SNC·LAVALIN

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Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three-month periods ended
March 31, 2021 and 2020

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	MARCH 31 2021	DECEMBER 31 2020
ASSETS			
Current assets			
Cash and cash equivalents		**$ 702,685**	$ 932,902
Restricted cash		**37,533**	29,300
Trade receivables		**1,224,507**	1,199,166
Contract assets		**1,124,761**	1,090,149
Inventories		**17,112**	16,122
Other current financial assets		**227,317**	257,432
Other current non-financial assets		**293,831**	253,311
Assets of disposal groups classified as held for sale	14	**276,538**	273,174
Total current assets		**3,904,284**	4,051,556
Property and equipment		**357,322**	375,864
Right-of-use assets		**331,325**	346,824
Capital investments accounted for by the equity method	4	**372,434**	378,730
Capital investments at fair value through other comprehensive income	4	**10,928**	9,666
Goodwill		**3,401,789**	3,429,478
Intangible assets related to business combinations		**518,223**	544,059
Deferred income tax asset		**622,958**	655,838
Non-current portion of receivables under service concession arrangements		**436,474**	433,914
Other non-current financial assets		**22,507**	31,398
Other non-current non-financial assets		**114,431**	82,951
Total assets		**$ 10,092,675**	$ 10,340,278
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and accrued liabilities		**$ 1,780,500**	$ 1,730,398
Contract liabilities		**769,239**	836,991
Other current financial liabilities		**245,015**	187,754
Other current non-financial liabilities		**496,985**	473,780
Current portion of provisions		**377,570**	401,585
Current portion of lease liabilities		**95,097**	97,409
Short-term debt and current portion of long-term debt:			
Recourse		**—**	174,960
Non-recourse		**31,034**	31,262
Liabilities of disposal groups classified as held for sale	14	**316,735**	340,303
Total current liabilities		**4,112,175**	4,274,442
Long-term debt:			
Recourse		**996,306**	996,005
Limited recourse		**400,000**	400,000
Non-recourse		**397,589**	400,283
Other non-current financial liabilities		**136,702**	193,861
Non-current portion of provisions		**631,330**	753,226
Non-current portion of lease liabilities		**381,011**	399,201
Other non-current non-financial liabilities		**252**	219
Deferred income tax liability		**373,978**	354,348
Total liabilities		**7,429,343**	7,771,585
Equity			
Share capital		**1,805,080**	1,805,080
Retained earnings		**627,482**	478,351
Other components of equity	8	**(380,141)**	(320,067)
Other components of equity of disposal groups classified as held for sale	14	**598,636**	594,141
Equity attributable to SNC-Lavalin shareholders		**2,651,057**	2,557,505
Non-controlling interests		**12,275**	11,188
Total equity		**2,663,332**	2,568,693
Total liabilities and equity		**$ 10,092,675**	$ 10,340,278

See accompanying notes to interim condensed consolidated financial statements

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

2021

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 8)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of the period	**175,554**	**$ 1,805,080**	**$ 478,351**	**$ 274,074**	**$ 2,557,505**	**$ 11,188**	**$ 2,568,693**
Net income for the period	**—**	**—**	**73,045**	**—**	**73,045**	**943**	**73,988**
Other comprehensive income (loss) for the period	**—**	**—**	**79,597**	**(55,579)**	**24,018**	**144**	**24,162**
Total comprehensive income (loss) for the period	**—**	**—**	**152,642**	**(55,579)**	**97,063**	**1,087**	**98,150**
Dividends declared (Note 7)	**—**	**—**	**(3,511)**	**—**	**(3,511)**	**—**	**(3,511)**
Balance at end of the period	**175,554**	**$ 1,805,080**	**$ 627,482**	**$ 218,495**	**$ 2,651,057**	**$ 12,275**	**$ 2,663,332**

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

2020

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

See accompanying notes to interim condensed consolidated financial statements

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		THREE MONTHS ENDED MARCH 31	
	Note	**2021**	2020 [1]
Continuing operations			
Revenues from:			
PS&PM		**$ 1,798,006**	$ 1,822,277
Capital investments accounted for by the consolidation method or at fair value through other comprehensive income		**11,618**	10,840
Capital investments accounted for by the equity method		**10,115**	35,402
		1,819,739	1,868,519
Direct costs of activities		**1,676,420**	1,713,112
Corporate selling, general and administrative expenses		**16,251**	36,785
Impairment loss from expected credit losses		**—**	874
Loss (gain) arising on financial assets (liabilities) at fair value through profit or loss		**(4,172)**	61,937
Restructuring and transformation costs		**4,883**	485
Amortization of intangible assets related to business combinations		**23,345**	40,456
Gain on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**(456)**	—
EBIT [2]		**103,468**	14,870
Financial expenses	5	**28,244**	36,478
Financial income and foreign exchange losses (gains)	5	**2,929**	(4,565)
Earnings (loss) before income taxes from continuing operations		**72,295**	(17,043)
Income taxes		**3,609**	(21,417)
Net income from continuing operations		**68,686**	4,374
Net income (loss) from discontinued operations	14	**5,302**	(66,914)
Net income (loss) for the period		**$ 73,988**	$ (62,540)
Net income from continuing operations attributable to:			
SNC-Lavalin shareholders		**$ 67,743**	$ 950
Non-controlling interests		**943**	3,424
Net income from continuing operations for the period		**$ 68,686**	$ 4,374
Net income (loss) attributable to:			
SNC-Lavalin shareholders		**$ 73,045**	$ (65,964)
Non-controlling interests		**943**	3,424
Net income (loss) for the period		**$ 73,988**	$ (62,540)
Earnings per share from continuing operations (in $)			
Basic		**$ 0.39**	$ 0.01
Diluted		**$ 0.39**	$ 0.01
Weighted average number of outstanding shares (in thousands)			
Basic		**175,554**	175,554
Diluted		**175,554**	175,554

