portion of the Federal Charges Settlement (PPSC) liability recognized in 2019.
Non-current portion of provisions	753.2	672.1	81.1	Refer to Note 22 to the 2020 Annual Financial Statements for details.
Non-current portion of lease liabilities	399.2	480.7	(81.5)	Decrease is mainly due to passage of time as well as certain lease liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Other non-current non-financial liabilities	0.2	0.6	(0.3)	Not a significant balance.
Deferred income tax liability	354.3	348.9	5.4	Deferred income tax liabilities in line with prior year.
Total liabilities	\$ 7,771.6	\$ 7,927.3	\$ (155.7)	

EQUITY

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	CHANGE (\$)	EXPLANATIONS
Share capital	\$ 1,805.1	\$ 1,805.1	\$ —	Share capital in line with prior year.
Retained earnings	478.4	1,555.9	(1,077.5)	The decrease was mainly attributable to the 2020 results.
Other components of equity	(320.1)	354.1	(674.1)	The decrease was largely due to other components of equity included in the disposal group classified as held for sale as at December 31, 2020.
Other components of equity of disposal group classified as held for sale	594.1	—	594.1	Increase mainly reflects the classification of the Oil & Gas business as a disposal group held for sale as at December 31, 2020.
Equity attributable to SNC-Lavalin shareholders	\$ 2,557.5	\$ 3,715.0	\$(1,157.5)	
Non-controlling interests	11.2	2.4	8.8	Not a significant balance.
Total Equity	\$ 2,568.7	\$ 3,717.4	\$(1,148.7)	

WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (\$)	EXPLANATIONS
Working Capital ⁽¹⁾	\$ (222.9)	\$ 622.2	\$ (845.1)	Decrease is mainly due to the impairment loss on remeasurement of assets of disposal group classified as held for sale, as well as the impact on current assets and current liabilities of certain unfavorable reforecasts, additional provision on legacy litigation matters and commercial claims receivable reductions in 2020.
Current Ratio ⁽¹⁾	0.95	1.14	(0.19)	

⁽¹⁾ Additional IFRS financial measures. Please refer to Section 13 for further information on these financial measures.

10 Related Party Transactions

The Company discloses information on its related party transactions, as defined in IAS 24, *Related Party Disclosures*, in Note 36 to the 2020 Annual Financial Statements.

11 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the 2020 Annual Financial Statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the 2020 Annual Financial Statements.

12 Accounting Policies and Changes

Please refer to Note 2 to the 2020 Annual Financial Statements for more information regarding the Company's significant accounting policies and changes, including the changes made to comparative figures as described below.

Effective as of the second quarter of 2020, the measure of profit or loss of each segment is referred to (without any change to this financial measure's composition) as Segment Adjusted EBIT (formerly "Segment EBIT") to clarify that this measure excludes items other than interest and taxes. Also, effective as of the second quarter of 2020, the Company presents the financial results of Capital separately from SNCL Engineering Services to further simplify the presentation of financial information excluding Capital. This change, which only modified the presentation of financial information provided, was made in accordance with IAS 8 resulting in the restatement of prior year figures.

Certain comparative amounts in the consolidated income statement and in the consolidated statement of comprehensive income have been re-presented, as a result of the Oil & Gas business, which was previously included in the Resources segment, being presented as discontinued operations during the current year.

Non-IFRS Financial Measures, Additional IFRS Measures and Other Non-Financial Information

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

13.1 Performance

Adjusted diluted earnings per share ("Adjusted diluted EPS") is defined as adjusted net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS is a non-IFRS financial measure that is an indicator of the financial performance of the Company's activities and allows the Company to present the adjusted net income (loss) attributable to SNC-Lavalin shareholders on a diluted share basis. Refer to [Section 13.3](#) for the reconciliation of Adjusted diluted EPS to diluted EPS (namely, net income (loss) per diluted share) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for each of PS&PM and Capital, as the Company believes that such measures are useful since these activities are also analyzed separately by the Company.

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate operating performance comparison from period to period and to prepare annual operating budgets and forecasts. Adjusted EBITDA is based on EBITDA from continuing operations and excludes charges related to restructuring costs, acquisition-related costs and integration costs, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the adjustment to provision for the Pyrrhotite Case litigation (as described in Section 14 this MD&A and in Note 33 to the 2020 Annual Financial Statements), the Federal charges settlement (PPSC) expense, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the GMP equalization expenses and the impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell. It should be noted that, in 2020, management has added as components to Adjusted EBITDA the amounts of the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the adjustment to provision for the Pyrrhotite Case litigation and the impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell as it believes that such items are not reflective of the Company's underlying operations. Such additions did not result in any change to comparative figures as there were no significant adjustments of this nature in the comparative periods being presented. Also, it should be noted that the following adjustment was removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current periods and the previous year: the net expense for the 2012 class action lawsuit settlement and related legal costs. The Company believes that Adjusted EBITDA is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted EBITDA

is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. Refer to [Section 13.3](#) for a reconciliation of Adjusted EBITDA to net income (loss) from continuing operations as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for each of PS&PM and Capital, as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Adjusted net income (loss) attributable to SNC-Lavalin shareholders is defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, adjusted for certain specific items that are significant but are not, based on management's judgement, reflective of the Company's underlying operations. These adjustments are restructuring costs, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), financing costs related to the agreement to sell shares of Highway 407 ETR, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the federal charges settlement (PPSC) expense, the adjustment to provision for the Pyrrhotite Case litigation, impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell and the GMP equalization expense. It should be noted that, in 2020, management has added as components of Adjusted net income (loss) attributable to SNC-Lavalin shareholders the amounts of the fair value revaluation of Highway 407 ETR contingent consideration receivable, the adjustment to provision for the Pyrrhotite Case litigation and impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell as it believes that such items are not reflective of the Company's underlying operations. Such additions did not result in any change to comparative figures as there were no significant adjustments of this nature in the comparative periods being presented. Also, it should be noted that the following adjustments were removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current periods and the previous year: the net expense for the 2012 class action lawsuit settlement and related legal costs, and the impact of U.S. corporate tax reform. Furthermore, impairment of goodwill and impairment of intangible assets related to business combinations were removed in 2020 from the list of adjustments disclosed in prior periods as the impact of these elements for 2019 were related to discontinued operations. The Company believes that Adjusted net income (loss) attributable to SNC-Lavalin shareholders is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted net income (loss) attributable to SNC-Lavalin shareholders is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. It is also used by management to evaluate the performance of the activities of the Company from period to period. Refer to [Section 13.3](#) for a reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for each of PS&PM and Capital, as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Booking-to-revenue ratio corresponds to contract bookings divided by revenues for a given period. This measure provides a useful basis for assessing the renewal of business, as it compares the value of performance obligations added in a given period to the amount of revenue recognized upon satisfying performance obligations in the same given period.

EBIT is an indicator of the entity's capacity to generate earnings from continuing operations before income taxes and before taking into account management's financing decisions. Accordingly, EBIT is defined as earnings from continuing operations before net financial expenses (income) and income taxes. Refer to [Section 13.3](#) for a reconciliation of EBIT to net income (loss) from continuing operations as determined under IFRS.

EBITDA is defined as earnings from continuing operations before net financial expenses (income), income taxes, depreciation and amortization. As such, this financial measure allows comparability of operating results from one period to another by excluding the effects of items that are usually associated with investing and financing activities. Refer to [Section 13.3](#) for a reconciliation of EBITDA to net income (loss) from continuing operations as determined under IFRS.

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

Segment Adjusted EBIT consists of revenues allocated to the applicable segment less i) direct costs of activities, ii) directly related selling, general and administrative expenses, and iii) corporate selling, general and administrative expenses that are allocated to segments. Segment Adjusted EBIT is the measure used by management to evaluate the performance of the Company's segments, and gives investors an indication of the profitability of each segment, as it excludes certain items that the Company believes are not reflective of the segment's underlying operations. Such financial measure also facilitates period-to-period comparisons of the underlying segment's performance. Expenses that are not allocated to the Company's segments are: certain corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, gain (loss) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, the federal charges settlement (PPSC) expense and gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell, net financial expenses and income taxes. Also, it should be noted that the following adjustment was removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current periods and the previous year: the net expense for the 2012 class action lawsuit settlement and related legal costs. Furthermore, impairment of goodwill and impairment of intangible assets related to business combinations were removed in 2020 from the list of adjustments disclosed in prior periods as the impact of these elements for 2019 were related to discontinued operations. See the reconciliation of total Segment Adjusted EBIT to net income (loss) in [Section 4](#). A reconciliation of Segment Adjusted EBIT from PS&PM and from Capital to net income (loss) as determined under IFRS is also presented in Note 4 to the 2020 Annual Financial Statements.

Segment Adjusted EBITDA is a supplemental measure derived from Segment Adjusted EBIT and used by management to evaluate the performance of the Company's segments but excluding certain items related to investing activities, through the exclusion of depreciation and amortization from direct costs of activities. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance against competitors. See the reconciliation of Segment Adjusted EBITDA to Segment Adjusted EBIT in [Section 13.3](#), whereas the Segment Adjusted EBIT is reconciled to net income (loss) in [Section 4](#).

