2021 Management’s Discussion and Analysis

March 2, 2022

References in this MD&A to the “Company”, “SNC-Lavalin”, “we”, “us” and “our” mean, 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. Management’s Discussion and Analysis (“MD&A”) is designed to provide the reader with a greater understanding of SNC-Lavalin Group Inc.’s business, the business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the Company’s 2021 audited annual consolidated financial statements (the “**2021 Annual Financial Statements**”) and accompanying notes, and should therefore **be read in conjunction with these documents, and should also be read together with the text below on forward-looking statements**. Unless otherwise specified, references herein to “Sections” means to Sections of this MD&A.

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

Unless otherwise indicated, all financial information presented in this MD&A, including tabular amounts, is in **Canadian dollars** and is prepared in accordance with **International Financial Reporting Standards (“IFRS”). Certain growth figures are determined on a constant currency basis using financial results from the prior year denominated in foreign currencies translated at the foreign exchange rates of the current year. Certain totals, subtotals and percentages may not reconcile due to rounding. Not applicable (“N/A”) is used to indicate that the percentage change between the current and prior year figures is not meaningful, or if the percentage change exceeds 1,000%.**

Non-IFRS Financial Measures and Ratios, Supplementary Financial Measures and Non-Financial Information

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

NON-IFRS FINANCIAL MEASURES AND RATIOS, SUPPLEMENTARY FINANCIAL MEASURES AND NON-FINANCIAL INFORMATION

Performance

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

Liquidity

- Days Sales Outstanding ("**DSO**") for the EDPM segment
- Free cash flow (usage)
- Free cash flow (usage) to adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio
- Net limited recourse and recourse debt
- Net limited recourse and recourse debt to Adjusted EBITDA ratio
- Working capital
- Current ratio

Other

- Organic revenue
- Organic revenue growth

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

Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on March 2, 2022. The assumptions are set out throughout this MD&A (particularly in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report Our Results"). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to, matters relating to: (a) ongoing and additional impacts of the COVID-19 pandemic; (b) execution of the Company's "Pivoting to Growth Strategy" unveiled in September 2021; (c) fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently; (d) remaining performance obligations; (e) contract awards and timing; (f) being a provider of services to government agencies; (g) international operations; (h) nuclear liability; (i) ownership interests in investments; (j) dependence on third parties; (k) supply chain disruptions; (l) joint ventures and partnerships; (m) information systems and data and compliance with privacy legislation; (n) competition; (o) professional liability or liability for faulty services; (p) monetary damages and penalties in connection with professional and engineering reports and opinions; (q) gaps in insurance coverage; (r) health and safety; (s) qualified personnel; (t) work stoppages, union negotiations and other labour matters; (u) extreme weather conditions and the impact of natural or other disasters and global health crises; (v) divestitures and the sale of significant assets; (w) intellectual property; (x) liquidity and financial position; (y) indebtedness; (z) impact of operating results and level of indebtedness on financial situation; (aa) security under the CDPQ Loan Agreement (as hereinafter defined); (bb) dependence on subsidiaries to help repay indebtedness; (cc) dividends; (dd) post-employment benefit obligations, including pension-related obligations; (ee) working capital requirements; (ff) collection from customers; (gg) impairment of goodwill and other assets; (hh) the impact on the Company of legal and regulatory proceedings, investigations and litigation settlements; (ii) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations; (jj) reputation of the Company; (kk) inherent limitations to the Company's control framework; (ll) environmental laws and regulations; (mm) global economic conditions; (nn) inflation; (oo) fluctuations in commodity prices; and (pp) income taxes.

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

The Company may, from time to time, make oral forward-looking statements. The Company advises that the above paragraphs and the risk factors described in this MD&A should be read for a description of certain factors that could cause the actual results of the Company to differ materially from those in the oral forward-looking statements. The forward-looking statements herein reflect the Company's expectations as at March 2, 2022, when the Company's Board of Directors approved this document, and they are subject to change after this date. The Company does not undertake to update publicly or to revise any written or oral forward-looking information or statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

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1 Our Business

1.1 DESCRIPTION OF OUR BUSINESS

Founded in 1911, SNC-Lavalin is a fully integrated professional services and project management company with offices around the world. SNC-Lavalin connects people, technology and data to design, deliver and operate the most complex projects. SNC-Lavalin deploys global capabilities locally to its clients and delivers unique end-to-end services across the whole life cycle of an asset including consulting, advisory & environmental services, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, operations & maintenance ("O&M"), decommissioning and capital.

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

1.2 STRATEGIC PLAN AND OPERATIONAL REALIGNMENT

On September 28, 2021, the Company released its three-year global "Pivoting to Growth Strategy" outlining how and where the Company intends to drive profitable growth through 2024. The strategic plan is underpinned mainly by a focus on core geographic areas of operation – primarily Canada, the United States and the United Kingdom – and distinct end customer markets. Across the Company's services, SNC-Lavalin leverages its end-to-end global capabilities to meet the demands of the future for the Company's clients in decarbonization and sustainable solutions by connecting people, data and technology, and expects that the strategy be driven largely by four growth areas:

- Engineering Services in the United States;
- Nuclear Decommissioning and Waste Management;
- Major Projects with a focus on collaborative contract models; and
- Digital Transformation.

As part of its strategic plan, the Company also intends to allocate capital to further strengthen its financial resilience and to support growth. Future delivery of positive cash flows will be prioritized with a view to further improving SNC-Lavalin's leverage and targeting a return to an investment grade credit rating. The Company's growth strategy may also be accelerated through organic and inorganic investments. Opportunistically and depending on the Company's cash resources, surplus capital may be returned to shareholders through share buybacks or dividend growth.

To support the next phase of its transformation journey to growth, the Company has undertaken an operational realignment of the business, effective January 1, 2022. The new global market-facing structure is designed to best serve the evolving needs of the Company's clients, as well as support win-work efforts across its three core geographical markets, and will result in the following segments:

- Engineering Services business, bringing together EDPM, Mining and Metallurgy (currently within Resources), as well as Infrastructure Services (excluding O&M and Linxon);
- Linxon, a majority-owned subsidiary which is a global leader in delivering sustainable energy solutions and an essential component of our Power and Renewables market offering;
- Nuclear;
- O&M;
- Infrastructure LSTK Projects; and
- Capital.

The Engineering Services, Nuclear, O&M and Linxon businesses will be separate operating and reportable segments and be grouped together as the SNCL Services line of business, while Infrastructure LSTK Projects and Capital will continue to be separate operating and reportable segments. The Company's financial reporting will be changed, starting in the first quarter of 2022, with comparative figures restated to reflect these new operating and reportable segments and lines of business. Please refer to Section 13.5.1 for a presentation of such 2021 restated comparative figures that will be used in 2022.

2 How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

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

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

PS&PM

What is reported in PS&PM includes contracts generating revenues derived mainly from consulting, advisory & environmental services, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, O&M, decommissioning and sustaining capital. It also includes revenues from LSTK construction contracts, for which the Company ceased bidding in July 2019, except for certain repetitive EPC offerings that are lower-risk, standardized solutions.

> **EDPM** incorporates all consultancy, engineering, design and project management services around the world. It also leads our efforts to transform the global infrastructure sector by leveraging data and technology to improve the delivery of our clients' projects from conception through to eventual operation. EDPM projects are mainly in transportation (including rail, mass transit, roads and airports), civil infrastructure, aerospace, defence and security and technology, including some of the world's most transformational projects. A significant portion of EDPM revenues are derived from the public sector, including national, provincial, state and local and municipal authorities. As in 2020, the EDPM segment derived all of its revenues during 2021 from reimbursable and engineering services contracts.
>
> **Nuclear** supports clients across the entire nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. The Nuclear segment derives its revenues from reimbursable and engineering services contracts (2021: 97%; 2020: 99%), and LSTK construction contracts (2021: 3%; 2020: 1% from one legacy LSTK construction contract).
>
> **Infrastructure Services** includes O&M projects, as well as the Company's repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity. Segment Adjusted EBIT includes the contribution attributable to non-controlling interests. As such, the Segment Adjusted EBIT of Linxon, a 51%-owned subsidiary, is reported at 100%. The Infrastructure Services segment derives its revenues from both reimbursable and engineering services contracts (2021: 57%; 2020: 60%) and standardized EPC contracts (2021: 43%; 2020: 40%).

Combined, the three segments described above are presented under the SNCL Engineering Services line of business.