(1) Comparative figures have been re-presented (see Notes 2C and 14).

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

See accompanying notes to interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2021		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income from continuing operations for the period	**$ 67,743**	**$ 943**	**$ 68,686**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	**(55,045)**	**(583)**	**(55,628)**
Cash flow hedges (Note 8)	**(4,284)**	**727**	**(3,557)**
Share of other comprehensive income of investments accounted for by the equity method (Note 8)	**274**	**—**	**274**
Income taxes (Note 8)	**2,795**	**—**	**2,795**
Total of items that will be reclassified subsequently to net income	**(56,260)**	**144**	**(56,116)**
Equity instruments designated at fair value through other comprehensive income (Note 8)	**1,659**	**—**	**1,659**
Remeasurement of defined benefit plans (Note 8)	**95,230**	**—**	**95,230**
Income taxes (Note 8)	**(18,003)**	**—**	**(18,003)**
Total of items that will not be reclassified subsequently to net income	**78,886**	**—**	**78,886**
Total other comprehensive income from continuing operations for the period	**22,626**	**144**	**22,770**
Net income from discontinued operations for the period	**5,302**	**—**	**5,302**
Other comprehensive income from discontinued operations	**1,392**	**—**	**1,392**
Total other comprehensive income from discontinued operations for the period	**6,694**	**—**	**6,694**
Total comprehensive income for the period	**$ 97,063**	**$ 1,087**	**$ 98,150**

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2020 (1)		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income from continuing operations for the period	$ 950	$ 3,424	$ 4,374
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	177,883	546	178,429
Cash flow hedges (Note 8)	(9,177)	910	(8,267)
Share of other comprehensive loss of investments accounted for by the equity method (Note 8)	(2,481)	—	(2,481)
Income taxes (Note 8)	249	—	249
Total of items that will be reclassified subsequently to net income	166,474	1,456	167,930
Equity instruments designated at fair value through other comprehensive income (Note 8)	527	—	527
Income taxes (Note 8)	16	—	16
Remeasurement of defined benefit plans (Note 8)	462,448	—	462,448
Income taxes (Note 8)	(78,915)	—	(78,915)
Total of items that will not be reclassified subsequently to net income	384,076	—	384,076
Total other comprehensive income from continuing operations for the period	550,550	1,456	552,006
Net loss from discontinued operations for the period	(66,914)	—	(66,914)
Other comprehensive loss from discontinued operations	(12,246)	—	(12,246)
Total other comprehensive loss from discontinued operations for the period	(79,160)	—	(79,160)
Total comprehensive income for the period	$ 472,340	$ 4,880	$ 477,220

(1) Comparative figures have been re-presented (see Notes 2C and 14).

See accompanying notes to interim condensed consolidated financial statements

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [1] (UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THREE MONTHS ENDED MARCH 31	
	Note	2021	2020
Operating activities			
Net income (loss) for the period		**$ 73,988**	$ (62,540)
Income taxes paid		**(17,231)**	(34,570)
Interest paid [2]		**(29,551)**	(32,178)
Other reconciling items	9A	**20,405**	150,208
		47,611	20,920
Net change in non-cash working capital items	9B	**(41,999)**	2,434
Net cash generated from operating activities		**5,612**	23,354
Investing activities			
Acquisition of property and equipment		**(18,694)**	(24,189)
Payments for Capital investments		**—**	(46,832)
Refunds for Capital investments		**397**	—
Change in restricted cash position		**—**	26,612
Increase in receivables under service concession arrangements		**(54,204)**	(35,356)
Recovery of receivables under service concession arrangements		**55,505**	15,954
Other		**(8,713)**	7,233
Net cash used for investing activities		**(25,709)**	(56,578)
Financing activities			
Increase in debt	9C	**8,623**	1,003,702
Repayment of debt and payment for debt issue costs	9C	**(187,513)**	(30,433)
Payment of lease liabilities	9C	**(25,642)**	(30,002)
Dividends paid to SNC-Lavalin shareholders	7, 9C	**—**	(3,511)
Other	9C	**(937)**	(381)
Net cash generated from (used for) financing activities		**(205,469)**	939,375
Increase (decrease) from exchange differences on translating cash and cash equivalents		**(4,651)**	7,537
Net increase (decrease) in cash and cash equivalents		**(230,217)**	913,688
Cash and cash equivalents at beginning of period		**932,902**	1,188,636
Cash and cash equivalents at end of period		**$ 702,685**	$ 2,102,324

(1) SNC-Lavalin has elected to present an interim condensed 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 14.