Segment Adjusted EBIT to revenue ratio and **Segment Adjusted EBITDA to revenue ratio** are two measures used to analyze the profitability of the Company's segments and facilitate period-to-period comparisons, as well as comparison with peers. These financial measures are calculated by dividing the amount of Segment Adjusted EBIT (Segment Adjusted EBITDA) of a given period to the amount of revenue for the same period.

13.2 Liquidity

Days Sales Outstanding (“DSO”) for the EDPM segment corresponds to the average number of days needed to convert the trade receivables and contract assets of the EDPM segment, all using a 12 month average balance; the result is then divided by the 12 month average revenue of the segment and multiplied by 365 days, in order to calculate a number of days. The Company tracks this metric closely to ensure timely collection and healthy liquidity from the EDPM segment. The Company believes this measure is useful to investors as it demonstrates this segment's ability to timely convert its earned revenue into cash.

Net recourse debt (or Cash net of recourse debt) corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt. It provides a view of the Company's liquidity compared to its indebtedness, excluding the liquidity and debt of non-recourse financing. As such, it is believed to be helpful when analyzing the Company's liquidity. Refer to [Section 8.5](#) for a reconciliation of Cash net of recourse debt (or Net recourse debt) to cash and cash equivalents as determined under IFRS.

Working capital corresponds to the amount of the Company's total current assets minus its total current liabilities and the **Current ratio** corresponds to the Company's total current assets divided by its total current liabilities. Both measures are used to compare the Company's current assets with its current liabilities and are believed to be useful metrics in analyzing the Company's liquidity.

13.3 Reconciliations

The tables below provide a quantitative reconciliation between certain non-IFRS measures to the most comparable measure specified under IFRS:

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss)	\$ (732.9)	\$ 33.5	\$ (699.5)	\$ (306.5)	\$ 17.5	\$ (289.0)
Less:						
Discontinued operations	(379.8)	—	(379.8)	(112.7)	—	(112.7)
Non-controlling interests	3.3	—	3.3	3.9	—	3.9
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	\$ (356.4)	\$ 33.5	\$ (322.9)	\$ (197.7)	\$ 17.5	\$ (180.2)
Adjustments (net of income taxes):						
Restructuring costs	\$ 23.0	\$ —	\$ 23.0	\$ 17.4	\$ —	\$ 17.4
Amortization of intangible assets related to business combination	18.9	—	18.9	32.4	—	32.4
Adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	1.8	1.8
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
GMP Equalization	3.2	—	3.2	—	—	—
Loss from adjustment on disposals of PS&PM businesses	—	—	—	0.1	—	0.1
Adjustment to provision for the Pyrrhotite Case litigation	36.6	—	36.6	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted net income (loss) attributable to SNC-Lavalin shareholders	\$ (268.7)	\$ 8.5	\$ (260.2)	\$ 109.6	\$ 19.3	\$ 128.9
Diluted EPS from continuing operations (in \$)	\$ (2.03)	\$ 0.19	\$ (1.84)	\$ (1.13)	\$ 0.10	\$ (1.03)
Adjustments (net of income taxes):						
Restructuring costs	\$ 0.13	\$ —	\$ 0.13	\$ 0.10	\$ —	\$ 0.10
Amortization of intangible assets related to business combinations	0.11	—	0.11	0.18	—	0.18
Adjustment on gain from disposal of a Capital investment	—	(0.14)	(0.14)	—	0.01	0.01
Federal charges settlement (PPSC)	—	—	—	1.47	—	1.47
GMP Equalization	0.02	—	0.02	—	—	—
Loss from adjustment on disposals of PS&PM businesses	—	—	—	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	0.21	—	0.21	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	0.03	—	0.03	—	—	—
Adjusted diluted EPS	\$ (1.53)	\$ 0.05	\$ (1.48)	\$ 0.62	\$ 0.11	\$ 0.73

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

YEARS ENDED DECEMBER 31
(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)

	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss)	\$ (1,001.8)	\$ 45.6	\$ (956.3)	\$ (2,442.2)	\$ 2,772.8	\$ 330.6
Less:						
Discontinued operations	(609.3)	—	(609.3)	(2,112.6)	—	(2,112.6)
Non-controlling interests	9.2	—	9.2	2.4	—	2.4
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	\$ (401.7)	\$ 45.6	\$ (356.1)	\$ (332.0)	\$ 2,772.8	\$ 2,440.8
Adjustments (net of income taxes):						
Restructuring costs	\$ 49.4	\$ —	\$ 49.4	\$ 59.8	\$ 2.5	\$ 62.4
Acquisition-related costs and integration costs	—	—	—	5.9	—	5.9
Amortization of intangible assets related to business combination	103.5	—	103.5	131.6	—	131.6
Gain or adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	(2,586.0)	(2,586.0)
Financing costs related to the agreement to sell shares of Highway 407 ETR	—	—	—	27.4	—	27.4
Fair value revaluation of Highway 407 ETR contingent consideration receivable	—	49.6	49.6	—	—	—
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
Loss on disposals of PS&PM businesses	7.5	—	7.5	0.3	—	0.3
GMP Equalization	3.2	—	3.2	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	43.6	—	43.6	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted net income (loss) attributable to SNC-Lavalin shareholders	\$ (188.4)	\$ 70.2	\$ (118.2)	\$ 150.2	\$ 189.4	\$ 339.7
Diluted EPS from continuing operations (in \$)	\$ (2.29)	\$ 0.26	\$ (2.03)	\$ (1.89)	\$ 15.79	\$ 13.90
Adjustments (net of income taxes):						
Restructuring costs	\$ 0.28	\$ —	\$ 0.28	\$ 0.34	\$ 0.01	\$ 0.36
Acquisition-related costs and integration costs	—	—	—	0.03	—	0.03
Amortization of intangible assets related to business combinations	0.59	—	0.59	0.75	—	0.75
Gain or adjustment on gain from disposal of a Capital investment	—	(0.14)	(0.14)	—	(14.73)	(14.73)
Financing costs related to the agreement to sell shares of Highway 407 ETR	—	—	—	0.16	—	0.16
Fair value revaluation of Highway 407 ETR contingent consideration receivable	—	0.28	0.28	—	—	—
Federal charges settlement (PPSC)	—	—	—	1.47	—	1.47
Loss on disposals of PS&PM businesses	0.04	—	0.04	—	—	—
GMP Equalization	0.02	—	0.02	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	0.25	—	0.25	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	0.03	—	0.03	—	—	—
Adjusted diluted EPS	\$ (1.07)	\$ 0.40	\$ (0.67)	\$ 0.86	\$ 1.08	\$ 1.93

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

FOURTH QUARTERS ENDED DECEMBER 31
(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)

	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	\$ (353.1)	\$ 33.5	\$ (319.7)	\$ (193.8)	\$ 17.5	\$ (176.3)
Net financial expenses	23.6	3.9	27.5	24.0	4.4	28.4
Income taxes	(80.2)	(0.3)	(80.5)	11.0	4.0	15.0
EBIT	\$ (409.7)	\$ 37.0	\$ (372.7)	\$ (158.8)	\$ 25.9	\$ (132.9)
Depreciation and amortization	\$ 48.8	\$ —	\$ 48.8	\$ 43.6	\$ 0.1	\$ 43.7
Amortization of intangible assets related to business combinations	23.2	—	23.2	40.0	—	40.0
EBITDA	\$ (337.8)	\$ 37.1	\$ (300.7)	\$ (75.2)	\$ 25.9	\$ (49.2)
(as % of Revenues)	(20.2)%	N/A	(17.7)%	(3.9)%	N/A	(2.5)%
Restructuring costs	\$ 31.8	\$ —	\$ 31.8	\$ 23.0	\$ —	\$ 23.0
Acquisition-related costs and integration costs	—	—	—	0.1	—	0.1
Adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	—	—
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
Loss from adjustment on disposals of PS&PM businesses	—	—	—	0.1	—	0.1
GMP Equalization	4.0	—	4.0	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	48.3	—	48.3	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted EBITDA	\$ (247.6)	\$ 12.1	\$ (235.5)	\$ 205.3	\$ 25.9	\$ 231.2
(as % of Revenues)	(14.8)%	N/A	(13.9)%	10.6 %	N/A	11.8 %

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

YEARS ENDED DECEMBER 31
(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)

	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	\$ (392.5)	\$ 45.6	\$ (346.9)	\$ (329.6)	\$ 2,772.8	\$ 2,443.2
Net financial expenses	97.7	16.3	114.0	197.3	17.8	215.1
Income taxes	(53.4)	(5.6)	(59.0)	(82.3)	392.7	310.3
EBIT	\$ (348.2)	\$ 56.2	\$ (292.0)	\$ (214.7)	\$ 3,183.3	\$ 2,968.6
Depreciation and amortization	\$ 193.7	\$ 0.2	\$ 193.9	\$ 196.3	\$ 0.2	\$ 196.5
Amortization of intangible assets related to business combinations	126.8	—	126.8	162.1	—	162.1
EBITDA	\$ (27.8)	\$ 56.5	\$ 28.7	\$ 143.7	\$ 3,183.5	\$ 3,327.2
(as % of Revenues)	(0.4)%	N/A	0.4 %	2.0 %	N/A	43.6 %
Restructuring costs	\$ 63.3	\$ —	\$ 63.3	\$ 76.1	\$ 3.6	\$ 79.7
Acquisition-related costs and integration costs	—	—	—	8.3	—	8.3
Gain or adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	(2,970.8)	(2,970.8)
Fair value revaluation of the Highway 407 ETR contingent consideration receivable	—	57.2	57.2	—	—	—
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
Loss on disposals of PS&PM businesses	7.5	—	7.5	0.3	—	0.3
GMP Equalization	4.0	—	4.0	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	58.3	—	58.3	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted EBITDA	\$ 111.4	\$ 88.7	\$ 200.1	\$ 485.7	\$ 216.3	\$ 702.0
(as % of Revenues)	1.6 %	N/A	2.9 %	6.6 %	N/A	9.2 %