Resources provides a full suite of delivery services primarily to the mining & metallurgy sector, covering the project lifecycle from project development through project delivery and support services. Resources ceased bidding for new EPC projects under the LSTK construction contracting model in July 2019. Resources is now focused on providing engineering, EPCM, project management consultancy ("PMC"), commissioning and technical support services through a lower risk contracting model and operational delivery is focused on key regions and global clients. Resources also includes the operating phase of a Build-Own-Operate ("BOO") contract in the United States. In the past, Resources included services and LSTK projects in Oil & Gas, which are presented as discontinued operations for both 2021 and 2020 and were disposed of in the third quarter of 2021. The Resources segment derives its revenues from reimbursable and engineering services contracts (2021: 88%) and LSTK construction contracts (2021: 12%).

Infrastructure EPC Projects includes lump-sum turnkey ("LSTK") construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. In July 2019, the Company decided to cease bidding on new LSTK construction contracts. The Infrastructure EPC Projects segment derives its revenues from LSTK construction contracts (2021: 97%; 2020: 97%) and reimbursable and engineering services contracts (2021: 3%; 2020: 3%).

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

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

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

PS&PM Breakdown

	SNCL Engineering Services Line of Business			SNCL Projects Line of Business	
	EDPM Segment	Nuclear Segment	Infrastructure Services Segment	Infrastructure EPC Projects Segment	Resources Segment
Reimbursable and engineering services contracts	✓	✓	✓	✓	✓
LSTK construction contracts	N/A	N/A [1]	N/A	✓	✓
Standardized EPC contracts	N/A	N/A	✓	N/A	N/A

[1] Nuclear includes certain legacy LSTK construction contracts.

The Company derives its PS&PM revenues from reimbursable and engineering services contracts (2021: 79%; 2020: 81%), standardized EPC contracts (2021: 8%; 2020: 8%) and LSTK construction contracts (2021: 13%; 2020: 11%).

CAPITAL

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

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

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

It is the Company’s view that the aggregate fair value of its Capital investments is significantly higher than their net book value of $620.0 million as at December 31, 2021. The Company’s remaining stake of 6.76% in 407 International Inc. (“Highway 407 ETR”) represents the most significant portion of the total fair value of the Company’s Capital investments portfolio.

As at December 31, 2021 and 2020, the net book value of Capital investments can be summarized as follows:

AT DECEMBER 31 (IN MILLIONS $)		**2021**		2020
Highway 407 ETR [1]	**$**	**—**	$	—
Others [2]		**620.0**		426.7
Total	**$**	**620.0**	$	426.7

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

[2] Includes net assets from InPower BC General Partnership classified as held for sale as at December 31, 2021.

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

In evaluating the performance of the segment, the relationship between revenues and Segment Adjusted EBIT is not meaningful, as a significant portion of the investments are accounted for at fair value through other comprehensive income and by the equity method, which do not reflect the line by line items of the individual Capital investment’s financial results.

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

ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

The Company provides additional financial information on its Capital investments to allow the reader to have a better understanding of the financial position, results of operations and cash flows for PS&PM activities and Capital investments. As such, the following information on the Company's Capital investments is included in the 2021 Annual Financial Statements:

Consolidated statement of financial position and related notes	The net book value of Capital investments accounted for by the equity method and at fair value through other comprehensive income, distinctively. Non-recourse debt from Capital investments controlled by the Company.
Consolidated statement of cash flows and related notes	For Capital investments controlled by the Company: Repayment and increase of non-recourse debt from Capital investments.
Other notes to the audited annual consolidated financial statements	Net income attributable to SNC-Lavalin shareholders from Capital.

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

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

PROJECT/MARKET LEVEL

The budget information is prepared by individual projects and/or prospects, or on specific markets, which will form the primary basis for the Company's consolidated Annual Budget.

SECTOR LEVEL

The projects prospects/markets information is then compiled by each sector and approved by the Company's sector management.

CONSOLIDATED LEVEL

The sector budgets are subsequently reviewed by the Company's senior executives.

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

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

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

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

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

Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
Level of activity	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period.
Changes in the estimated costs to complete each individual project ("cost reforecasts")	Variation of the estimated costs to complete projects for contracts having revenue recognized over time using the percentage of completion method results in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution and other factors, such as COVID-19.
Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables and contract assets may impact the financial results of the Company.
Changes in the results of its Capital investments	Variation in the financial results of each Capital investment accounted for under the consolidation or equity methods will impact the financial results of the Company. Additions to the Company's Capital investments portfolio, or divestitures from it, can also impact the Company's results.
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance that can be recurring or not.
Acquisition-related costs and integration costs	Business acquisitions might require the Company to incur significant acquisition-related costs and integration costs, which have an impact on actual and future results.

SOURCE OF VARIATION	EXPLANATION
Restructuring and transformation costs, goodwill and other intangible assets impairment	Changes made to the way the Company operates, closure of certain locations where it conducts business, modifications to its offerings and changes in market perspectives might result, among other factors, in restructuring and transformation costs, goodwill and other intangible assets impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, such as the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company, the recoverability of deferred tax assets as well as tax assessments made by authorities.
Financial expense	Variation in interest rates could have an impact on the Company's results, as some of its financing bears interest at a variable rate.
Foreign exchange	As the Company operates in many countries, foreign currency exchange rates can cause variances to estimates as the budgets and forecasts are prepared at specific rates. It should be noted that the Company has a foreign exchange hedging policy that limits the volatility in results caused by foreign exchange fluctuations.
Unforeseen impacts related to ongoing and continued duration of COVID-19 pandemic	Despite the continuation of vaccination campaigns in various regions and countries, the duration, scope, severity and full impacts of COVID-19 (including subsequent waves and variants thereof) continue to remain inherently uncertain and difficult to quantify and account for and plan for in the Company's budgeting and planning processes and COVID-19 particularly impacted certain infrastructure projects. Refer to the updated risk factor entitled "Ongoing and additional impacts of the COVID-19 pandemic" in Section 14 of this MD&A for a description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs.

3 2021 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021	2020	CHANGE (%)
Income Statements			
Revenues	**$ 7,371.3**	$ 7,007.5	5.2%
EBIT	**194.1**	(292.0)	N/A
EBITDA [(1)]	**460.6**	28.7	1505.0%
Net income (loss) from continuing operations	**105.7**	(346.9)	N/A
Net income (loss) from discontinued operations	**566.4**	(609.3)	N/A
Net income (loss)	**672.1**	(956.3)	N/A
Diluted gain (loss) per share from continuing operations (“Diluted EPS”) (in $)	**0.57**	(2.03)	N/A
Revenues from PS&PM from continuing operations	**7,237.1**	6,878.1	5.2%
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM	**593.4**	(1,011.0)	N/A
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM [(1)]	**152.1**	(188.4)	N/A
Diluted EPS from PS&PM (in $)	**0.15**	(2.29)	N/A
Adjusted diluted EPS from PS&PM (in $) [(1)]	**0.87**	(1.07)	N/A
EBIT from PS&PM (% of revenues from PS&PM)	**1.4%**	(5.1)%	N/A
Adjusted EBITDA from PS&PM (% of revenues from PS&PM) [(1)]	**6.0%**	1.6%	270.1%
Financial Position & Cash Flows			
Cash and cash equivalents (at December 31)	**$ 608.4**	$ 932.9	(34.8)%
Limited recourse (at December 31)	**400.0**	400.0	—%
Recourse debt (at December 31)	**1,094.1**	1,171.0	(6.6)%
Net limited recourse and recourse debt to Adjusted EBITDA ratio [(1)]	**1.7**	3.2	(47.1)%
Net cash generated from operating activities	**134.2**	121.5	10.5%
Free cash flow (usage) [(1)]	**(15.9)**	(17.0)	(6.6)%
Additional Indicator			
Revenue backlog (at December 31)	**$ 12,597.0**	$ 13,187.8	(4.5)%

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

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

- Revenues in 2021 increased compared to 2020, mainly from Infrastructure EPC Projects, Infrastructure Services and EDPM.
- Net income from continuing operations totaled $105.7 million in 2021, compared to a net loss from continuing operations of $346.9 million in 2020, mainly reflecting :
  - a lower loss from Resources and Infrastructure EPC Projects, combined with a higher contribution mainly from EDPM;
  - a lower level of unallocated general and administrative expenses in 2021, including the favourable impact of cost transformation initiatives in 2021, combined with a $58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation was recognized in 2020;
  - the recognition, in 2020, of a negative fair value revaluation of $57.2 million of the Highway 407 ETR contingent consideration receivable. Such contingent consideration, which is payable over a period of 10 years by the acquirer of the 10.01% ownership interest in Highway 407 ETR sold by the Company in August 2019, remained valued at $nil throughout 2021; and

  - an income tax recovery of $22.0 million in 2021, compared to an income tax recovery of $59.0 million in 2020.