(2) Effective January 1, 2021, the Company combined "Interest paid from PS&PM" and "Interest paid from Capital investments", both presented in operating activities, into "Interest paid", also in operating activities, in the interim condensed consolidated statement of cash flows. The Company represented the comparative figures accordingly.

See accompanying notes to interim condensed consolidated financial statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

SNC-Lavalin Group Inc. is incorporated under the Canada Business Corporations Act and has its registered office at 455 René-Lévesque Boulevard West, Montreal, Quebec, H2Z 1Z3, Canada. 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.

In these unaudited interim condensed consolidated financial statements ("financial statements"), activities related to Professional Services & Project Management ("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. BASIS OF PREPARATION

A) BASIS OF PREPARATION

The Company's financial statements 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.

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

The International Financial Reporting Standards ("IFRS") accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2020 were consistently applied to all periods presented.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 to the Company's annual audited consolidated financial statements for the year ended December 31, 2020 and are updated in these financial statements.

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

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

These financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2020.

The Company's financial statements were authorized for issue by the Board of Directors of the Company on May 13, 2021.

2. BASIS OF PREPARATION (CONTINUED)

B) NEW AMENDMENTS ADOPTED IN THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

The following amendments to existing standards were adopted by the Company on January 1, 2021:

- *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.

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

Progress in and risks arising from the transition to alternative benchmark interest rates

The transition from interbank offered rates ("IBORs") to alternative benchmark interest rates will impact financial instruments referencing IBOR rates for terms that extend beyond December 31, 2021. Transition activities are focused on two broad streams of work: i) identifying existing LIBOR based contracts; and ii) determining how to convert such contracts to alternative risk-free rates.

SNC-Lavalin's timeline to identify and eventually convert its existing LIBOR (GBP and EUR) based contracts is currently estimated to be at the latest by December 31, 2021 and its existing LIBOR (USD) based contracts is currently estimated to be at the latest by June 30, 2023, based on the recommended target dates for cessation of LIBOR-based products provided by the regulators. SNC-Lavalin also monitors its exposures to benchmark rates that have no announced plans for cessation or further reform, including the Canadian Dollar Offered Rate ("CDOR") and the Euro Interbank Offered Rate ("EURIBOR").

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, *Accounting Policies, Changes in Accounting Estimates and Errors*, ("IAS 8") resulting in the restatement of prior period figures (see Note 3).

Discontinued Operations

Certain comparative amounts in the interim condensed consolidated income statement and in the interim condensed 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 (see Note 14).

D) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

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.

2. BASIS OF PREPARATION (CONTINUED)

- 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 amendments to existing standards have been issued and are 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.

3. SEGMENT DISCLOSURES

The Company has six reportable segments consisting of EDPM, Nuclear, Infrastructure Services, Resources and Infrastructure EPC Projects (which together regroup PS&PM activities), and Capital, the latter being its own reportable segment and separate from PS&PM.

THREE MONTHS ENDED MARCH 31	2021		2020 [1], [2]	
	REVENUES	SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT
EDPM	**$ 933,202**	**$ 80,582**	$ 945,148	$ 57,535
Nuclear	**229,116**	**31,825**	236,934	36,699
Infrastructure Services	**352,807**	**20,383**	352,687	17,298
SNCL Engineering Services	**1,515,125**	**132,790**	1,534,769	111,532
Resources	**56,916**	**2,342**	65,239	(1,921)
Infrastructure EPC Projects	**225,965**	**(10,535)**	222,269	3,768
SNCL Projects	**282,881**	**(8,193)**	287,508	1,847
Capital	**21,733**	**18,722**	46,242	42,028
	$ 1,819,739		$ 1,868,519	
Total Segment Adjusted EBIT		**143,319**		155,407
Corporate selling, general and administrative expenses not allocated to the segments - PS&PM		**(9,202)**		(29,736)
Corporate selling, general and administrative expenses not allocated to the segments - Capital		**(7,049)**		(7,049)
Impairment loss arising from expected credit losses		**—**		(874)
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		**4,172**		(61,937)
Restructuring and transformation costs		**(4,883)**		(485)
Amortization of intangible assets related to business combinations		**(23,345)**		(40,456)
Gain on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**456**		—
EBIT		**103,468**		14,870
Net financial expenses		**31,173**		31,913
Earnings (loss) before income taxes from continuing operations		**72,295**		(17,043)
Income taxes		**3,609**		(21,417)
Net income from continuing operations		**68,686**		4,374
Net income (loss) from discontinued operations (Note 14)		**5,302**		(66,914)
Net income (loss) for the period		**$ 73,988**		$ (62,540)

[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 14).