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
BY SEGMENT	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA
EDPM	\$ 84.9	\$ 23.0	\$ 107.9	\$ 93.4	\$ 28.3	\$ 121.7
Nuclear	36.2	3.6	39.8	45.4	3.1	48.4
Infrastructure Services	32.0	3.5	35.5	20.3	4.8	25.1
SNCL Engineering Services - Total	\$ 153.1	\$ 30.1	\$ 183.2	\$ 159.0	\$ 36.2	\$ 195.2
Resources	\$ (93.4)	\$ 2.9	\$ (90.6)	\$ (5.9)	\$ (5.8)	\$ (11.8)
Infrastructure EPC Projects	(319.4)	5.4	(314.0)	23.4	5.6	28.9
SNCL Projects - Total	\$ (412.8)	\$ 8.3	\$ (404.6)	\$ 17.4	\$ (0.3)	\$ 17.2
PS&PM - Total	\$ (259.7)	\$ 38.3	\$ (221.4)	\$ 176.4	\$ 36.0	\$ 212.4
Capital	\$ 19.1	\$ —	\$ 19.2	\$ 31.5	\$ 0.1	\$ 31.6
Total from continuing operations	\$ (240.6)	\$ 38.4	\$ (202.2)	\$ 208.0	\$ 36.0	\$ 244.0

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
BY SEGMENT	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA
EDPM	\$ 302.3	\$ 98.6	\$ 400.9	\$ 357.8	\$ 112.5	\$ 470.3
Nuclear	140.1	13.8	153.9	127.6	13.1	140.7
Infrastructure Services	97.2	11.1	108.3	73.5	16.0	89.5
SNCL Engineering Services - Total	\$ 539.5	\$ 123.6	\$ 663.1	\$ 558.9	\$ 141.6	\$ 700.5
Resources	\$ (171.1)	\$ 12.0	\$ (159.1)	(111.2)	\$ 10.5	\$ (100.7)
Infrastructure EPC Projects	(359.7)	17.5	(342.1)	(106.5)	21.5	(85.0)
SNCL Projects - Total	\$ (530.8)	\$ 29.5	\$ (501.3)	\$ (217.7)	\$ 32.0	\$ (185.7)
PS&PM - Total	\$ 8.7	\$ 153.1	\$ 161.8	\$ 341.2	\$ 173.6	\$ 514.8
Capital	\$ 116.6	\$ 0.2	\$ 116.9	\$ 243.2	\$ 0.2	\$ 243.5
Total from continuing operations	\$ 125.3	\$ 153.3	\$ 278.7	\$ 584.4	\$ 173.8	\$ 758.3

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

14.1 PRINCIPAL RISKS AND UNCERTAINTIES

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

ADDITIONAL IMPACTS OF THE COVID-19 PANDEMIC

The COVID-19 global pandemic, has significantly disrupted global health, economic, market and labour conditions and has created varying degrees of slowdowns in the global economy and recessions. The ongoing pandemic has had and continues to have material adverse repercussions in the jurisdictions where the Company has offices, delivers services and holds investments, and has created and continues to create significant volatility and negative pressure on virtually all national economies as well as financial markets. At the present time the duration or scope of the pandemic cannot be predicted and, although some impacts have materialized, it remains challenging for the Company to accurately estimate or quantify the full scope and magnitude of the pandemic's impact on the Company, its business, financial condition and prospects.

On February 9, 2021, the Company announced that, due to unprecedented COVID-19 related challenges involving lower productivity attributable to revised working conditions caused by the pandemic and supply chain disruptions, it was taking a \$90 million charge on its remaining three Canadian LSTK infrastructure projects. In light of the ongoing uncertainty on the timing and scope of reimbursement of certain COVID-19 incremental costs, no revenue associated with the additional COVID-19 costs was recognized by the Company for these projects in the fourth quarter of 2020 and, until greater clarity is forthcoming, it will continue to only recognize COVID-19 expenses on the ongoing LSTK infrastructure projects. The Company believes that, in 2021, these types of infrastructure projects may continue to represent the areas of the Company's business that would likely be most adversely impacted by the ongoing COVID-19 pandemic.

The COVID-19 pandemic has adversely affected, and will likely continue to adversely affect the Company's financial condition, liquidity, future results of operations and outlook due to, among other factors:

- Action taken by governmental and non-governmental bodies to curtail activity in an effort to help slow the spread of COVID-19, including the implementation of mandatory quarantines, restrictions on travel, "stay-at-home" orders and restrictions on the types of businesses that may continue to operate and on the types of construction projects that may continue to progress. The Company's worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from (i) disruptions in the Company's supply chains, (ii) project delays resulting from temporary or partial project shutdowns, and (iii) the Company's inability to continue or resume projects as a result of extended or complete project shutdowns, which may, in each case, expose the Company to penalties or sanctions under contracts, business interruption claims or even the cancellation or termination of contracts altogether.
- If the COVID-19 pandemic persists for a significant portion of 2021, it may continue to impact the health of the Company's personnel, partners and contractors, making it difficult to recruit, attract and retain skilled personnel.

- Resumption of operations by the Company operates after previously implemented restrictive measures have been loosened or eliminated has been and may continue to be delayed or constrained as a result of the lingering effects of the impacts of COVID-19 on the Company's employees, contractors, suppliers, third-party service providers and customers. Resumption may also continue to impose an additional financial burden on the Company as it seeks to resume projects with adequate safety measures in place, which safety measures may not be sufficient to mitigate the risk of infection and could result in increased illness among the Company's employees and contractors and associated business interruption, as well as lower productivity due to revised working conditions. The continued spread of the pandemic and further resurgences have caused and may continue to cause the reintroduction of previously loosened or eliminated restrictions or the imposition of new restrictions that could potentially be more onerous.
- Work-from-home measures implemented by the Company have impacted and may continue to impact the productivity of certain employees. In addition, the measures implemented by the Company present operational challenges as technology in employees' homes may not be as robust as in the Company's offices and, as such, could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than the Company's in-office technology. Moreover, having a significant portion of the Company's workforce working remotely from non-office-based locations has led to an increase in the number of potential points of attack and greater cybersecurity risks, including increased phishing attacks, introduction of malware, strain on the local technology networks for remote operations, and may cause impairment of the ability to perform critical functions. The Company could also face legal, reputational and financial risks if it fails to protect data from security breaches or cyberattacks.
- Having to systemically deal with, manage and implement a coherent response to the COVID-19 pandemic could divert management's attention from the Company's key strategic priorities, increase costs as the Company prioritizes health and safety matters and complies with mitigation measures imposed upon it for the benefit of its personnel and the continuation of ongoing projects, and cause the Company to reduce, delay, alter or abandon initiatives that may otherwise increase its long-term value.
- Public perception of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, a decrease in demand for the Company's services and worsening economic conditions.

While the Company (i) has entered into a strategic alliance with key technology partners to provide a digital collaboration platform, which the Company's workforce may access from home or other remote locations to ensure that high levels of project delivery are maintained, (ii) has been awarded work as a result of the COVID-19 situation, and (iii) continues to bid and be awarded work on similar projects and has made efforts to manage and mitigate the aforementioned risk factors, such efforts may not sufficiently mitigate the negative impacts of COVID-19 on the business and the effectiveness of these efforts and the extent to which the COVID-19 pandemic affects the Company's business will depend on factors beyond its control, including all of the factors listed above, as well as other elements of uncertainty. Even after the COVID-19 pandemic begins to wane, the Company may continue to experience material adverse effects to its business, financial condition and prospects as a result of the continued disruption in the global economy and any resulting recession, the effects of which may persist beyond that time and which may not be fully reflected in our results of operations until future periods.

The COVID-19 pandemic may also have the effect of heightening other risks and uncertainties disclosed and described below in the "Risks and Uncertainties" section of this MD&A.

RISKS RELATING TO THE COMPANY'S OPERATIONS

Execution of the strategic direction announced in 2019

On July 22, 2019, the Company announced that it would be focusing on the high-performing and growth areas of the business and that it was exiting LSTK construction contracting.

There can be no assurance that this strategy will succeed, in whole or in part. Implementation of this plan presents various managerial, organizational, administrative, operational and other challenges, and the Company's organizational, administrative and operational systems may require adjustments in order to appropriately implement this strategic direction.

The strategic direction may also be affected by various factors, notably that it will take several years for the exit from LSTK construction projects to be fully reflected in the Company's backlog. Until that exit is completed by the run-off or transfer of existing LSTK construction projects, the Company may experience losses resulting from the risks inherent in such projects. In addition, it may be necessary for the Company to accept change orders under existing LSTK construction contracts, which may temporarily extend the performance timeframe of such contracts and increase or prolong the Company's financial and legal exposure under the relevant projects as a result thereof.