- Net income from discontinued operations totaled $566.4 million in 2021, compared to a net loss from discontinued operations of $609.3 million in 2020, mainly due to the gain on disposal of the Oil & Gas business in 2021, while such discontinued operations were negatively impacted in 2020 by a $271.6 million write down in the value of the disposal group presented as held for sale, combined with unfavourable reforecasts on certain LSTK construction projects. The gain on disposal in 2021 was mainly due to the reclassification to net income of the cumulative exchange differences on translating foreign operations upon disposal of the Oil & Gas business.

- Cash and cash equivalents of $608.4 million and revenue backlog of $12.6 billion as at December 31, 2021 as compared to cash and cash equivalents of $932.9 million and revenue backlog of $13.2 billion as at December 31, 2020;

- Net cash generated from operating activities of $134.2 million in 2021, compared to $121.5 million in 2020.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

COVID-19 PANDEMIC UPDATE

The COVID-19 pandemic has had and continues to have a significant impact on the global economy, clients' businesses and on the Company's operations, financial and operating results and planning ability. To attempt to mitigate the spread of the pandemic, there have been extraordinary and wide-ranging actions taken by international, federal, provincial and local public health and governmental authorities to contain and combat the outbreak of COVID-19 around the world. These actions include quarantines and "stay-at-home" orders, social distancing measures and travel restrictions, among others. Although from time to time there has been an easing of restrictions in certain jurisdictions, some of these restrictions have been reinstated in other jurisdictions. In addition, the reopening of businesses and economies in certain countries is creating a variety of new challenges, including, for example, higher prices for goods and services, limited availability of products, disruptions to supply chains and labour shortages.

Such higher prices for goods and services, limited availability of product and disruptions to supply chains had an unfavourable impact mainly on the Company's results from LSTK projects, notably in the second half of 2021. The Company's results from its other projects remained strong in 2021, notably in the EDPM and Nuclear segments.

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

DISPOSAL – OIL AND GAS BUSINESS

On July 29, 2021, the Company completed the sale of a substantial portion of its Oil & Gas business and the sale of the remaining Saudi Arabian portion of the business was completed on August 15, 2021. Refer to Note 6A to the 2021 Annual Financial Statements for financial information relating to the disposal.

4 Financial Performance Analysis

4.1 SELECTED ANNUAL FINANCIAL INFORMATION

The selected annual financial information presented in the table below has been derived from the 2021 Annual Financial Statements prepared in accordance with IFRS for each of the three most recently completed financial years, with the exception of the "Additional selected financial information" section below, which includes certain non-IFRS financial measures.

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021	2020	2019
Revenues:			
From PS&PM	**$ 7,237.1**	$ 6,878.1	$ 7,367.1
From Capital	**134.1**	129.4	262.7
Total Revenues	**$ 7,371.3**	$ 7,007.5	$ 7,629.8
Net income (loss) attributable to SNC-Lavalin shareholders	**$ 666.6**	$ (965.4)	$ 328.2
Earnings (loss) per share (in $):			
Basic	**$ 3.80**	$ (5.50)	$ 1.87
Diluted	**$ 3.80**	$ (5.50)	$ 1.87
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:			
From PS&PM	**$ 27.0**	$ (401.7)	$ (332.0)
From Capital	**73.2**	45.6	2,772.8
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	**$ 100.2**	$ (356.1)	$ 2,440.8
Earnings (loss) per share from continuing operations (in $):			
Basic	**$ 0.57**	$ (2.03)	$ 13.90
Diluted from continuing operations:			
From PS&PM	**$ 0.15**	$ (2.29)	$ (1.89)
From Capital	**0.42**	0.26	15.79
Diluted earnings (loss) per share from continuing operations	**$ 0.57**	$ (2.03)	$ 13.90
Additional selected financial information:			
Backlog (at December 31)	**$ 12,597.0**	$ 13,187.8	$ 14,137.7
Adjusted EBITDA from PS&PM [(1)]	**$ 433.8**	$ 111.4	$ 485.7
Total assets (at December 31)	**$ 9,876.0**	$ 10,340.3	$ 11,644.7
Non-current financial liabilities (at December 31) [(2)]	**$ 2,096.6**	$ 2,389.4	$ 2,378.1
Adjusted diluted EPS from PS&PM (in $) [(1)]	**$ 0.87**	$ (1.07)	$ 0.86
Dividends per share declared to SNC-Lavalin shareholders (in $)	**$ 0.080**	$ 0.080	$ 0.240

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

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

While the variances between 2021 and 2020 are further described in the following sections of the MD&A, the main variances between 2020 and 2019 are explained as follows:

Revenues in 2020 decreased when compared to 2019, mainly resulting from a decrease in Infrastructure EPC Projects, EDPM and Resources, partially offset by an increase in Infrastructure Services.

- The decrease in revenues in Infrastructure EPC Projects reflected higher revenues from certain major construction projects that were more than offset by the lower level of activities as a result of the completion or near completion of certain major construction and clean power projects, coupled with the negative impact of COVID-19.
- The decrease in revenues in EDPM was mainly attributable to the combined impact of the COVID-19 pandemic, as clients deferred or cancelled projects in sectors such as aviation, education and commercial property, together with the impact of reduced investment in the Middle East associated with the fall in oil prices, partially offset by a continued strong demand in the road and rail sectors.
- The lower level of revenues in Resources was mainly due to the run-off of LSTK construction contracts.
- The increase in revenues in Infrastructure Services was mainly attributable to the growth of Linxon, which expanded its geographic activity after the second quarter of 2019, as well as additional revenues on certain O&M contracts in operations phase and increased scope of work on certain contracts. Infrastructure Services revenues in 2020 compared to 2019 were also higher for Program Management and Construction Management services.

The net loss attributable to SNC-Lavalin shareholders was $965.4 million in 2020, compared to a net income attributable to SNC-Lavalin shareholders of $328.2 million in 2019.

- The loss attributable to SNC-Lavalin shareholders in 2020 included a $359.7 million negative Segment Adjusted EBIT from Infrastructure EPC Projects, mainly due to unfavourable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19. It also included a $171.1 million negative Segment Adjusted EBIT from Resources mainly resulting from charges for remaining LSTK projects and other historical claims and litigation matters. In addition, the 2020 results included a net loss from discontinued operations of $609.3 million, of which $271.6 million represented the write down of the Oil & Gas business value upon its classification as held for sale.
- The net income attributable to SNC-Lavalin shareholders in 2019 included a gain of $3.0 billion before taxes from the disposal by the Company of 10.01% of the shares of Highway 407 ETR and also included an impairment of goodwill and intangible assets related to Resources of $1.9 billion before taxes.

4.2 INCOME STATEMENT

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		**2021**		2020
Continuing operations				
Revenues	**$**	**7,371.3**	$	7,007.5
Segment Adjusted EBIT - Total	**$**	**489.3**	$	125.3
Corporate selling, general and administrative expenses	**$**	**145.1**	$	175.9
Impairment loss from expected credit losses		**—**		0.9
Loss (gain) arising on financial instruments at fair value through profit or loss		**(3.7)**		61.9
Restructuring and transformation costs		**70.1**		63.3
Amortization of intangible assets related to business combinations		**89.5**		126.8
Adjustments on gain on disposals of Capital investments		**(5.0)**		(25.0)
Loss on disposals of PS&PM businesses		**0.6**		7.5
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**(1.3)**		6.1
Earnings before interest and taxes (EBIT)	**$**	**194.1**	$	(292.0)
Net financial expenses	**$**	**110.5**	$	114.0
Earnings (loss) before income taxes from continuing operations	**$**	**83.6**	$	(406.0)
Income tax recovery	**$**	**(22.0)**	$	(59.0)
Net income (loss) from continuing operations	**$**	**105.7**	$	(346.9)
Net income (loss) from discontinued operations		**566.4**		(609.3)
Net income (loss)	**$**	**672.1**	$	(956.3)
Net income (loss) attributable to:				
SNC-Lavalin shareholders	**$**	**666.6**	$	(965.4)
Non-controlling interests		**5.5**		9.2
Net income (loss)	**$**	**672.1**	$	(956.3)
Earnings (loss) per share from continuing operations (in $):				
Basic	**$**	**0.57**	$	(2.03)
Diluted	**$**	**0.57**	$	(2.03)
Additional financial indicators from continuing operations:				
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM	**$**	**27.0**	$	(401.7)
Diluted EPS from PS&PM (in $)	**$**	**0.15**	$	(2.29)
Adjusted EBITDA from PS&PM [(1)]	**$**	**433.8**	$	111.4
Adjusted diluted EPS from PS&PM (in $) [(1)]	**$**	**0.87**	$	(1.07)

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

4.2.1 ANALYSIS OF REVENUES

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2021		2020	CHANGE (%)
EDPM	$	**3,848.8**	$	3,721.1	3.4%
Nuclear		**904.7**		928.6	(2.6%)
Infrastructure Services		**1,416.6**		1,325.3	6.9 %
SNCL Engineering Services - Total	**$**	**6,170.0**	$	5,975.0	3.3 %
Resources	**$**	**171.8**	$	162.9	5.4 %
Infrastructure EPC Projects		**895.3**		740.2	21.0 %
SNCL Projects - Total	**$**	**1,067.1**	$	903.1	18.2 %
PS&PM - Total	**$**	**7,237.1**	$	6,878.1	5.2 %
Capital	**$**	**134.1**	$	129.4	3.7 %
Total	**$**	**7,371.3**	$	7,007.5	5.2 %

Revenues in 2021 increased compared to 2020, mainly from Infrastructure EPC Projects, Infrastructure Services and EDPM.