3. SEGMENT DISCLOSURES (CONTINUED)

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

THREE MONTHS ENDED MARCH 31			2021			2020 (1)
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	**$ 566,288**	**$ 11,490**	**$ 577,778**	$ 553,357	$ 35,146	$ 588,503
United States	**297,897**	**7,020**	**304,917**	338,539	881	339,420
Latin America	**20,101**	**—**	**20,101**	23,775	—	23,775
Middle East and Africa:						
Saudi Arabia	**57,881**	**—**	**57,881**	69,209	—	69,209
Other Middle East countries	**62,486**	**1,405**	**63,891**	120,328	845	121,173
Africa	**32,945**	**4,971**	**37,916**	40,038	6,133	46,171
Asia Pacific:						
Australia	**7,305**	**—**	**7,305**	13,448	—	13,448
Other	**84,290**	**—**	**84,290**	80,169	—	80,169
Europe:						
United Kingdom	**546,411**	**1,688**	**548,099**	482,821	1,743	484,564
Other	**117,561**	**—**	**117,561**	102,087	—	102,087
	$ 1,793,165	**$ 26,574**	**$ 1,819,739**	$ 1,823,771	$ 44,748	$ 1,868,519

(1) Comparative figures have been re-presented (see Notes 2C and 14).

In the three-month periods ended March 31, 2021 and 2020, Canada, the United States and the United Kingdom were the only countries where the Company derived more than 10% of its revenues.

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues by type of contracts:

THREE MONTHS ENDED MARCH 31				2021				2020 (1)
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
EDPM	**$ 931,573**	**$ —**	**$ —**	**$ 931,573**	$ 943,385	$ —	$ —	$ 943,385
Nuclear	**216,220**	**—**	**5,398**	**221,618**	231,408	—	4,004	235,412
Infrastructure Services	**214,274**	**137,590**	**—**	**351,864**	207,272	145,415	—	352,687
Revenue from contracts with customers – SNCL Engineering Services	**1,362,067**	**137,590**	**5,398**	**1,505,055**	1,382,065	145,415	4,004	1,531,484
Resources	**35,851**	**—**	**21,022**	**56,873**	35,956	—	29,099	65,055
Infrastructure EPC Projects	**4,254**	**—**	**221,711**	**225,965**	—	—	222,269	222,269
Revenue from contracts with customers – SNCL Projects	**40,105**	**—**	**242,733**	**282,838**	35,956	—	251,368	287,324
	$ 1,402,172	**$ 137,590**	**$ 248,131**	**$ 1,787,893**	$ 1,418,021	$ 145,415	$ 255,372	$ 1,818,808
Revenue from PS&PM investments accounted for by the equity method				**10,113**				3,469
Revenue from contracts with customers – Capital segment				**5,272**				4,963
Other revenue – Capital segment				**16,461**				41,279
				$ 1,819,739				$ 1,868,519

(1) Comparative figures have been re-presented (see Notes 2C and 14).

4. CAPITAL INVESTMENTS

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

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, 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.

FINANCIAL INFORMATION

Statement of financial position

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.

		MARCH 31 2021		DECEMBER 31 2020
Net assets from Capital investments accounted for by the consolidation method	**$**	**42,472**	$	38,296
Net book value of Capital investments accounted for by the equity method [(1)]		**372,434**		378,730
Net book value of Capital investments at fair value through other comprehensive income		**10,928**		9,666
	$	**425,834**	$	426,692

[(1)] Includes the Company's investment in 407 International Inc. ("Highway 407 ETR"), for which the net book value was $nil as at March 31, 2021 and December 31, 2020.

Income statement

The Company's consolidated income statement includes the following revenues and expenses from its Capital investments.

THREE MONTHS ENDED MARCH 31		2021		2020
Revenues from Capital	**$**	**21,733**	$	46,242
Direct cost of activities		**3,011**		4,214
		18,722		42,028
Corporate selling, general and administrative expenses not allocated to the segments - Capital		**7,049**		7,049
Loss arising on financial assets at fair value through profit or loss		**—**		57,207
EBIT		**11,673**		(22,228)
Net financial expenses		**4,206**		4,313
Income (loss) before income taxes		**7,467**		(26,541)
Income taxes		**755**		(6,502)
Net income (loss) for the period	**$**	**6,712**	$	(20,039)

Other

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group, subject to certain conditions. Such commitment to invest amounted to US$82.5 million (approximately CA$102.3 million) as at March 31, 2021 (December 31, 2020: US$82.5 million [approximately CA$117.2 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

5. NET FINANCIAL EXPENSES

THREE MONTHS ENDED MARCH 31		2021		2020 [(1)]
Interest on debt:				
Recourse	**$**	**8,680**	$	11,385
Limited recourse		**3,868**		4,954
Non-recourse		**5,131**		5,533
Interest on lease liabilities		**4,753**		5,370
Other		**5,812**		9,236
Financial expenses		**28,244**		36,478
Financial income		**(2,092)**		(3,802)
Net foreign exchange losses (gains)		**5,021**		(763)
Financial income and net foreign exchange losses (gains)		**2,929**		(4,565)
Net financial expenses	**$**	**31,173**	$	31,913

(1) Comparative figures have been re-presented (see Notes 2C and 14).

6. GOVERNMENT GRANTS

In the three-month period ended March 31, 2021, the Company participated in various government assistance programs related to COVID-19, mainly in Canada. 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 three-month period ended March 31, 2021, SNC-Lavalin recognized government grants in a reduction of “Direct costs of activities” for $17.8 million and in a reduction of “Corporate selling, general and administrative expenses” for $1.4 million in the consolidated income statement, as an offset of costs for which the grants were intended to compensate.