If the Company is unable to successfully execute on any or all of the initiatives contemplated under its strategic direction, the Company's revenues, operating results and profitability may be adversely affected. Even if the Company successfully implements this strategic direction, there can be no guarantee that it will achieve its intended objectives of improved revenues, operating results and/or profitability. Modifications to this strategic direction may also be required to achieve such objectives, which could delay or temporarily pause its implementation.

In July 2020 and in furtherance of the strategic direction announced in July 2019, the Company announced that it would be transforming its Resources Business to focus on a Services offering in a limited number of existing primary markets, which complement the Company's broader engineering services capabilities and strategy. The new Resources Services business provides a targeted service offering to customers focused on engineering consulting, project management services, and advising on construction management in the energy, mining and metallurgy sectors. On February 9, 2021, the Company announced that it entered into a binding agreement to sell its Resources Oil & Gas business with a targeted closing in the second quarter of 2021.

Significant decreases in the demand for oil and natural gas have had, and may well continue to have, an adverse impact on the demand for the Company's services in its Oil and Gas business, as customers in the oil and gas sector continue to revise their capital budgets downwards and adjust their operations in response to uncertain market conditions and unstable commodity prices. In addition, the volatility in the oil and natural gas markets may pose liquidity challenges for the Company's Oil and Gas business as its customers in the oil and gas sector may seek to delay, defer, restructure or stop payments in connection with their own liquidity issues, restructuring or creditor protection actions.

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

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

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

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

In addition, in certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs

should the project or facility subsequently fail to meet the scheduled completion date or performance standards. A project's revenues could also be reduced in the event the Company is required to pay liquidated damages or in connection with contractual penalty provisions, which can be substantial and can accrue on a daily basis.

Remaining performance obligations

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

Contract awards and timing

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

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

SNC-Lavalin's estimates of future performance depend on, among other matters, whether and when the Company will receive certain new contract awards, including the extent to which the Company utilizes its workforce. The rate at which SNC-Lavalin utilizes its workforce is impacted by a variety of factors including: the Company's ability to manage attrition; the Company's ability to forecast its need for services which in turn allows the Company to maintain an appropriately sized workforce; the Company's ability to transition employees from

completed projects to new projects or between internal business groups; and the Company's need to devote resources to non-chargeable activities such as training or business development. While SNC-Lavalin's estimates are based upon its professional judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when the Company will receive a contract award. The uncertainty of contract award timing can present difficulties in matching the Company's workforce size with its contract needs. If an expected contract award is delayed or not received, or if an ongoing contract is cancelled, the Company could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing the Company's operational efficiency, margins and profits.

Being a provider of services to government agencies

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

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

International operations

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

- recessions and other economic crises in other regions, or specific foreign economies and the impact on the Company's costs of doing business in those countries;
- difficulties in staffing and managing foreign operations, including logistical, security and communication challenges;
- changes in foreign government policies, laws, regulations and regulatory requirements, or the interpretation, application and/or enforcement thereof;
- difficulty or expense in enforcing contractual rights due to a lack of a developed legal system or otherwise;
- renegotiation or nullification of existing contracts;
- the adoption of new, and the expansion of existing, trade or other tariffs and restrictions, including those of a retaliatory or political nature as geopolitical events unfold;
- difficulties, delays and expense that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions;
- embargoes;

- acts of war, civil unrest, force majeure and terrorism;
- social, political and economic instability;
- expropriation of property;
- the risk that inter-governmental relationships may deteriorate such that the Company's operations in a given country may be negatively impacted because the Company is head-quartered in Canada or because we carry on business in another country;
- difficulties, delays and expense that may be experienced in obtaining critical licenses, permits or the like to carry on the Company's business as a result of administrative processes in certain jurisdictions that differ from those in North America;
- tax increases or changes in tax laws, legislation or regulation or in the interpretation, application and/or enforcement thereof; and
- limitations on the Company's ability to repatriate cash, funds or capital invested or held in jurisdictions outside Canada.

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

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

Nuclear liability

The Company's Nuclear segment supports clients across the entire Nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. Such services can subject the Company to risks arising out of a nuclear, radiological or criticality incident, whether or not within the Company's control.

Indemnification provisions contained in the domestic legislation of the jurisdictions in which the Company's Nuclear segment operates, such as Canada's Nuclear Liability and Compensation Act, the United Kingdom's Nuclear Installations Act 1965, the United States' Price-Anderson Act, or equivalent protections afforded under international conventions, seek to ensure compensation for the general public, while indemnifying nuclear industry participants against liability arising from nuclear incidents, subject to possible exclusions.

However, these legislative indemnification provisions may not apply to all liabilities incurred while performing services as a contractor for the nuclear industry. If an incident or certain damages resulting therefrom are not covered under applicable legislative indemnification provisions, the Company could be held liable for damages which could have a material adverse impact on the Company's financial condition and results of operations. In addition to legislative indemnification provisions, the Company seeks to protect itself from liability associated with nuclear incidents and damages resulting therefrom in its contracts, but there can be no assurance that such contractual limitations on liability will be effective in all cases or that the Company's or its clients' insurance will cover all the liabilities assumed under those contracts. The costs of defending against claims arising out of a nuclear incident, and any damages that could be awarded as a result of such claims, could have a material adverse impact on the Company's financial condition and results of operations.

Ownership interests in investments

SNC-Lavalin holds investments, mainly through its Capital segment that acts as the Company's investment and asset management arm. When SNC-Lavalin holds an ownership interest in an investment, it assumes a degree of risk associated with the financial performance of such investment. The value of the Company's investment is dependent on the ability of the investment to attain its revenue and cost projections as well as the ability to secure initial and ongoing financing, which can be influenced by numerous factors, some partially beyond the Company's control, including, but not limited to, political or legislative changes, lifecycle maintenance, operating revenues, collection success, cost management and the general state of the capital and/or credit markets.

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

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

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

Dependence on third parties

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

Joint ventures and partnerships

SNC-Lavalin undertakes certain contracts with joint venture partners, as a member of partnerships, and under other similar arrangements. This situation exposes the Company to a number of risks, including the risk that its partners may be unable or unwilling to fulfill their contractual obligations to the Company or its clients.

SNC-Lavalin's partners may also be unable or unwilling to provide the required levels of financial support to the partnerships. If these circumstances occur, the Company may be required to pay financial penalties or liquidated damages, provide additional services, or make additional investments to ensure adequate performance and delivery of the contracted services. Under agreements with joint and several (or solidary) liabilities, SNC-Lavalin could be liable for both its obligations and those of its partners. These circumstances could also lead to disputes and litigation with the Company's partners or clients, all of which could have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

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

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

Information systems and data and compliance with privacy legislation

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

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

A successful cyber-attack could harm the Company's reputation and adversely affect its business, financial condition and results of operations as it may lead to network failures; unauthorized access to confidential or proprietary information about its business, assets, customers or employees; theft, loss, leakage, destruction or corruption of data, including information about its customers or employees; physical damage to network assets; litigation, fines and liability for failure to comply with privacy and information security laws; increased fraud; lost revenues; the potential for loss of customers or impairment of the Company ability to attract new customers; higher insurance premiums; and the incurrence by the Company of significant costs payable to specialist advisors, such as forensic and external communications/public relations experts, to assist the Company in dealing with such cyber-attacks and the consequences thereof.

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

As a company that operates globally, SNC-Lavalin is subject to a complex array of legislation designed to protect personal and confidential information. Privacy and data protection legislation and regulations are in constant evolution, and it is anticipated that more countries will establish personal data protection frameworks in 2021 and beyond. The ever-changing landscape presents unique compliance challenges for SNC-Lavalin as its business undergoes significant transformation. Presently, the European Union's General Data Protection Regulation and the Canadian federal Personal Information Protection and Electronic Documents Act (PIPEDA) set the global compliance-standard for SNC-Lavalin's personal data compliance framework. In addition, responding to the UK's withdrawal from the European Union ("Brexit") has recently been a key focus for SNC-Lavalin's data protection and compliance efforts. The EU is currently undertaking a review of the UK's data privacy legislative framework before determining how freely personal data may flow across borders and thus there remains a degree of uncertainty in relation to data transfers between the UK and EU.

The constantly evolving nature of technology and applicable privacy legislation and regulations pose increasingly complex compliance challenges and may trigger higher spend by the Company to meet the requirements thereof. Any failure to comply with these laws and regulations could result in significant penalties, legal liability and reputational risk for the Company.

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

Competition

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

Professional liability or liability for faulty services.

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

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

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

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

Insurance coverage

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

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

Health & Safety

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

Qualified personnel

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

Work stoppages, union negotiations and other labour matters

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

Extreme weather conditions and the impact of natural or other disasters and global health crises

The Company's field activities are generally performed outdoors and include professional surveying, resident engineering services, field data surveys and collection, archeology, geotechnical investigations and exploratory drilling, construction oversight and inspection, plant start-up and testing and plant operations. Extreme weather conditions or natural or other disasters, such as earthquakes, fires, floods, epidemics or pandemics (including the current COVID-19 pandemic) and similar events, may cause postponements in the initiation and/or completion of the Company's field activities and may hinder the ability of its employees to perform their duties, which may result in delays or loss of revenues that otherwise would be recognized while certain costs continue to be incurred. Extreme weather conditions or disasters may also delay or eliminate the start and/or completion of various phases

of work relating to other services that commence concurrently with or subsequent to field activities. The Company's financial and/or operating performance could also be adversely affected by the outbreak of epidemics or other public health crises. Refer to the risk factor entitled "Additional impacts of the COVID-19 Pandemic" in this Section for a description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs. Any delay in the completion of the Company's services may require the Company to incur additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules. Due to various factors, a delay in the commencement or completion of a project may also result in penalties or sanctions under contracts or even the cancellation of contracts.