Revenues from Infrastructure EPC Projects increased as the work performed in 2021 in the continuing run-off of LSTK backlog reflects higher progress compared to 2020.

Revenues from Infrastructure Services were higher mainly due to higher engineering services related to hydro power projects, Program Management services and growth in Linxon and included an unfavourable impact from the change in foreign exchange rates year-over-year, mainly from the variation of the U.S. dollar compared to the Canadian dollar.

Revenues from EDPM increased driven primarily by strong volumes in the United Kingdom, offset by reduced revenues in the Middle East and the United States, partly due to an unfavourable foreign exchange variance.

4.2.2 ANALYSIS OF CONSOLIDATED NET INCOME, EBIT AND EBITDA

4.2.2.1 NET INCOME (LOSS) FROM CONTINUING OPERATIONS ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		**2021**		2020
Net income (loss) from continuing operations attributable to SNC-Lavalin shareholders:				
From PS&PM	**$**	**27.0**	$	(401.7)
From Capital		**73.2**		45.6
Net income (loss) from continuing operations attributable to SNC-Lavalin shareholders	**$**	**100.2**	$	(356.1)
Non-controlling interests		**5.5**		9.2
Net income (loss) from continuing operations	**$**	**105.7**	$	(346.9)

NET INCOME (LOSS) FROM PS&PM

Net income attributable to SNC-Lavalin shareholders from continuing operations from PS&PM was $27.0 million in 2021, compared to a net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM of $401.7 million in 2020. The variance was mainly due to a lower loss from Resources and Infrastructure EPC Projects, combined with a higher contribution mainly from EDPM, combined with a lower level of amortization of intangible assets related to business combination, lower corporate general and administrative expenses, partially offset by a lower income tax recovery in 2021 compared to 2020.

NET INCOME FROM CAPITAL

Net income attributable to SNC-Lavalin shareholders from continuing operations from Capital amounted to $73.2 million in 2021, compared to a net income attributable to SNC-Lavalin shareholders from continuing operations from Capital of $45.6 million in 2020. The variance was mainly due to a negative fair value revaluation in 2020 of $57.2 million of the Highway 407 ETR contingent consideration receivable, partially offset by the release in full of a $25.0 million provision for contingent indemnification in 2020 (each of which was absent in 2021).

4.2.2.2 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS

The Oil & Gas business was previously presented as part of the Resources segment and is now presented as discontinued operations.

The table below presents the main components of the net income (loss) from discontinued operations for both 2021 and 2020:

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		**2021**		2020
Contribution from discontinued operations, before items listed below [1]	**$**	**(41.0)**	$	(222.9)
Restructuring costs		**(17.5)**		(57.8)
Reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**4.9**		(271.6)
Gain on disposal of Oil & Gas business before income taxes		**573.0**		—
Gain on disposal of a PS&PM business		**—**		6.2
Net financial expenses [1]		**(0.2)**		(0.3)
Income taxes		**47.2**		(63.0)
Net income (loss) from discontinued operations	**$**	**566.4**	$	(609.3)

[1] Comparative figures have been re-presented for 2020 to reflect a change made to the Company's presentation of net financial expenses in 2021, now presented separately from contribution from discontinued operations, before items listed below.

The $41.0 million loss from the Oil & Gas business in 2021 presented above included the favourable outcome from a claim on a legacy LSTK construction project, which was more than offset by unfavourable reforecasts on certain projects. The $222.9 million loss in 2020 presented above was negatively impacted by unfavourable reforecasts on certain LSTK construction projects. Furthermore, in the third quarter of 2020, the Company recognized a $57.9 million loss from an unfavourable ruling on a completed LSTK legacy project.

Restructuring costs related to discontinued operations were $17.5 million in 2021, compared to $57.8 million in 2020, mainly related to the closure of the Valerus operations.

The $271.6 million impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell in 2020 resulted from the initial presentation of the Company's Oil & Gas business as held for sale as at December 31, 2020 and its related remeasurement.

The **gain on disposal of the Company's Oil & Gas business of $573.0 million in 2021** was mainly due to the reclassification of the cumulative balance of exchange differences on translating foreign operations from equity to the income statement upon the completion of the disposal in the third quarter of 2021.

The gain on disposal of a PS&PM business relates to the disposal of South African activities in 2020.

Net financial expenses in 2021 were in line with 2020.

The **income tax recovery in 2021** mainly resulted from revised estimates on the income tax liabilities related to the discontinued operations. The income tax expense of $63.0 million in 2020 was mainly a result of net losses not affected by tax, combined with the anticipated tax impact related to the expected disposition of the Oil & Gas business.

4.2.2.3 CONSOLIDATED EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

EBITDA is a non-IFRS financial measure. EBITDA is defined and reconciled to net income in Section 13.

In 2021, EBIT was $194.1 million, compared to negative $292.0 million in 2020. The increase in EBIT was primarily due to a lower loss from Resources and Infrastructure EPC Projects, combined with a higher contribution mainly from EDPM, combined with a lower level of amortization of intangible assets related to business combination, lower corporate general and administrative expenses and the impact in 2020 of the negative fair value revaluation of the Highway 407 ETR contingent consideration receivable related to the partial disposal of this investment in August 2019.

EBITDA was $460.6 million in 2021, compared to $28.7 million in 2020, mainly due to the factors described above for EBIT other than the decrease in amortization of intangible assets related to business combinations.

When adjusting for the charges related to restructuring and transformation costs, the adjustments on gain on disposals of Capital investments, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the loss (gain) on disposal of PS&PM businesses, the GMP Equalization, the adjustment to the provision for the Pyrrhotite Case litigation and the impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell, **Adjusted EBITDA**, a non-IFRS measure described at Section 13.4.2, **amounted to $525.0 million in 2021**, compared to $200.1 million in 2020. When excluding results from Capital, **Adjusted EBITDA from PS&PM**, also a non-IFRS measure described at Section 13.4.2 (within the definition of Adjusted EBITDA), **amounted to $433.8 million in 2021**, compared to $111.4 million in 2020.

4.2.3 ANALYSIS OF OTHER LINE ITEMS IN THE INCOME STATEMENT

4.2.3.1 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2021			2020		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	**$ 116.9**	**$ 28.2**	**$ 145.1**	$ 147.7	$ 28.2	$ 175.9

Corporate selling, general and administrative expenses totaled $145.1 million in 2021, compared to $175.9 million in 2020. The decrease was mainly due to a $58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation in 2020 (such litigation being described in Note 33 to the 2021 Annual Financial Statements) combined with the favourable impact of cost transformation initiatives in 2021, partially offset by an increase of certain insurance provisions and digital initiatives.

4.2.3.2 LOSS (GAIN) ARISING ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2021	2020
Loss (gain) arising on financial instruments at fair value through profit or loss	**$ (3.7)**	$ 61.9

The gain arising on financial instruments at fair value through profit or loss amounted to $3.7 million in 2021, compared to a loss of $61.9 million in 2020, which was mainly due to a $57.2 million negative fair value revaluation in 2020 for the Highway 407 ETR contingent consideration receivable. Such contingent consideration is payable over a period of 10 years by the acquirer of the 10.01% ownership interest in Highway 407 ETR sold by the Company in August 2019. The fair value of this financial asset was negatively impacted in 2020 mainly by the actual and expected performance impacts on traffic volumes as a result of COVID-19, and the resulting impact on Highway 407 ETR. The underlying contingent consideration payments are conditioned on the attainment of certain cumulative financial thresholds related to the performance of Highway 407 ETR.

4.2.3.3 RESTRUCTURING AND TRANSFORMATION COSTS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2021	2020
Restructuring costs	**$ 49.2**	$ 63.3
Transformation costs	**20.9**	—
Restructuring and transformation costs	**$ 70.1**	$ 63.3

The Company incurred $70.1 million of restructuring and transformation costs in 2021 (2020: $63.3 million).