7. DIVIDENDS

During the three-month period ended March 31, 2021, the Company recognized as distributions to its equity shareholders dividends of $3.5 million or $0.02 per share (2020: $3.5 million or $0.02 per share).

THREE MONTHS ENDED MARCH 31		2021		2020
Dividends payable at January 1	**$**	**—**	$	—
Dividends declared during the period		**3,511**		3,511
Dividends paid during the period		**—**		(3,511)
Dividends payable at March 31	**$**	**3,511**	$	—

8. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at March 31, 2021 and December 31, 2020:

		MARCH 31 2021		DECEMBER 31 2020
Exchange differences on translating foreign operations	$	238,204	$	292,568
Cash flow hedges		(18,866)		(17,450)
Share of other comprehensive loss of investments accounted for by the equity method		(843)		(1,044)
Other components of equity	$	218,495	$	274,074
Presented on the statement of financial position as follows:				
Other components of equity	$	(380,141)	$	(320,067)
Other components of equity of disposal groups classified as held for sale (Note 14)	$	598,636	$	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.

8. OTHER COMPONENTS OF EQUITY (CONTINUED)

A) ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

The following table provides a reconciliation of each element of other components of equity for the first quarters ended March 31, 2021 and 2020:

THREE MONTHS ENDED MARCH 31		**2021**		2020
Exchange differences on translating foreign operations:				
Balance at beginning of the period	**$**	**292,568**	$	365,600
Current period gains (losses)		**(54,156)**		164,644
Net investment hedge – current period gains (losses)		**(208)**		2,382
Balance at end of the period		**238,204**		532,626
Cash flow hedges:				
Balance at beginning of the period		**(17,450)**		(11,652)
Current period gains (losses)		**(6,767)**		417
Income taxes relating to current period gains (losses)		**3,565**		1,287
Reclassification to net income		**2,483**		(9,594)
Income taxes relating to amounts reclassified to net income		**(697)**		(1,695)
Balance at end of the period		**(18,866)**		(21,237)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of the period		**(1,044)**		125
Current period share		**274**		(2,481)
Income taxes relating to current period share		**(73)**		657
Balance at end of the period		**(843)**		(1,699)
Other components of equity	**$**	**218,495**	$	509,690
Presented on the statement of financial position as follows:				
Other components of equity	**$**	**(380,141)**	$	509,690
Other components of equity of disposal groups classified as held for sale (Note 14)	**$**	**598,636**	$	—

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 first quarters ended March 31, 2021 and 2020:

THREE MONTHS ENDED MARCH 31				**2021**						2020		
		BEFORE TAX		INCOME TAX		NET OF TAX		BEFORE TAX		INCOME TAX		NET OF TAX
Cumulative amount at beginning of the period	**$**	**(166,186)**	**$**	**35,253**	**$**	**(130,933)**	$	(49,588)	$	6,184	$	(43,404)
Gains (losses) recognized during the period		**95,230**		**(18,003)**		**77,227**		462,448		(78,915)		383,533
Cumulative amount at end of the period	**$**	**(70,956)**	**$**	**17,250**	**$**	**(53,706)**	$	412,860	$	(72,731)	$	340,129

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 first quarters ended March 31, 2021 and 2020:

THREE MONTHS ENDED MARCH 31				**2021**						2020		
		BEFORE TAX		INCOME TAX		NET OF TAX		BEFORE TAX		INCOME TAX		NET OF TAX
Cumulative amount at beginning of the period	**$**	**(9,782)**	**$**	**105**	**$**	**(9,677)**	$	(2,035)	$	65	$	(1,970)
Gains (losses) recognized during the period		**1,659**		**—**		**1,659**		527		16		543
Cumulative amount at end of the period	**$**	**(8,123)**	**$**	**105**	**$**	**(8,018)**	$	(1,508)	$	81	$	(1,427)

8. OTHER COMPONENTS OF EQUITY (CONTINUED)

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

The following table presents the Company's share of changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income by the Company's investments accounted for by the equity method relating to their defined benefit plans for the first quarters ended March 31, 2021 and 2020:

THREE MONTHS ENDED MARCH 31	2021			2020		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of the period	**$ (5,009)**	**$ —**	**$ (5,009)**	$ (2,234)	$ —	$ (2,234)
Gains (losses) recognized during the period	**711**	**—**	**711**	(1,389)	—	(1,389)
Cumulative amount at end of the period	**$ (4,298)**	**$ —**	**$ (4,298)**	$ (3,623)	$ —	$ (3,623)

9. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

THREE MONTHS ENDED MARCH 31	2021	2020
Depreciation of property and equipment and amortization of other non-current non-financial assets	**$ 48,077**	$ 66,956
Depreciation of right-of-use assets	**22,626**	26,696
Income taxes recognized in net income	**3,230**	(12,277)
Net financial expenses recognized in net income	**30,301**	31,547
Share-based recovery	**(3,096)**	(2,000)
Income from Capital investments accounted for by the equity method	**(10,115)**	(35,402)
Dividends and distributions received from Capital investments accounted for by the equity method	**6,173**	24,361
Income from PS&PM investments accounted for by the equity method	**(11,307)**	(5,433)
Dividends and distributions received from PS&PM investments accounted for by the equity method	**1,207**	984
Net change in provisions related to forecasted losses on certain contracts	**(17,092)**	(8,726)
Restructuring and transformation costs recognized in net income	**5,378**	2,406
Restructuring and transformation costs paid	**(8,122)**	(31,032)
Loss (gain) arising on financial assets (liabilities) at fair value through profit or loss	**(4,172)**	61,937
Net impairment loss on remeasurement of assets of disposal groups classified as held for sale to fair value less cost to sell	**948**	—
Net change in other provisions (1)	**27,352**	41,075
Other (1)	**(70,983)**	(10,884)
Other reconciling items	**$ 20,405**	$ 150,208

(1) In the three-month period ended March 31, 2020, "Net change in other provisions" of $41.1 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; and iii) restructuring.

9. STATEMENTS OF CASH FLOWS (CONTINUED)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

THREE MONTHS ENDED MARCH 31	2021	2020
Decrease (increase) in trade receivables	**$ (7,681)**	$ 46,843
Increase in contract assets	**(28,368)**	(178,059)
Decrease (increase) in inventories	**(1,015)**	29,481
Decrease (increase) in other current financial assets	**13,685**	(25,236)
Decrease in other current non-financial assets	**11,812**	21,363
Increase in trade payables and accrued liabilities	**48,964**	53,481
Increase (decrease) in contract liabilities	**(76,444)**	31,526
Increase in other current financial liabilities	**7,540**	39,226
Decrease in other current non-financial liabilities	**(10,492)**	(16,191)
Net change in non-cash working capital items	**$ (41,999)**	$ 2,434

C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the three-month period ended March 31, 2021:

	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, 2021	$ 1,170,965	$ 400,000	$ 431,545	$ 496,610	$ —	$ 193,861	$ 219
Changes arising from cash flows:							
Increase	—	—	8,623	—	—	28	38
Repayment	(177,214)	—	(10,299)	(25,642)	—	(957)	(13)
Total – changes arising from cash flows	(177,214)	—	(1,676)	(25,642)	—	(929)	25
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	3,511	—	—
Effect of foreign currency exchange differences	—	—	(1,866)	(3,927)	—	(424)	4
Amortization of deferred financing costs and discounts and increase from the passage of time	357	—	620	—	—	1,501	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	(1,042)	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	(2,223)	—
Reclassification of deferred financing costs to "Other non-current non-financial assets"	2,198	—	—	—	—	—	—
Net increase of lease liabilities	—	—	—	7,988	—	—	—
Reclassification of payable related to Federal charges settlement (PPSC) to "Other current financial liabilities"	—	—	—	—	—	(54,042)	—
Reclassification to liabilities of disposal groups classified as held for sale	—	—	—	1,079	—	—	4
Balance at March 31, 2021	**$ 996,306**	**$ 400,000**	**$ 428,623**	**$ 476,108**	**$ 3,511**	**$ 136,702**	**$ 252**

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

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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

THREE MONTHS ENDED MARCH 31	2021		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	$ —	$ —	$ (2,198)
Series 3 Debentures	—	(175,000)	—
Series 6 Debentures	—	—	(16)
Total – Recourse debt	**—**	**(175,000)**	**(2,214)**
Non-recourse debt:			
Senior Bonds – InPower BC General Partnership	—	(8,522)	—
Credit facility – TransitNEXT General Partnership	8,623	—	—
Senior Secured Notes of a PS&PM investment	—	(1,777)	—
Total – Non-recourse debt	**8,623**	**(10,299)**	**—**
Total	**$ 8,623**	**$ (185,299)**	**$ (2,214)**

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

	MARCH 31 2021	JANUARY 1 2021
Recourse short-term debt	$ —	$ 174,960
Recourse long-term debt	996,306	996,005
Total	**$ 996,306**	**$ 1,170,965**

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

	MARCH 31 2021	JANUARY 1 2021
Non-recourse short-term debt	$ 31,034	$ 31,262
Non-recourse long-term debt	397,589	400,283
Total	**$ 428,623**	**$ 431,545**

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

	MARCH 31 2021	JANUARY 1 2021
Current portion of lease liabilities	$ 95,097	$ 97,409
Non-current portion of lease liabilities	381,011	399,201
Total	**$ 476,108**	**$ 496,610**

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

THREE MONTHS ENDED MARCH 31	2021
Other non-current financial liabilities	$ (929)
Other non-current non-financial liabilities	25
Other	(33)
Total	**$ (937)**

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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

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

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

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

10. RELATED PARTY TRANSACTIONS

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

For the three-month periods ended March 31, 2021 and 2020, SNC-Lavalin recognized the following transactions with its related parties:

THREE MONTHS ENDED MARCH 31		**2021**		2020
PS&PM revenue from contracts with investments accounted for by the equity method	**$**	**167,755**	$	170,179
Income from Capital investments accounted for by the equity method		**10,115**		35,402
Dividends and distributions received from Capital investments accounted for by the equity method		**6,173**		24,361
Income from PS&PM investments accounted for by the equity method		**11,307**		5,433
Dividends and distributions received from PS&PM investments accounted for by the equity method	**$**	**1,207**	$	984