Divestitures and the sale of significant assets

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

Divesting businesses involves risks and uncertainties, such as the difficulty separating assets related to such businesses from the businesses the Company retains, senior management and employee distraction, the need to obtain regulatory approvals and other third-party consents, which potentially disrupts customer and supplier relationships, and the fact that the Company may be subject to additional tax obligations or loss of certain tax benefits. Such actions also involve significant costs and require time and attention of management, which may divert attention from other business operations. Because of these challenges, as well as market conditions or other factors, divestitures may take longer or be costlier or generate fewer benefits than expected and may not be completed at all. If the Company is unable to complete divestitures or to successfully transition divested businesses, its business and financial results could be negatively impacted. If the Company disposes of a business, it may not be able to successfully cause a buyer of a divested business to assume the liabilities of that business or, even if such liabilities are assumed, the Company may have difficulties enforcing its rights, contractual or otherwise, against the buyer. The Company may retain exposure on financial or performance guarantees and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law because of the disposition or the subsequent failure of a buyer. As a result, performance by the divested businesses or other conditions outside of the Company's control could have a material adverse effect on its results of operations. In addition, the divestiture of any business could negatively impact the Company's profitability because of losses that may result from such a sale, the loss of revenues or a decrease in cash flows. Following a divestiture, the Company may also have less diversity in its business and in the markets it serves, as well as in its client base.

Intellectual property

SNC-Lavalin's success depends, in part, upon its ability to protect its intellectual property. The Company relies on a combination of intellectual property policies and other contractual arrangements to protect much of its intellectual property where it does not believe that trademark, patent or copyright protection is appropriate or obtainable. Trade secrets are generally difficult to protect. Although SNC-Lavalin's employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of the Company's confidential information and/or the infringement of the Company's patents and copyrights. Further, the Company may be unable to detect unauthorized use of its intellectual property or otherwise take appropriate steps to enforce its rights. Failure to adequately protect, maintain, or enforce the Company's intellectual property rights may adversely limit the Company's competitive position.

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

Liquidity and financial position

The Company relies on its cash, its credit facilities and other debt instruments, as well as the capital markets to provide some of its liquidity and capital requirements and it is, in certain instances, required to obtain bank guarantees/letters of credit as a means to secure its various contractual obligations for its underlying projects. Significant instability or disruptions of the capital markets or a deterioration in or weakening of its financial position due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the

cost of one or more of these financing sources, including credit facilities, the issuance of medium- and long-term debt (such as the issuance of debentures, bonds or notes), or the availability of bank guarantees/letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate cash balance and generate sufficient cash flow from operations in an amount to enable itself to fund its operations and liquidity needs, service its debt and/or maintain its ability to obtain and secure bank guarantees.

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

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

Indebtedness

The Company had approximately \$2.0 billion of consolidated indebtedness as at December 31, 2020 under recourse, limited recourse and non-recourse debt.

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

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

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

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

A breach of any of these agreements or the Company's inability to comply with these covenants (as the case may be) could, if not cured or waived, result in an acceleration of the Company's consolidated debt or a cross-default

under certain of its debt instruments. If the Company's indebtedness is accelerated, the Company may not be able to service its indebtedness, or borrow sufficient funds to refinance its indebtedness.

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

Impact of operating results and level of indebtedness on financial situation

As outlined in Section 8.4 of this MD&A, the Company is required to maintain a ratio of net recourse debt to EBITDA not to exceed a certain threshold. While the Company met its covenant requirements in both 2020 and 2019, an increase of net recourse debt due to items such as cash requirements of operating activities or the delay/acceleration of certain investing/divestitures or financing transactions, or an inability to generate sufficient adjusted EBITDA to support the level of indebtedness in the ratio calculation in the future, could have a negative impact on the Company, as further described in the risk factor entitled "Indebtedness" above.

Security under the CDPQ Loan Agreement

The CDPQ Loan is secured by all of Highway Holdings' assets, excluding the Highway 407 ETR shares held by Highway Holdings (until such time as Highway Holdings may elect to grant a pledge thereon), as well as the rights and loan receivables of Highway Holdings under the intercompany loan agreement, dated July 10, 2017, between Highway Holdings, as lender, and the Company, as borrower. In addition to this security, SNC-Lavalin Inc. has provided a guarantee (the "Guarantee") in favour of CDPQ RF secured by a pledge given by SNC-Lavalin Inc. to CDPQ RF over 20,900 common shares held by SNC-Lavalin Inc. in the share capital of Highway Holdings (representing approximately 29.9% of the outstanding common shares of Highway Holdings). CDPQ RF's sole recourse against SNC-Lavalin Inc. in connection with the Guarantee and any potential breach or default by Highway Holdings under the CDPQ Loan Agreement is limited to enforcement on or against the shares of the capital of Highway Holdings held by SNC-Lavalin Inc. The Company has a 6.76% ownership interest in Highway 407 ETR through Highway Holdings. The terms of the CDPQ Loan Agreement include various covenants that must be satisfied by Highway Holdings. There can be no assurance that such covenants will be satisfied. Any event of default under the CDPQ Loan Agreement, including in respect of covenants thereunder, could result in, among other things, CDPQ RF demanding immediate payment of all amounts outstanding under the CDPQ Loan Agreement, or forcing the sale of the Highway 407 ETR shares held by Highway Holdings in compliance with the Highway 407 ETR shareholders' agreement at a time, price and in circumstances outside of the Company's control and/or that may not allow for an optimal sale price of such Highway 407 ETR shares, which could have a material adverse effect on the Company's business and financial position.

Dependence on subsidiaries to help repay indebtedness

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

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

provided guarantees of the Company's primary third-party debt instruments and obligations, including the Company's Credit Agreement and its outstanding debentures.

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

Dividends

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

Post-Employment Benefit Obligations, Including Pension-Related Obligations

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

The nature of the funding regime in the U.K. creates uncertainty around the size and timing of cash that Atkins will be required to pay to the pension schemes. The scheduled contribution to the Atkins Pension Plan and the Railways Pension Scheme from Atkins totaled £38.7 million (or approximately CA\$66.6 million) for the year ending December 31, 2020, with annual contributions escalating by 2.5% each year until March 31, 2026. If Atkins is required to increase cash funding contributions, this will reduce the availability of such funds for other corporate purposes and limit its ability to invest in growth. Deteriorating economic conditions may result in significant increases in Atkins' funding obligations, which could restrict available cash for Atkins' operations, capital expenditures and other requirements, and have a material adverse effect on Atkins' business, financial condition and results of operations.

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

Working capital requirements

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

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

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

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

Collection from customers

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

In addition, the Company typically bills clients for engineering services in arrears and is, therefore, subject to its clients delaying or failing to pay invoices after the Company has already committed resources to their projects. If one or more clients delays in paying or fails to pay a significant amount of the Company's outstanding receivables, it could have a material adverse impact on the Company's liquidity, financial condition and results of operations.

Impairment of goodwill and other assets

In accordance with IFRS, goodwill is assessed for impairment no less frequently than on an annual basis by determining whether the recoverable amount of a cash-generating unit ("CGU") or group of CGUs exceeds its carrying amount. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU or group of CGU to which goodwill has been allocated, requiring management's estimates and judgments that are inherently subjective and uncertain, and thus may change over time. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate. The determination of these estimated cash flows requires the exercise of judgment, which might result in significant variances in the carrying amount of these assets.

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

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

RISKS RELATED TO LITIGATION, INVESTIGATIONS, SETTLEMENTS AND REGULATORY MATTERS

The impact on the Company of legal and regulatory proceedings, investigations and litigation settlements

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

In addition, in the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. SNC-Lavalin has been in the past and it is currently a defendant in two shareholder-instituted class action proceedings based on alleged disclosure failures under applicable securities legislation. The Company cannot provide any assurance that similar litigation will not occur in the future with respect to it. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect upon the Company's business, operating results, and financial condition.

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 properly document 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.

In addition, a number of project contracts have warranty periods and/or outstanding claims that may result in legal proceedings that extend beyond the actual performance and completion of the projects.

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. The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters (unrelated to the settlements 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.

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 issued and 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 price of the Company's issued and 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 settlements 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.