The restructuring costs recognized in 2021 were mainly related to actions taken in the EDPM and Nuclear segments, partly for severances, and also included $25.2 million of non-cash charges, notably $16.9 million of impairment of right-of-use assets, mainly related to real estate, and $8.3 million of impairment of property and equipment.

The restructuring cost recognized in 2020 included mainly actions taken during the year to adjust the cost base of the Company's segments, notably in the Middle East and United Kingdom regions of the EDPM segment, as a result of the impact of COVID-19 on the current and forecasted business activity levels. The Company incurred $63.3 million of restructuring costs in 2020, which were mainly for severance obligations but also included $16.4 million of non-cash charges, notably $13.5 million related to impairment of right-of-use assets and $2.9 million of impairment of property and equipment.

The Company incurred $20.9 million of transformation costs under transformation initiatives that took place in 2021 (2020: $nil).

4.2.3.4 AMORTIZATION OF INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2021		2020
Amortization of intangible assets related to business combinations	**$**	**89.5**	$	126.8

Amortization of intangible assets related to business combinations amounted to $89.5 million in 2021 and to $126.8 million in 2020, both mainly attributable to the amortization expense of intangible assets related to Atkins, which was acquired in 2017. The variance was mainly due to the end of the amortization period in the third quarter of 2020 of intangible assets related to the revenue backlog of the Atkins acquisition.

4.2.3.5 ADJUSTMENTS ON GAIN ON DISPOSALS OF CAPITAL INVESTMENTS AND LOSS ON DISPOSALS OF PS&PM BUSINESSES

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2021		2020
Adjustments on gain on disposals of Capital investments	**$**	**(5.0)**	$	(25.0)
Loss on disposals of PS&PM businesses	**$**	**0.6**	$	7.5

In the fourth quarter of 2021, the Company received a contingent consideration of $5.0 million related to the previous disposal of a Capital investment accounted for by the equity method.

At the beginning of 2021, the Company entered into an agreement to sell its ownership interest in Atkins Consulting Engineers Limited, which was part of the EDPM segment. On July 16, 2021, SNC-Lavalin completed the sale of its ownership of 100% in Atkins Consulting Engineers Limited in Kenya. The loss on disposal of SNC-Lavalin's ownership interest in this subsidiary amounted to $0.6 million.

In the fourth quarter of 2020, the Company released in full a provision of $25.0 million representing a non-cash reversal for contingent indemnification related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period.

In the third quarter of 2020, SNC-Lavalin completed the sale of its 100% ownership interest in SNC-Lavalin SA (Belgium) in exchange for total consideration of $nil. The loss on disposal of SNC-Lavalin's ownership interest in SNC-Lavalin SA amounted to $7.5 million.

4.2.3.6 NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2021						2020					
		FROM PS&PM		FROM CAPITAL		TOTAL		FROM PS&PM		FROM CAPITAL		TOTAL
Interest revenues	**$**	**(4.5)**	**$**	**(0.3)**	**$**	**(4.8)**	$	(10.9)	$	(0.4)	$	(11.3)
Interest on debt:												
Recourse		**35.3**		**—**		**35.3**		46.0		—		46.0
Limited recourse		**15.8**		**—**		**15.8**		17.2		—		17.2
Non-recourse		**3.7**		**16.7**		**20.4**		4.6		16.0		20.6
Net foreign exchange losses (gains)		**1.4**		**—**		**1.4**		—		0.6		0.6
Interest on lease liabilities		**17.9**		**0.1**		**18.0**		21.2		—		21.2
Other		**24.3**		**—**		**24.3**		19.7		0.1		19.8
Net financial expenses	**$**	**93.9**	**$**	**16.6**	**$**	**110.5**	$	97.7	$	16.3	$	114.0

Net financial expenses from PS&PM amounted to $93.9 million in 2021, compared to $97.7 million in 2020, mainly due to the lower level of interest expense.

Net financial expenses from Capital were $16.6 million in 2021, in line with 2020.

4.2.3.7 INCOME TAXES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	**2021**			2020		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Earnings (loss) from continuing operations before income taxes	**$ 4.1**	**$ 79.6**	**$ 83.6**	$ (445.9)	$ 40.0	$ (406.0)
Income tax expense (recovery)	**$ (28.4)**	**$ 6.4**	**$ (22.0)**	$ (53.4)	$ (5.6)	$ (59.0)
Effective income tax rate (%)	**(694.3)%**	**8.0 %**	**(26.3)%**	12.0 %	(14.0)%	14.5 %

In 2021, the Company reported an income tax recovery of $22.0 million, compared to an income tax recovery of $59.0 million in 2020.

In 2021, the effective income tax rate from PS&PM was lower than the Canadian statutory income tax rate of 26.2%, mainly due to the geographic mix of earnings, net income not affected by tax and revised estimates on certain income tax liabilities, partially offset with a $19.0 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of loss carryforwards in the United States and other permanent items.

In 2020, the effective income tax rate from PS&PM was lower than the Canadian statutory income tax rate of 26.3%, mainly due to a $53.3 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of loss carryforwards in the United States, net losses not affected by tax, and other permanent items. These impacts were partially offset by an income tax recovery on the carry back of net operating losses to a prior year at a higher tax rate and adjustments to deferred income tax balances attributable to changes in tax rates and laws.

The effective income tax rate from Capital Investments was lower than the Canadian statutory income tax rate of 26.2% in 2021, mainly due to the non-taxable portion of investment income, partially offset by a tax liability on the distribution from a Capital investment.

In 2020, the Company reported an income tax recovery from Capital, mainly due to the non-taxable portion of the investment income, including dividends from Highway 407 ETR and the adjustment on the gain from a disposal of a Capital investment. These impacts were partially offset by the non-deductible portion of the capital loss on the negative fair value revaluation for the Highway 407 ETR contingent consideration receivable.

4.2.4 ANALYSIS OF SEGMENT RESULTS AND PERFORMANCE

4.2.4.1 EDPM

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021	2020	CHANGE (%)
Revenues from EDPM	**$ 3,848.8**	$ 3,721.1	3.4%
Segment Adjusted EBIT from EDPM	**$ 431.8**	$ 302.3	42.9%
Segment Adjusted EBIT to revenues ratio from EDPM (%)	**11.2%**	8.1%	
Additional information			
Segment Adjusted EBITDA from EDPM [(1)]	**$ 514.3**	$ 400.9	28.3%
Backlog at year end	**$ 3,137.8**	$ 2.864.4	9.5%
Booking-to-revenue ratio [(1)]	**1.07**	1.06	

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

EDPM revenues were $3,848.8 million in 2021, compared to $3,721.1 million in 2020, a 3.4% increase. This growth was driven primarily by strong volumes in the United Kingdom, offset by reduced revenues in the Middle East and the United States, partly due to an unfavourable foreign exchange variance mainly from the unfavourable variation of the US dollar compared to the Canadian dollar, as reflected by an organic revenue growth (a non-IFRS measure described at Section 13) of 6.0% for the EDPM segment in 2021. Work winning performance was strong throughout the year with the backlog increasing by 9.5% to $3,137.8 million.

The major revenue contributors in 2021 included work in the United Kingdom as a result of a higher volume of rail, defence and infrastructure projects as the United Kingdom Government maintained spending on critical infrastructure.

In the United States and Canada, ongoing major projects contributed to steady revenue during 2021, notably the Purple Line light rail project in Maryland and the Federal Emergency Management Agency (FEMA) hurricane relief work in the United States and the Réseau Express Métropolitain ("REM") in Canada.

Segment Adjusted EBIT from EDPM increased to $431.8 million (Segment Adjusted EBITDA of $514.3 million) in 2021, compared to a Segment Adjusted EBIT of $302.3 million (Segment Adjusted EBITDA of $400.9 million) in 2020. The increase reflected strong year on year performance across the United Kingdom and the United States, as well as $93.0 million favourable outcome in the fourth quarter of 2021 from a confirmed arbitration decision related to unpaid additional services performed on a completed contract in the Middle East, combined with the favourable impact of settling a number of other project final accounts.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring expenses, of which $19.3 million in 2021 (2020: $40.3 million) were incurred in connection with the EDPM segment.

OTHER KEY PERFORMANCE INDICATOR

AS AT (IN NUMBER OF DAYS)	DECEMBER 31, 2021	DECEMBER 31, 2020
DSO for the EDPM segment [(1)]	**53 days**	64 days

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

As at December 31, 2021, EDPM segment's DSO stood at 53 days, compared to 64 days as at December 31, 2020. The improvement is mainly due to accelerated cash receipts from reduced government payment terms, largely in the United Kingdom. The DSO is expected to increase in 2022, as the situation normalizes during that period.