As at March 31, 2021 and December 31, 2020, SNC-Lavalin has the following balances with its related parties:

		MARCH 31 2021		DECEMBER 31 2020
Trade receivables from investments accounted for by the equity method	**$**	**166,436**	$	177,598
Retentions on client contracts from investments accounted for by the equity method (1)		**109,288**		110,169
Remaining commitment to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income (2)		**24,921**		24,921
Dividends and distributions receivable from Capital investments accounted for by the equity method (3)	**$**	**3,817**	$	2,400

(1) Included in “Contract assets” or “Contract liabilities” in the statement of financial position

(2) Included in “Other current financial liabilities” in the statement of financial position

(3) Included in “Other current financial assets” in the statement of financial position

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

11. FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying value of SNC-Lavalin's financial assets as at March 31, 2021 and December 31, 2020 by category and classification, with the corresponding fair value, when available. Financial assets classified as held for sale as at March 31, 2021 and December 31, 2020 are not included in the tables below (see Note 14).

AT MARCH 31	2021					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL [(1)]	FVTOCI [(2)]	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 702,685**	**$ —**	**$ —**	**$ —**	**$ 702,685**	**$ 702,685**
Restricted cash	**37,533**	**—**	**—**	**—**	**37,533**	**37,533**
Trade receivables	**—**	**—**	**1,224,507**	**—**	**1,224,507**	**1,224,507**
Other current financial assets	**5,951**	**—**	**202,211**	**19,155**	**227,317**	**229,220**
Capital investments at fair value through other comprehensive income	**—**	**10,928**	**—**	**—**	**10,928**	**10,928**
Non-current portion of receivables under service concession arrangements [(3)]	**—**	**—**	**436,474**	**—**	**436,474**	**471,333**
Other non-current financial assets	**—**	**—**	**20,334**	**2,173**	**22,507**	**22,507**
Total	**$ 746,169**	**$ 10,928**	**$ 1,883,526**	**$ 21,328**	**$ 2,661,951**	

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	6,200	—	209,276	41,956	257,432	260,033
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	—	—	29,425	1,973	31,398	31,398
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.

11. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities as at March 31, 2021 and December 31, 2020 by category and classification, with the corresponding fair value, when available. Financial liabilities classified as held for sale as at March 31, 2021 and December 31, 2020 are not included in the tables below (see Note 14).

AT MARCH 31	2021				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL [1]	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	**$ —**	**$ —**	**$ 1,780,500**	**$ 1,780,500**	**$ 1,780,500**
Other current financial liabilities	**8,544**	**—**	**236,471**	**245,015**	**245,015**
Provisions	**—**	**—**	**61,602**	**61,602**	**61,602**
Lease liabilities	**—**	**—**	**476,108**	**476,108**	**N/A** [2]
Short-term debt and long-term debt [3]	**—**	**—**	**1,824,929**	**1,824,929**	**1,873,056**
Other non-current financial liabilities	**7,514**	**12,666**	**116,522**	**136,702**	**136,702**
Total	**$ 16,058**	**$ 12,666**	**$ 4,496,132**	**$ 4,524,856**	

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	16,006	—	171,748	187,754	187,754
Provisions	—	—	89,083	89,083	89,083
Lease liabilities	—	—	496,610	496,610	N/A [2]
Short-term debt and long-term debt [3]	—	—	2,002,510	2,002,510	2,062,895
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	

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

(2) N/A: not applicable

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

For the three-month periods ended March 31, 2021 and 2020, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents changes in fair value of Level 3 financial instruments for the three-month period ended March 31, 2021:

	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, 2021	**$ —**	**$ 15,181**
Unrealized net gains [4]	**—**	**(2,223)**
Effect of foreign currency exchange differences	**—**	**(292)**
Balance as at March 31, 2021	**$ —**	**$ 12,666**

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Assumptions

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

The principal assumptions used in measuring fair value of Level 3 financial instruments as at March 31, 2021 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.

Sensitivity analysis

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

The following impact on net income has been calculated changing one of these assumptions to another reasonably possible alternative assumption for the three-month period ended March 31, 2021:

		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]	$ —	$ **(906)**
Increase (decrease)	If the discount rate is 100 basis points higher [1]	$ —	$ **831**
Increase (decrease)	If the expected future cash flows are 1% lower [1]	$ —	$ —
Increase (decrease)	If the expected future cash flows are 1% higher [1]	$ —	$ —

(1) Assuming all other variables remain the same

12. CONTINGENT LIABILITIES

Class actions

Ruediger Class Action

On February 6, 2019, a Motion for authorization of a class action and for authorization to bring an action 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 will be rescheduled to a date to be determined and may occur later in 2021 or early 2022.

12. CONTINGENT LIABILITIES (CONTINUED)

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").

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. The leave and certification hearing 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.

12. CONTINGENT LIABILITIES (CONTINUED)

Pyrrhotite case

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Quebec Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the then-known defendants, on a solidary (in solidum) basis (the "Wave 1 claims"). 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 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 filed notices seeking leave to appeal to the Supreme Court of Canada.