In addition, SNC-Lavalin has entered in a number of settlement agreements, including in December 2019 with the Public Prosecution Service of Canada (the “PPSC”) in connection with charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. under Section 380 of the Criminal Code (Canada) (the “Criminal Code”) and Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the “Charges”). As part of the PPSC Settlement, SNC-Lavalin Construction Inc. accepted a plea of guilty to a single charge of fraud (the “Plea”), the Charges were withdrawn and SNC-Lavalin Construction Inc. agreed to pay a fine in the amount of \$280 million, payable in equal installments over 5 years, and to be subject to a three-year probation order. The Company estimated the net present cost of these installments at \$257.3 million at the date of settlement. The Company will comply with the probation order for the three-year period. The Plea may result in, among other things, (i) breaches and/or events of default under various project agreements giving rise to discretionary termination rights in favour of the counterparties thereto, (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 financing, or to continue to 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, potential consequences of the Plea could include, in respect of the Company or one or more of its subsidiaries, suspension, prohibition or debarment from participating in public or private sector projects or bids, or the revocation of authorizations or certifications, by certain governments or by certain administrative organizations. While the Company does not anticipate that the Plea will affect the eligibility of the Company to bid on future projects that are aligned with its newly announced strategic direction, possible suspension, prohibition, debarment or loss of bidding opportunities or the revocation of authorizations or certifications in the short term, as a result of the Plea, could have a short term material adverse effect on the Company’s business, financial condition and liquidity and the market prices of the Company’s publicly traded securities.

The Company cannot predict if any other actions may be taken by any other applicable government or authority or the Company’s customers or other third parties as a result of the Plea.

As previously disclosed, the Company also entered into an administrative agreement with the Canadian government under the Integrity Regime for procurement and real property transactions in connection with the Charges, which terminated on December 18, 2020. The Company has also entered into a settlement agreement with the World Bank Group in connection with the previously announced investigations by the World Bank Group relating to a project in Bangladesh and a project in Cambodia.

Failure by the Company to abide by the terms of any of the above-described settlement agreements could result in serious consequences for the Company, including new sanctions, legal actions and/or suspension from eligibility to carry on business with the government or agency involved or to work on projects funded by them. The Company is taking steps that are expected to mitigate these risks.

A description of the most material legal and regulatory proceedings, investigations and settlements involving SNC-Lavalin and its subsidiaries is set forth in Note 33 to the 2020 Annual Financial Statements.

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

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

In addition, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of the Company’s employees, agents or partners could have a significant negative impact on SNC-Lavalin’s business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal control

over financial reporting, environmental laws and any other applicable laws or regulations. For example, the CFPOA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, SNC-Lavalin provides services that may be highly sensitive or that could relate to critical national security matters; if a security breach were to occur, the Company's ability to procure future government contracts could be severely limited.

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

Reputation of the Company

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework

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

Environmental laws and regulations

SNC-Lavalin is exposed to various environmental risks and is required to comply with environmental laws and regulations which vary from country to country and are subject to change. Any non-compliance by the Company with environmental laws and regulations could result in penalties, lawsuits and potential harm to its reputation.

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

Growing concerns about climate change may also result in the imposition of additional environmental regulations. Legislation, international protocols, regulation or other restrictions on emissions could result in increased compliance costs for the Company and its clients, including those who are involved in the exploration, production or refining of fossil fuels, emit greenhouse gases through the combustion of fossil fuels or emit greenhouse gases through the mining, manufacture, utilization or production of materials or goods. Such policy changes could

increase the costs of projects for clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for the Company's services, which would in turn have a material adverse impact on the Company's business, financial condition and results of operations. However, these changes could also increase the pace of projects, such as carbon capture or storage projects, that could have a positive impact on the Company's business. SNC-Lavalin cannot predict when or whether any of these various proposals may be enacted or what their effect will be on the Company or on its customers.

GLOBAL / MACROECONOMIC RISKS

Brexit

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". Although the U.K. officially left the E.U. trading bloc on January 31, 2020, the U.K. and the E.U. agreed to maintain their then existing relationship broadly unchanged until December 31, 2020 in order to attempt to agree the definitive terms of their future relationship. At the end of 2020, the U.K. and the E.U. agreed to a deal that sets out the new rules for how the U.K. and the E.U. countries will, among other things, coexist, work and trade together.

Brexit could result in increased geopolitical and economic risks, currency exchange fluctuations, border disturbances, and could cause disruptions to and create uncertainty surrounding the Company's businesses, including affecting the Company's relationships with existing and future customers, suppliers and, given the inability for individuals to continue to freely work and live between the U.K. and the E.U., employees, which could in turn have a material adverse effect on the Company's financial results and operations. There could also be greater restrictions on imports and exports between the U.K. and E.U. countries and could also result in increased regulatory and taxation complexities. These changes may adversely affect the Company's operations and financial results.

Global economic conditions

Fluctuations in global economic conditions, including the continued impact of the COVID-19 pandemic, may have an impact on clients' willingness and ability to fund their projects. These conditions could make it difficult for the Company's clients to accurately forecast and plan future business trends and activities, thereby causing clients to slow or even curb spending on the Company's services, or seek contract terms more favourable to them. SNC-Lavalin's government clients may face budget deficits that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate contracts with little or no prior notice. Furthermore, any financial difficulties suffered by the Company's partners, subcontractors or suppliers could increase cost or adversely impact project schedules. These economic conditions continue to reduce the availability of liquidity and credit to fund or support the continuation and expansion of industrial business operations worldwide. Volatile financial market conditions and adverse credit market conditions could adversely affect clients', partners' or the Company's own borrowing capacity, which support the continuation and expansion of projects worldwide, and could result in contract cancellations or suspensions, project delays, payment delays or defaults by the Company's clients. SNC-Lavalin's ability to operate or expand its business would be limited if, in the future, the Company is unable to access sufficient credit capacity, including capital market funding, bank credit, such as letters of credit, and surety bonding on favourable terms or at all. These disruptions could materially impact the Company's remaining performance obligations, revenues and net income.

Fluctuations in commodity prices

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

Company's services decreases, which may have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

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

Income taxes

The Company is subject to income taxes in various jurisdictions throughout the world. The tax legislation, regulations and interpretation that apply to its operations are continually changing. Moreover, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which the Company operates and holds assets. Careful judgment is necessary in determining the required provision for income taxes and management uses accounting and fiscal principles to determine income tax positions that it believes are likely to be sustained. However, there is no assurance that the Company's tax benefits or tax liabilities will not materially differ from its estimates or expectations. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although management believes that its tax estimates and tax positions are reasonable, they could nonetheless be materially affected by many factors, including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations, and related interpretations, the Company's global mix of earnings and the realizability of deferred income tax assets. Any of the above factors could have a material adverse effect on the Company's net income or cash flows by affecting its operations and profitability, the availability of tax credits, the cost of the services it provides, and the availability of deductions for operating losses as the Company grows its business. An increase or decrease in the Company's effective income tax rate could have a material adverse impact on its financial condition and results of operations.

Controls and Procedures

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

15.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

- i. Material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and
- ii. Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2020.

The CEO and the CFO have also evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures, and its internal control over financial reporting, in each case as at December 31, 2020.

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2020, using the *Internal Control – Integrated Framework (2013 Framework)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

15.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)

	2020					2019 ⁽¹⁾				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Continuing operations										
Revenues:										
SNCL Engineering Services ⁽¹⁾	1,534.8	1,469.5	1,447.7	1,523.0	5,975.0	1,442.0	1,499.8	1,501.9	1,573.6	6,017.3
SNCL Projects	287.5	168.9	294.5	152.3	903.1	383.6	262.3	346.1	357.8	1,349.8
Capital ⁽¹⁾	46.2	21.6	38.9	22.6	129.4	72.2	74.7	79.6	36.2	262.7
Total Revenues	1,868.5	1,660.0	1,781.1	1,697.9	7,007.5	1,897.8	1,836.8	1,927.6	1,967.6	7,629.8
EBIT	14.9	(21.5)	87.4	(372.7)	(292.0)	67.5	(122.5)	3,156.5	(132.9)	2,968.6
Net financial expenses	31.9	25.9	28.7	27.5	114.0	52.4	92.7	41.7	28.4	215.1
Earnings (loss) before income taxes from continuing operations	(17.0)	(47.5)	58.7	(400.2)	(406.0)	15.2	(215.2)	3,114.9	(161.3)	2,753.5
Income taxes	(21.4)	(24.0)	66.9	(80.5)	(59.0)	(4.4)	(24.4)	324.2	15.0	310.3
Net income (loss) from continuing operations	4.4	(23.5)	(8.1)	(319.7)	(346.9)	19.6	(190.8)	2,790.6	(176.3)	2,443.2
Net loss from discontinued operations	(66.9)	(86.3)	(76.3)	(379.8)	(609.3)	(37.9)	(1,927.9)	(34.0)	(112.7)	(2,112.6)
Net income (loss)	(62.5)	(109.9)	(84.4)	(699.5)	(956.3)	(18.3)	(2,118.7)	2,756.6	(289.0)	330.6
Net income (loss) attributable to:										
SNC-Lavalin shareholders	(66.0)	(111.6)	(85.1)	(702.7)	(965.4)	(17.3)	(2,118.3)	2,756.7	(292.9)	328.2
Non-controlling interests	3.4	1.8	0.7	3.3	9.2	(1.0)	(0.4)	(0.1)	3.9	2.4
Net income (loss)	(62.5)	(109.9)	(84.4)	(699.5)	(956.3)	(18.3)	(2,118.7)	2,756.6	(289.0)	330.6
Basic earnings (loss) per share (\$)	(0.38)	(0.64)	(0.48)	(4.00)	(5.50)	(0.10)	(12.07)	15.70	(1.67)	1.87
Diluted earnings (loss) per share (\$)	(0.38)	(0.64)	(0.48)	(4.00)	(5.50)	(0.10)	(12.07)	15.70	(1.67)	1.87
Net income (loss) from continuing operations attributable to:										
SNC-Lavalin shareholders	1.0	(25.3)	(8.8)	(322.9)	(356.1)	20.6	(190.4)	2,790.7	(180.2)	2,440.8
Non-controlling interests	3.4	1.8	0.7	3.3	9.2	(1.0)	(0.4)	(0.1)	3.9	2.4
Net income (loss) from continuing operations	4.4	(23.5)	(8.1)	(319.7)	(346.9)	19.6	(190.8)	2,790.6	(176.3)	2,443.2
Basic earnings (loss) per share from continuing operations (\$)	0.01	(0.14)	(0.05)	(1.84)	(2.03)	0.12	(1.08)	15.90	(1.03)	13.90
Diluted earnings (loss) per share from continuing operations (\$):										
From PS&PM	0.12	(0.18)	(0.20)	(2.03)	(2.29)	(0.17)	(1.46)	0.86	(1.13)	(1.90)
From Capital	(0.11)	0.04	0.15	0.19	0.27	0.29	0.40	15.00	0.10	15.79
Diluted earnings (loss) per share from continuing operations (\$)	0.01	(0.14)	(0.05)	(1.84)	(2.03)	0.12	(1.08)	15.90	(1.03)	13.90
Dividend declared per share (\$)	0.02	0.02	0.02	0.02	0.08	0.10	0.10	0.02	0.02	0.24
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM from continuing operations	21.0	(31.9)	(34.4)	(356.4)	(401.7)	(29.4)	(255.8)	150.9	(197.7)	(332.0)
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments from continuing operations:										
From Highway 407 ETR	21.1	—	16.9	—	38.0	41.9	41.9	41.9	20.3	146.1
From other Capital investments	(41.2)	6.6	8.6	33.5	7.5	8.1	23.5	2,597.9	(2.8)	2,626.7
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	1.0	(25.3)	(8.8)	(322.9)	(356.1)	20.6	(190.4)	2,790.7	(180.2)	2,440.8