4.2.4.2 NUCLEAR

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2021		2020	CHANGE (%)
Revenues from Nuclear	$	**904.7**	$	928.6	(2.6%)
Segment Adjusted EBIT from Nuclear	$	**135.9**	$	140.1	(3.0%)
Segment Adjusted EBIT to revenues ratio from Nuclear (%)		**15.0%**		15.1%	
Additional information					
Segment Adjusted EBITDA from Nuclear [1]	$	**147.9**	$	153.9	(3.9%)
Backlog at year end	$	**834.9**	$	890.6	(6.3%)
Booking-to-revenue ratio [1]		**0.94**		0.71	

[1] Non-IFRS financial measure or ratio. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

Nuclear revenues amounted to $904.7 million in 2021, compared to $928.6 million in 2020, a 2.6% decrease. This was primarily due to higher volume in the United States and Europe, more than offset by a decreased volume in Canada and Asia and included an unfavourable impact from the change in foreign exchange rates year-over-year, mainly from the variation of the U.S. dollar compared to the Canadian dollar, with an organic revenue contraction of 0.7% for the Nuclear segment in 2021.

The major revenue contributors in 2021 are reactor support and life extensions (53%), decommissioning and waste management (37%) and new builds (10%).

In 2021, Segment Adjusted EBIT from Nuclear decreased to $135.9 million (Segment Adjusted EBITDA of $147.9 million), compared to $140.1 million (Segment Adjusted EBITDA of $153.9 million) in 2020, mainly due to a lower contribution from Asia resulting from lower volume, partially offset by a higher contribution from North America.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring expenses, of which $6.6 million in 2021 (2020: $nil) were incurred in connection with the Nuclear segment.

4.2.4.3 INFRASTRUCTURE SERVICES

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	**2021**	2020	CHANGE (%)
Revenues from Infrastructure Services	**$ 1,416.6**	$ 1,325.3	6.9%
Segment Adjusted EBIT from Infrastructure Services	**$ 92.7**	$ 97.2	(4.6%)
Segment Adjusted EBIT to revenues ratio from Infrastructure Services (%)	**6.5%**	7.3%	
Additional information			
Segment Adjusted EBITDA from Infrastructure Services [(1)]	**$ 103.0**	$ 108.3	(5.0%)
Backlog at year end	**$ 6,972.5**	$ 7,098.5	(1.8%)
Booking-to-revenue ratio [(1)]	**0.91**	0.82	

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

Infrastructure Services revenues were $1,416.6 million in 2021, compared to $1,325.3 million in 2020, a 6.9% increase. This was mainly due to higher engineering services related to hydro power projects, Program Management services and growth in Linxon and included an unfavourable impact from the change in foreign exchange rates year-over-year, mainly from the variation of the U.S. dollar compared to the Canadian dollar, with an organic revenue growth of 8.6% for the Infrastructure Services segment in 2021.

The major revenue contributors in 2021 were O&M contracts, Program Management and Power & Industrial services, as well as power substation projects from Linxon.

In 2021, Segment Adjusted EBIT from Infrastructure Services decreased to $92.7 million (Segment Adjusted EBITDA of $103.0 million), compared to $97.2 million (Segment Adjusted EBITDA of $108.3 million) in 2020, resulting mainly from a lower margin in Linxon.

4.2.4.4 RESOURCES

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021	2020	CHANGE (%)
Revenues from Resources	**$ 171.8**	$ 162.9	5.4%
Segment Adjusted EBIT from Resources	**$ (39.4)**	$ (171.1)	(77.0%)
Segment Adjusted EBIT to revenues ratio from Resources (%)	**(23.0%)**	(105.0%)	
Additional information			
Segment Adjusted EBITDA from Resources [(1)]	**$ (29.2)**	$ (159.1)	(81.7%)
Backlog at year end	**$ 139.9**	$ 161.6	(13.4%)
Booking-to-revenue ratio [(1)]	**0.87**	0.41	

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

Resources revenues were $171.8 million in 2021 compared to $162.9 million in 2020. Excluding an unfavourable revenue adjustment for an LSTK construction contract in the Middle East in the second quarter of 2020, revenues decreased year-over-year mainly due to the run-off of LSTK construction contracts and the disposal of the Company's Belgium activities in the third quarter of 2020.

The major revenue contributors in 2021 included the engineering, procurement and overall project management of mining projects in the United States and Latin America, revenue derived from in-year mining service contracts in North America, as well as an LSTK project for the construction of an ammonia plant in the Middle East.

Segment Adjusted EBIT from Resources was negative $39.4 million (negative Segment Adjusted EBITDA of $29.2 million) in 2021, compared to a negative Segment Adjusted EBIT of $171.1 million (negative Segment Adjusted EBITDA of $159.1 million) in 2020. Excluding a $70 million charge related to client disputes on a Middle East LSTK project in the second quarter of 2020, the increase in Segment Adjusted EBIT was driven by a higher contribution from mining services activities and reduced negative impacts from LSTK projects being run-off. It should be noted that the results of Resources in 2021 were negatively impacted by the unfavourable effect of COVID-19 and commissioning challenges on the last remaining LSTK project.

It should also be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring costs, of which $nil in 2021 (2020: $0.3 million) were incurred in connection with the Resources segment. Please refer to Section 4.2.3.3 for further details of such restructuring costs. The Segment Adjusted EBIT and Segment Adjusted EBITDA of Resources also exclude a loss on disposal of SNC-Lavalin SA (Belgium) completed in 2020. Please refer to Section 4.2.3.5 for further details.

4.2.4.5 INFRASTRUCTURE EPC PROJECTS

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	**2021**	2020	CHANGE (%)
Revenues from Infrastructure EPC Projects	**$ 895.3**	$ 740.2	21.0%
Segment Adjusted EBIT from Infrastructure EPC Projects	**$ (250.9)**	$ (359.7)	(30.2%)
Segment Adjusted EBIT to revenues ratio from Infrastructure EPC Projects (%)	**(28.0%)**	(48.6%)	
Additional information			
Segment Adjusted EBITDA from Infrastructure EPC Projects [(1)]	**$ (233.7)**	$ (342.1)	(31.7%)
Backlog at year end	**$ 1,365.3**	$ 2,014.0	(32.2%)

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

Infrastructure EPC Projects revenues were $895.3 million in 2021, compared to $740.2 million in 2020, as the work performed in 2021 in the continuing run-off of LSTK backlog reflects higher progress compared to 2020.

The major revenue contributors in 2021 included multiple projects for mass transit systems infrastructure projects in Central and Eastern Canada.

In 2021, Segment Adjusted EBIT from Infrastructure EPC Projects was negative $250.9 million (negative Segment Adjusted EBITDA of $233.7 million), compared to a negative Segment Adjusted EBIT of $359.7 million (negative Segment Adjusted EBITDA of $342.1 million) in 2020. The negative Segment Adjusted EBIT in 2021 was mainly due to unfavourable cost reforecasts, primarily driven by COVID-19, supply chain disruptions and inflation, causing project productivity losses, delays and cost increases on the last remaining LSTK projects. Productivity impacts due to COVID-19 increased significantly with the Omicron variant, including materially higher workforce absenteeism levels on some projects for periods of time. In addition, delays on certain equipment deliveries and significant increases in inflation impacted direct labour, materials and other costs across the projects. The impact of these were higher than foreseen by the Company in previous periods, and as a result, the forecasted costs to complete the LSTK projects had to be increased. The negative Segment Adjusted EBIT in 2020 was mainly due to unfavourable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

4.2.4.6 CAPITAL

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2021		2020
Revenues from Capital	**$**	**134.1**	$	129.4
Segment Adjusted EBIT from Capital investments:				
From Highway 407 ETR	**$**	**40.6**	$	38.0
From other Capital investments [(1)]		**78.7**		78.6
Segment Adjusted EBIT from Capital	**$**	**119.3**	$	116.6

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

Revenues from Capital in 2021 amounted to $134.1 million, compared to $129.4 million in 2020. The increase in revenues for 2021 included a higher level of dividend from Highway 407 ETR, for which $40.6 million of dividends were received in 2021 compared to $38.0 million of dividends received in 2020.

Segment Adjusted EBIT from Capital increased to $119.3 million in 2021, compared to $116.6 million in 2020. The increase in Segment Adjusted EBIT was mainly due to the increase in revenues outlined above.

It should be noted that Segment Adjusted EBIT excludes $5.0 million of adjustments in 2021 on gain on disposals of Capital investment accounted for by the equity method and the release in full of a provision for contingent indemnification of $25.0 million in 2020 related to the previous disposal of a Capital investment accounted for by the consolidation method upon expiry of the indemnification period (refer to Section 4.2.3.5). It also excludes the $57.2 million loss in 2020 arising from the negative fair value revaluation of the consideration receivable from the sale of 10.01% of the shares of Highway 407 ETR in 2019 (refer to Section 4.2.3.2).

CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2021:

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP ("407 EDGGP")	50%	Equity	Yes	2012	2045	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
INPOWER BC GENERAL PARTNERSHIP ("INPOWER BC")	100%	Consolidation	Yes	2014	2033	In operation	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility in Canada.
RIDEAU TRANSIT GROUP PARTNERSHIP ("RIDEAU")	40%	Equity	Yes	2013	2043	In operation	Designs, builds, finances and maintains the Confederation Line, City of Ottawa's light rail transit system.
CARLYLE GLOBAL INFRASTRUCTURE OPPORTUNITY FUND L.P.	4.5%	At fair value through other comprehensive income	N/A	2018	N/A	N/A	Holding investments in infrastructure projects related to energy, power and natural resources.
HIGHWAY 407 ETR	6.76%	Equity	No	1999	2098	In operation	Operates, maintains and manages highway 407, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
TRANSITNEXT GENERAL PARTNERSHIP ("TransitNEXT")	100%	Consolidation	Yes	2019	2049	Under construction	Designs, builds, finances and maintains the new Trillium Line extension, and also assumes responsibility for the long-term maintenance of the existing Trillium Line, under a 30-year contract.
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m^3/day seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
SHARIKET KAHRABA HADJRET EN NOUSS S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227 - MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
TC DÔME S.A.S. ("TC DÔME")	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3-km electric cog railway in France.
SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")	50%	Equity	Yes	2015	2049	In operation	Designs, builds, finances, operates and maintains the New Champlain Bridge Corridor project.
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINTON CROSSTOWN")	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.
SNC-LAVALIN INFRASTRUCTURE PARTNERS LP	20%	Equity	No	2017	N/A	N/A	Holds the participations in Rainbow Hospital Partnership, Chinook Roads Partnership, InTransit BC Limited Partnership, Okanagan Lake Concession Limited Partnership and McGill Healthcare Infrastructure Group.

N/A: not applicable

5 Backlog (Remaining Performance Obligations)

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

Revenue backlog is derived primarily from three major types of contracts: **Reimbursable and engineering services contracts, standardized EPC contracts and LSTK construction contracts.**

- **Reimbursable and engineering services contracts**: Reimbursable and engineering services contracts include all revenue-generating contracts of the Company, except Standardized EPC contracts and LSTK construction contracts described below. Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap or a target price accompanied by incentives and/or disincentives. Engineering services contracts include time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks. Reimbursable and engineering services contracts also include all O&M contracts, some of which are fixed-price agreements, with certain O&M contracts being subject to price-adjustment clauses such as inflation-driven indexation.
- **Standardized EPC contracts**: Under standardized EPC contracts, the Company provides repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary.
- **LSTK construction contracts**: Under LSTK construction contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs.

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

The following table provides a breakdown of revenue backlog by segment and geographic area.

(IN MILLIONS $) BY SEGMENT AND GEOGRAPHIC AREA		**DECEMBER 31, 2021**		DECEMBER 31, 2020
EDPM	**$**	**3,137.8**	$	2,864.4
Nuclear		**834.9**		890.6
Infrastructure Services		**6,972.5**		7,098.5
SNCL Engineering Services - Total	**$**	**10,945.2**	$	10,853.5
Resources	**$**	**139.9**	$	161.6
Infrastructure EPC Projects		**1,365.3**		2,014.0
SNCL Projects - Total	**$**	**1,505.2**	$	2,175.6
PS&PM - Total	**$**	**12,450.4**	$	13,029.1
Capital [1]	**$**	**146.6**	$	158.7
Total from continuing operations [2]	**$**	**12,597.0**	$	13,187.8
From Canada	**$**	**7,416.0**	$	8,155.7
Outside Canada		**5,181.0**		5,032.1
Total from continuing operations [2]	**$**	**12,597.0**	$	13,187.8

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

[2] Revenue backlog excluding backlog related to discontinued operations of $nil as at December 31, 2021 (2020: $0.8 billion)

The Company's revenue backlog decreased to $12.6 billion as at December 31, 2021 compared to $13.2 billion as at December 31, 2020, mainly reflecting a decrease in Infrastructure EPC Projects, Infrastructure Services and Nuclear, partially offset by an increase in EDPM.

BACKLOG RECONCILIATION

In the following table, the Company presents its "booking-to-revenue ratio", a non-IFRS ratio, which corresponds to contract bookings divided by revenues for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in Section 2.2, which can be a significant portion of the budgeted and/or forecasted revenues.

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	**2021**	2020
Opening backlog	**$ 13,187.8**	$ 14,137.7
Plus: Contract bookings during the year	**6,614.7**	5,906.0
Less: Revenues from contracts with customers recognized during the year [1]	**7,204.2**	6,855.1
Backlog of business sold during the year	**1.3**	0.8
Ending backlog	**$ 12,597.0**	$ 13,187.8
Booking-to-revenue ratio [2]	**0.92**	0.86

[1] Revenues under the scope of IFRS 15, as disclosed in Note 9 to the 2021 Annual Financial Statements.
[2] Non-IFRS financial ratio. Please refer to Section 13 for further information on this financial measure.

BACKLOG BY TYPES OF CONTRACTS

The following tables show the amounts and proportions of reimbursable and engineering services contracts, standardized EPC contracts and LSTK construction contracts included in each segment's backlog as at December 31, 2021 and 2020:

AT DECEMBER 31, 2021 (IN MILLIONS $)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
EDPM	$ 3,137.8	100 %	$ —	— %	$ —	— %
Nuclear	810.5	97 %	—	— %	24.4	3 %
Infrastructure Services	6,004.2	86 %	968.3	14 %	—	— %
SNCL Engineering Services - Total	**$ 9,952.5**	**91 %**	**$ 968.3**	**9 %**	**$ 24.4**	**— %**
Resources	$ 107.1	77 %	$ —	— %	$ 32.8	23 %
Infrastructure EPC Projects	231.2	17 %	—	— %	1,134.1	83 %
SNCL Projects - Total	**$ 338.3**	**22 %**	**$ —**	**— %**	**$ 1,166.9**	**78 %**
PS&PM - Total	**$ 10,290.7**	**83 %**	**$ 968.3**	**8 %**	**$ 1,191.3**	**10 %**
Capital	$ 146.6	100 %	$ —	— %	$ —	— %
Total from continuing operations	**$ 10,437.3**	**83 %**	**$ 968.3**	**8 %**	**$ 1,191.3**	**9 %**

AT DECEMBER 31, 2020 (IN MILLIONS $)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
EDPM	$ 2,864.4	100 %	$ —	— %	$ —	— %
Nuclear	840.0	94 %	—	— %	50.6	6 %
Infrastructure Services	5,997.4	84 %	1,101.1	16 %	—	— %
SNCL Engineering Services - Total	**$ 9,701.8**	**89 %**	**$ 1,101.1**	**10 %**	**$ 50.6**	**— %**
Resources	$ 89.3	55 %	$ —	— %	$ 72.3	45 %
Infrastructure EPC Projects	248.2	12 %	—	— %	1,765.8	88 %
SNCL Projects - Total	**$ 337.5**	**16 %**	**$ —**	**— %**	**$ 1,838.1**	**84 %**
PS&PM - Total	**$ 10,039.3**	**77 %**	**$ 1,101.1**	**8 %**	**$ 1,888.7**	**14 %**
Capital	$ 158.7	100 %	$ —	— %	$ —	— %
Total from continuing operations	**$ 10,198.0**	**77 %**	**$ 1,101.1**	**8 %**	**$ 1,888.7**	**14 %**