On May 6, 2021, the Supreme Court of Canada dismissed both the Company's and its external insurers' applications seeking leave to appeal.

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 March 31, 2021, the remaining amount receivable of insurance proceeds totaled approximately $20 million and was included in "Other current financial assets" on the Company's consolidated statement of financial position as at March 31, 2021.

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 has appealed 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 a separate recourse in warranty claim against Lafarge with respect to the Wave 2 claims. The Wave 2 claims against SNC-Lavalin are in preliminary stages and SNC-Lavalin's liability exposure 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.

12. CONTINGENT LIABILITIES (CONTINUED)

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 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.

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.

12. CONTINGENT LIABILITIES (CONTINUED)

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

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"). According to the terms of the World Bank Settlement, the Company and certain of its other affiliates continued to be eligible to bid on and be awarded World Bank Group-financed projects as long as they complied 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 required that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms. On April 17, 2021, the Company received confirmation that the World Bank Group's Integrity Officer determined that the Company and its sanctioned affiliates had satisfied the conditions of the World Bank Settlement and were therefore removed from the World Bank Group list of sanctioned entities effective April 17, 2021.

<u>Other legal proceedings</u>

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.

12. CONTINGENT LIABILITIES (CONTINUED)

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

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

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

13. SHORT-TERM DEBT

AMENDMENTS TO THE REVOLVING CREDIT FACILITY

On March 26, 2021, certain lenders under the Company's revolving credit facility agreed to extend the maturity of such facility with respect only to such lenders from May 15, 2022 to April 30, 2023 and, as a condition to securing the consent of such lenders to the maturity extension, the blended pricing applicable to the revolving credit facility was increased commensurately. As such, the notional amount of Tranche A of the revolving credit facility is $2,000 million until May 15, 2022 and $1,690.8 million from May 16, 2022 to April 30, 2023 and the notional amount of Tranche B of the revolving credit facility is $600 million until May 15, 2022 and $507.2 million from May 16, 2022 to April 30, 2023.

14. 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 had 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 remains subject to regulatory approvals and satisfaction of customary closing conditions and is expected to be completed in the second quarter of 2021. As at March 31, 2021 and 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 first quarters ended March 31, 2021 and 2020 were as follows:

THREE MONTHS ENDED MARCH 31		**2021**		2020
Revenues from PS&PM	**$**	**222,704**	$	360,965
Other expenses		**(217,249)**		(419,105)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**(1,404)**		—
EBIT from discontinued operations		**4,051**		(58,140)
Net financial income		**872**		366
Earnings (loss) before income taxes from discontinued operations		**4,923**		(57,774)
Income taxes related to pre-tax earnings (loss) from the ordinary activities of discontinued operations		**(324)**		(9,140)
Income taxes related to remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**703**		—
Net income (loss) from discontinued operations	**$**	**5,302**	$	(66,914)

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

Earnings (loss) per share from discontinued operations

The earnings (loss) per share from discontinued operations for the first quarters ended March 31, 2021 and 2020 was as follows:

THREE MONTHS ENDED MARCH 31		**2021**		2020
Earnings (loss) per share from discontinued operations – Basic	**$**	**0.03**	$	(0.38)
Earnings (loss) per share from discontinued operations – Diluted	**$**	**0.03**	$	(0.38)

Cash flows from discontinued operations

The net cash flows incurred by the Oil & Gas business for the first quarters ended March 31, 2021 and 2020 were as follows:

THREE MONTHS ENDED MARCH 31		**2021**		2020
Operating activities	**$**	**28,781**	$	(115,322)
Investing activities		**92**		(3,146)
Financing activities		**(1,186)**		(2,940)
Net cash inflow (outflow) from discontinued operations	**$**	**27,687**	$	(121,408)

B) OTHER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at March 31, 2021 and 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. At the beginning of 2021, the Company 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 14A and 14B) as at March 31, 2021 and December 31, 2020 were as follows:

		MARCH 31 2021		DECEMBER 31 2020
Cash and cash equivalents	**$**	**—**	$	—
Other current financial assets		**97,884**		134,689
Current non-financial assets		**136,716**		96,647
Deferred income tax asset		**7,019**		6,259
Non-current financial assets		**2,095**		2,202
Other non-current non-financial assets		**32,824**		33,377
Assets of disposal groups classified as held for sale		**276,538**		273,174
Current financial liabilities		**197,291**		198,231
Current non-financial liabilities		**74,787**		95,073
Deferred income tax liability		**1,735**		1,495
Non-current financial liabilities		**11,013**		12,279
Other non-current non-financial liabilities		**31,909**		33,225
Liabilities of disposal groups classified as held for sale		**316,735**		340,303
Net liabilities of disposal groups classified as held for sale	**$**	**(40,197)**	$	(67,129)

Cumulative amounts recognized in the other comprehensive income related to the disposal groups classified as held for sale as at March 31, 2021 and December 31, 2020 were as follows:

		MARCH 31 2021		DECEMBER 31 2020
Exchange differences on translating foreign operations	**$**	**598,636**	$	594,141
Other components of equity of disposal groups classified as held for sale	**$**	**598,636**	$	594,141

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