⁽¹⁾ Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services and, furthermore, comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

Glossary

Adjusted diluted earnings per share (“Adjusted diluted EPS”) is defined as adjusted net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS is a non-IFRS financial measure that is an indicator of the financial performance of the Company’s activities and allows the Company to present the adjusted net income (loss) attributable to SNC-Lavalin shareholders on a diluted share basis.

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate operating performance comparison from period to period and to prepare annual operating budgets and forecasts. Adjusted EBITDA is based on EBITDA from continuing operations, and excludes charges related to restructuring costs, acquisition-related costs and integration costs, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the adjustment to provision for the Pyrrhotite Case litigation, the Federal charges settlement (PPSC) expense, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the GMP equalization expenses and the impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell.

Adjusted net income (loss) attributable to SNC-Lavalin Shareholders is a non-IFRS financial measure defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, excluding charges related to restructuring costs, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), financing costs related to the agreement to sell shares of Highway 407 ETR, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the federal charges settlement (PPSC) expense, the adjustment to provision for the Pyrrhotite Case litigation, impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell and the GMP equalization expense.

Booking-to-revenue ratio corresponds to contract bookings divided by revenues, for a given period.

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

Days Sales Outstanding (“DSO”) for the EDPM segment corresponds to the average number of days needed to convert the trade receivables and contract assets of the EDPM

segment, all using a 12 month average balance; the result is then divided by the 12 month average revenue of the segment and multiplied by 365 days, in order to calculate a number of days.

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

EBIT is defined as earnings from continuing operations before net financial expenses (income) and income taxes.

EBITDA is defined as earnings from continuing operations before net financial expenses (income), income taxes, depreciation and amortization.

EDPM incorporates all consultancy, engineering, design and project management services around the world. It also leads our efforts to transform the global infrastructure sector by leveraging data and technology to improve the delivery of our clients’ projects from conception through to eventual operation. EDPM projects are mainly in transportation (including rail, mass transit, roads and airports), civil infrastructure, aerospace, defense and security and technology, including some of the world’s most transformational projects. A significant portion of EDPM’s revenues are derived from the public sector, including national, provincial, state and local and municipal authorities.

EPC Type of agreement whereby the Company provides Engineering, Procurement and Construction.

EPCM Type of agreement whereby the Company provides services related to Engineering, Procurement, and Construction Management activities.

IFRS International financial reporting standards.

Infrastructure EPC Projects includes LSTK construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. In July 2019, the Company decided to cease bidding on new LSTK construction contracts.

Infrastructure Services includes O&M projects, as well as the Company’s repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity.

LSTK stands for lump-sum turnkey.

LSTK construction contracts: Under LSTK construction contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit

Glossary (continued)

margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs.

Net recourse debt (or Cash net of recourse debt) corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt.

Nuclear supports clients across the entire nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and decommissioning and waste management. As stewards of the CANDU technology, it also provides new build and full refurbishment services of CANDU reactors.

PS&PM (Professional Services & Project Management) (formerly referred to as E&C, or engineering and construction) includes contracts generating revenues derived mainly from consulting & advisory, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, O&M, decommissioning and sustaining capital. It also includes revenues from LSTK construction contracts, for which the Company ceased to bid in July 2019, except for certain repetitive EPC offerings that are lower-risk, standardized solutions.

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

Resources provides a full suite of delivery services primarily to the mining & metallurgy sector, covering the project lifecycle from project development through project delivery and support services. Resources ceased bidding for new EPC projects under the LSTK construction contracting modeling in July 2019. Resources is now focused on providing engineering, EPCM, project management consultancy ("PMC"), commissioning and technical support services through a lower risk contracting model and operational delivery is focused on key regions and global clients. Resources also includes the operating phase of a Build-Own-Operate (BOO) contract in the United States. In the past, Resources included services and LSTK projects in Oil & Gas, which are now presented as discontinued operations.

Return on Average Shareholders' Equity ("ROASE") corresponds to the trailing 12-month net income

(loss) attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

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

Segment Adjusted EBIT consists of revenues allocated to the applicable segment less i) direct costs of activities, ii) directly related selling, general and administrative expenses, and iii) corporate selling, general and administrative expenses that are allocated to segments. Expenses that are not allocated to the Company's segments are: certain corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, gain (loss) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, the federal charges settlement (PPSC) expense and gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell, net financial expenses and income taxes.

Segment Adjusted EBITDA is a supplemental measure derived from Segment Adjusted EBIT and used by management to evaluate the performance of the Company's segments but excluding certain items related to investing activities, through the exclusion of depreciation and amortization from direct costs of activities.

Segment Adjusted EBIT to revenue ratio and Segment Adjusted EBITDA to revenue ratio are two measures used to analyze the profitability of the Company's segments and facilitate period-to-period comparisons, as well as comparison with peers. These financial measures are calculated by dividing the amount of Segment Adjusted EBIT (Segment Adjusted EBITDA) of a given period to the amount of revenue for the same period.

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

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

TEN-YEAR STATISTICAL SUMMARY

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, UNLESS OTHERWISE INDICATED)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues ⁽¹⁾ :										
From PS&PM	6,878.1	7,367.1	9,819.3	9,096.7	8,223.1	9,363.5	7,334.7	7,149.3	7,525.9	6,708.5
From Capital	129.4	262.7	264.7	238.0	247.7	223.4	904.1	763.8	565.1	501.4
	7,007.5	7,629.8	10,084.0	9,334.7	8,470.8	9,587.0	8,238.8	7,913.2	8,091.0	7,209.9
Restructuring costs and Impairment of goodwill and of intangible assets related to business combinations ⁽¹⁾	63.3	79.7	1,309.0	26.4	115.4	116.4	109.9	123.5	-	-
Acquisition-related costs and integration costs	-	8.3	54.9	124.3	4.4	19.6	62.5	-	-	-
EBIT ⁽¹⁾⁽²⁾	(292.0)	2,968.6	(1,160.4)	603.4	312.1	521.6	1,877.4	228.8	499.5	595.6
Net income (loss) from continuing operations ⁽¹⁾	(346.9)	2,443.2								
Net loss from discontinued operations ⁽¹⁾	(609.3)	(2,112.6)								
Net income (loss)	(956.3)	330.6	(1,316.3)	383.2	256.6	437.5	1,334.6	36.4	306.3	385.9
Net income (loss) attributable to:										
SNC-Lavalin shareholders	(965.4)	328.2	(1,316.9)	382.0	255.5	404.3	1,333.3	35.8	305.9	377.4
Non-controlling interests	9.2	2.4	0.6	1.1	1.0	33.2	1.2	0.6	0.4	8.5
Net income (loss)	(956.3)	330.6	(1,316.3)	383.2	256.6	437.5	1,334.6	36.4	306.3	385.9
Acquisition of property and equipment:										
From PS&PM	75.8	122.4	152.9	124.8	151.4	116.0	70.2	55.5	96.2	67.2
From Capital	-	-	-	-	-	-	1,522.4	1,545.9	849.2	545.8
	75.8	122.4	152.9	124.8	151.4	116.0	1,592.5	1,601.5	945.4	613.0
Depreciation and amortization ⁽¹⁾⁽²⁾ :										
From PS&PM	320.5	358.4	324.6	215.6	140.6	162.4	113.7	67.9	61.6	45.4
From Capital	0.2	0.2	-	-	2.5	-	53.5	133.1	99.2	93.1
	320.7	358.6	324.6	215.6	143.1	162.4	167.2	201.0	160.8	138.5
Net financial expenses ⁽¹⁾⁽²⁾ :										
From PS&PM	97.7	197.3	156.0	107.8	27.9	(7.7)	38.9	19.5	13.7	15.5
From Capital	16.3	17.8	11.5	10.0	14.2	8.0	180.9	131.2	112.5	99.7
	114.0	215.1	167.5	117.8	42.1	0.3	219.8	150.7	126.2	115.2
EBITDA ⁽¹⁾⁽²⁾ :										
From PS&PM	(27.8)	143.7	140.5	589.4	219.1	333.7	(160.0)	(131.6)	273.1	389.9
From Capital	56.5	3,183.5	264.1	229.6	236.1	350.3	2,233.1	617.8	387.2	344.1
	28.7	3,327.2	404.6	818.9	455.2	684.0	2,073.1	486.2	660.3	734.0
Return on average shareholders' equity ⁽³⁾	(33.4)%	9.9%	(28.2)%	9.5%	7.1%	12.0%	58.7%	1.6%	14.6%	19.1%

Certain totals, subtotals and percentages may not be reconciled due to rounding.

Certain indicators used by the Company to analyze and evaluate its results, which are listed in the ten-year statistical summary table, are non-IFRS financial measures or additional IFRS measures. Consequently, they do not have a standardized meaning as prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS financial measures provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Definitions of all non-IFRS financial measures and additional IFRS measures are provided in the Company's 2020 Management's Discussion and Analysis ("MD&A") to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS in its MD&A.

- (1) 2019 comparative figures have been re-presented as a result of an operation discontinued during 2020. Please refer to Note 2C "Changes in presentation" in the Company's 2020 audited annual consolidated financial statements for more information. 2018 and prior comparative figures were not re-presented.
- (2) Effective January 1, 2019, the company adopted IFRS 16, *Leases*, using the modified retrospective approach. Under IFRS 16, depreciation of right-of-use asset and interest expense on the lease liability replace the operating lease expenses which were recognized under the previous standard. As permitted under the modified retrospective approach, the prior periods were not restated.
- (3) Excluding other components of equity.

TEN-YEAR STATISTICAL SUMMARY (CONTINUED)

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, UNLESS OTHERWISE INDICATED)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Supplementary information:										
Net income (loss) attributable to SNC-Lavalin shareholders										
From PS&PM	(1,011.0)	(2,444.6)	(1,563.0)	176.0	46.3	95.8	(300.5)	(245.8)	149.0	246.2
From Capital investments:										
From Highway 407 ETR	38.0	146.1	154.3	141.7	132.5	125.8	122.5	114.1	100.6	77.2
From AltaLink	-	-	-	-	-	-	175.6	91.8	54.5	33.8
From other Capital investments	7.5	2,626.7	91.8	64.3	76.7	182.7	1,335.9	75.7	1.8	20.2
Net income (loss) attributable to SNC-Lavalin shareholders	(965.4)	328.2	(1,316.9)	382.0	255.5	404.3	1,333.3	35.8	305.9	377.4
Earnings (loss) per share (\$):										
Basic	(5.50)	1.87	(7.50)	2.35	1.70	2.68	8.76	0.24	2.03	2.50
Diluted	(5.50)	1.87	(7.50)	2.34	1.70	2.68	8.74	0.24	2.02	2.48
Weighted average number of outstanding shares (in thousands):										
Basic	175,554	175,554	175,541	162,910	150,077	150,918	152,218	151,497	151,058	150,897
Diluted	175,554	175,554	175,541	163,029	150,279	150,988	152,605	151,814	151,304	151,940
Annual dividends declared per share (\$) ⁽⁴⁾	0.08	0.24	1.148	1.092	1.04	1.00	0.96	0.92	0.88	0.84

AT DECEMBER 31 (IN MILLIONS \$, UNLESS OTHERWISE INDICATED)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of employees	37,584	46,490	52,435	52,448	34,952	36,754	42,003	29,714	33,909	28,100
Revenue backlog ⁽¹⁾⁽⁵⁾	13,187.8	14,137.7	14,885.0	10,406.4	10,677.4	11,991.9	12,325.5	8,287.8	10,133.4	10,088.0
Cash and cash equivalents	932.9	1,188.6	634.1	706.5	1,055.5	1,581.8	1,702.2	1,108.7	1,174.9	1,231.0
Working capital	(222.9)	622.2	(950.1)	111.9	227.9	108.1	(365.4)	(527.0)	(267.9)	32.0
Property and equipment:										
From PS&PM	375.9	470.6	482.6	414.1	298.3	265.1	246.1	180.4	193.1	159.9
From Capital	-	-	-	-	-	-	-	5,132.0	3,470.0	2,637.7
	375.9	470.6	482.6	414.1	298.3	265.1	246.1	5,312.4	3,663.1	2,797.6
Recourse long-term debt	996.0	873.1	1,171.4	1,026.8	349.4	349.1	348.9	348.7	348.5	348.4
Limited recourse long-term debt	400.0	400.0	980.3	1,475.2	-	-	-	-	-	-
Non-recourse long-term debt	400.3	391.5	339.5	297.4	472.6	525.8	530.7	3,536.9	2,000.7	1,561.4
Equity attributable to SNC-Lavalin shareholders	2,557.5	3,715.0	3,650.9	5,225.1	3,873.2	3,868.2	3,313.8	2,036.7	2,075.4	1,883.1
Book value per share (\$)	14.57	21.16	20.80	29.77	25.76	25.83	21.73	13.42	13.74	12.47
Number of outstanding common shares (in thousands)	175,554	175,554	175,554	175,488	150,357	149,772	152,465	151,807	151,069	151,034
Closing market price per share (\$)	21.73	29.95	45.92	57.05	57.79	41.12	44.31	47.79	40.32	51.08
Market capitalization	3,814.8	5,257.8	8,061.5	10,011.6	8,689.1	6,158.6	6,755.7	7,254.8	6,091.1	7,714.8

Certain totals, subtotals and percentages may not be reconciled due to rounding.

(4) Dividends declared are classified in the period based on the declaration date.

(5) Effective January 1, 2018, the Company's definition of backlog has been changed and now corresponds to the concept of remaining performance obligations, which is based on IFRS 15, *Revenue from Contracts with Customers*, without restatement of the prior periods.

Information for shareholders

Common Share Information

LISTED: Toronto Stock Exchange

SYMBOL: SNC

SHARES OUTSTANDING: 175.6 million (December 31, 2020)

MARKET CAPITALIZATION: \$3.815 billion (December 31, 2020)

Registrar and Transfer Agent

If you would like to modify your address, eliminate multiple mailings, transfer SNC-Lavalin shares, or for other information on your shareholder account such as dividends and registration, please contact:

Computershare Investor Services Inc.

100 University Ave., 8th Floor, North Tower, Toronto ON, M5J 2Y1

Telephone: 1-800-564-6253

Website: www.investorcentre.com

Investor Relations

Denis Jasmin, Vice-President, Investor Relations

denis.jasmin@snclavalin.com

514-393-1000

Annual Meeting

The Annual Shareholders' Meeting will be held on Friday, May 14, 2021. To learn more, go to www.snclavalin.com/en/investors/shareholder-information/general-information.

Corporate Governance

Our website provides information on our corporate governance practices, including our Code of Conduct, and the mandates for the Board of Directors and the Board committees as well as various position descriptions. To learn more, go to www.snclavalin.com and click on About Us.

Sustainability

SNC-Lavalin puts sustainability at the heart of its business strategy and undertakes business activities in a way that is beneficial to the environment, society and global and local economies. Our sustainable business strategy is aligned with the UN Sustainable Development Goals and recognizes the importance of advancing the triple bottom line of environmental, social and economic sustainability. To learn more on our Sustainability, go to www.snclavalin.com/en/sustainability.

Code of Conduct

Our Code of Conduct seeks to promote integrity and transparency in the conduct of our business and in our relations with our colleagues, directors, shareholders and business partners, including customers, associates and suppliers. To learn more on our Code of Conduct, go to www.snclavalin.com/en/about/integrity.

Proxy Circular

The proxy circular contains information about our directors, Board committee reports and further details of our corporate governance practices. This document is available online at www.snclavalin.com.

Have Your Say

If you would like to ask a question, you can submit it at investors@snclavalin.com or at chairoftheboard@snclavalin.com. You can also send your question in by writing to the Associate General Counsel and Corporate Secretary at:

Associate General Counsel and Corporate Secretary
455 René-Lévesque Blvd. West, Montreal QC, H2Z 1Z3, Canada

Head Office

SNC-Lavalin Group Inc.

455 René-Lévesque Blvd West, Montreal QC, H2Z 1Z3, Canada

www.snclavalin.com

We invite you to visit our website at www.snclavalin.com to learn more about SNC-Lavalin, our governance practices, our continuous disclosure materials and to obtain electronic copies of this and other reports.

Exemplaires en français

Pour télécharger la version française de ce rapport ou en demander un exemplaire, veuillez consulter la section Investisseurs au www.snclavalin.com.

At SNC-Lavalin,
we recognize
the importance
of helping protect
the environment.

Our financial report is available online.
We invite you to visit our website at
www.snclavalin.com for a list of our offices
and to learn more about SNC-Lavalin.



SNC • LAVALIN

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