BACKLOG PHASING

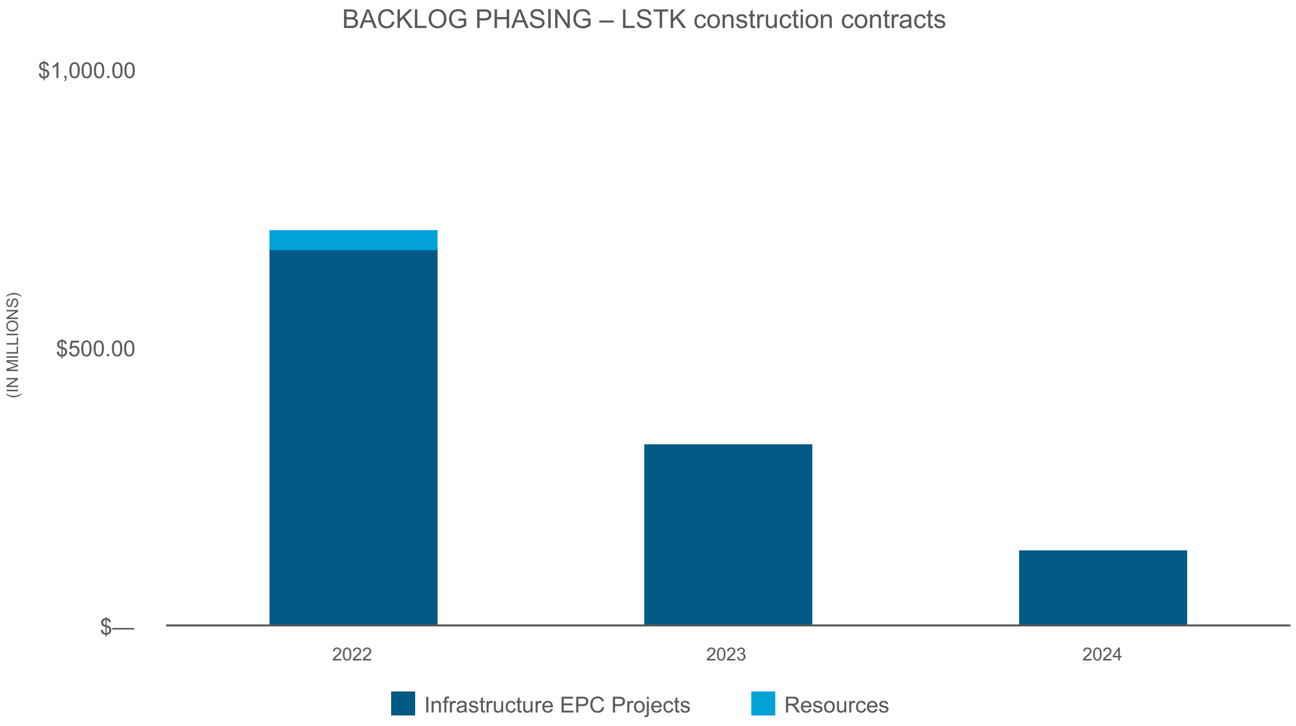
Backlog as at December 31, 2021 is expected to be recognized in revenues as follows: 2022 – $4.3 billion, 2023 – $2.0 billion, 2024 – $1.1 billion, and thereafter – $5.2 billion (2020: 2021 – $4.4 billion, 2022 – $2.0 billion, 2023 – $1.2 billion, and thereafter – $5.6 billion). It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

The LSTK construction contracts included in the backlog of the Resources and Infrastructure EPC Projects segments have expected completions varying between 2022 and 2024. The Company will fulfill the contractual obligations of its current LSTK construction projects. It may be necessary for the Company to accept change orders under existing LSTK construction contracts, which may temporarily extend the performance timeframe of such contracts.

In addition, a number of project contracts, particularly in the Resources and Infrastructure EPC Projects segments, as well as in discontinued operations, have warranty periods and/or outstanding claims that may result in costs or legal proceedings extending beyond the actual performance and completion dates of the projects. See Note 33 - “Contingent Liabilities” to the 2021 Annual Financial Statements.

Most of the backlog from LSTK construction contracts in these segments is derived from the following projects: Réseau Express Métropolitain (REM), Trillium Line Extension (Trillium), and Eglinton LRT. The REM project was temporarily suspended towards the end of the first quarter of 2020 due to the COVID-19 pandemic, but was authorized to resume in the second quarter of 2020. The Eglinton and Trillium projects remained open throughout 2020 and 2021. All three projects have been negatively affected, and continue to be negatively affected, due to COVID-19 related impacts.

As such, while the backlog phasing presented below incorporates the Company’s best estimates, the timing of projects is subject to uncertainties. See Section 14, “Risks and Uncertainties”, for a more specific overview of the risks and uncertainties relating to the Company caused by the COVID-19 pandemic.



6 Geographic Breakdown of Revenues

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2021		2020	
	TOTAL	%	TOTAL	%
Americas:				
Canada	**$ 2,347.6**	**32 %**	$ 2,102.4	30 %
United States	**1,299.3**	**18 %**	1,383.6	20 %
Latin America	**85.4**	**1 %**	81.0	1 %
Europe:				
United Kingdom	**2,136.8**	**29 %**	1,893.6	27 %
Other	**462.1**	**6 %**	409.8	6 %
Middle East and Africa:				
Middle East [1]	**522.4**	**7 %**	553.0	8 %
Africa	**154.8**	**2 %**	203.4	3 %
Asia Pacific [2]	**362.8**	**5 %**	380.7	5 %
Total	**$ 7,371.3**	**100 %**	$ 7,007.5	100 %

[1] Effective as of the second quarter of 2021, revenues from Saudi Arabia and Other Middle East countries are now included in "Middle East". The Company has re-presented the comparative figures for 2020 accordingly.

[2] Effective as of the fourth quarter of 2021, revenues from Australia and Other countries of Asia-Pacific are now included in "Asia Pacific". The Company has re-presented the comparative figures accordingly.

AMERICAS:

- **Revenues in Canada in 2021 increased** compared to 2020, mainly due to an increase in Infrastructure EPC Projects and Infrastructure Services, partially offset by a decrease in Nuclear.
- **Revenues in the United States in 2021 decreased** compared to 2020, mainly due to a decrease in EDPM, partially offset by an increase in Infrastructure Services.
- **Revenues in Latin America in 2021 were** in line with 2020.

EUROPE:

- **Revenues in the United Kingdom increased in 2021** compared to the previous year, mainly due to an increase in EDPM and Nuclear.
- **Revenues in other countries in Europe increased in 2021** compared to 2020, mainly due to an increase in Infrastructure Services, notably from a higher level of activities of Linxon.

MIDDLE EAST AND AFRICA:

- **Revenues in the Middle East decreased in 2021** compared to 2020, mainly due to a decrease of activities in Infrastructure EPC Projects.
- **Revenues in Africa decreased in 2021** compared to 2020, primarily due to a decrease in Infrastructure Services.

ASIA PACIFIC:

- **Revenues in Asia Pacific decreased in 2021** compared to the previous year, mainly reflecting a decrease in Infrastructure Services and EDPM.

7 Fourth Quarter Results

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)	2021	2020	CHANGE (%)
Income Statements			
Revenues	**$ 1,944.9**	$ 1,697.9	14.5%
Net income (loss) attributable to SNC-Lavalin shareholders:			
From PS&PM	**$ (105.5)**	$ (736.2)	(85.7%)
From Capital	**52.6**	33.5	57.0%
Net loss attributable to SNC-Lavalin shareholders	**$ (52.9)**	$ (702.7)	(92.5%)
Loss per share attributable to SNC-Lavalin shareholders (in $):			
Basic	**$ (0.30)**	$ (4.00)	(92.5%)
Diluted	**$ (0.30)**	$ (4.00)	(92.5%)
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:			
From PS&PM	**$ (67.9)**	$ (356.4)	(80.9%)
From Capital	**52.6**	33.5	57.0%
Net loss attributable to SNC-Lavalin shareholders from continuing operations	**$ (15.3)**	$ (322.9)	(95.3%)
Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM [1]	**$ (25.6)**	$ (268.7)	(90.5%)
Diluted loss per share from continuing operations (“Diluted EPS”) (in $)	**$ (0.09)**	$ (1.84)	(95.3%)
Diluted EPS from PS&PM (in $)	**$ (0.39)**	$ (2.03)	(80.9%)
Adjusted diluted EPS from PS&PM (in $) [1]	**$ (0.15)**	$ (1.53)	(90.5%)
EBIT	**$ (35.9)**	$ (372.7)	(90.4%)
EBIT to revenue ratio (in %)	**(1.8)%**	(22.0)%	
EBITDA [1]	**$ 32.6**	$ (300.7)	(110.8%)
Adjusted EBITDA from PS&PM to PS&PM revenue ratio (in %) [1]	**0.3%**	(14.8%)	N/A

[1] Non-IFRS financial measure or ratio. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

- **Revenues totaled $1,944.9 million in the fourth quarter of 2021,** compared to $1,697.9 million in the corresponding quarter of 2020, mainly reflecting an increase in EDPM, Infrastructure EPC Projects, Infrastructure Services, and Capital partially offset by a decrease in Nuclear and Resources.

- **For the fourth quarter of 2021, net loss attributable to SNC-Lavalin shareholders was $52.9 million ($0.30 per diluted share),** compared to a net loss attributable to SNC-Lavalin shareholders of $702.7 million ($4.00 per diluted share) for the fourth quarter of 2020, reflecting mainly a write down of $277.7 million in the value of disposal groups presented as held for sale, primarily in discontinued operations, in the fourth quarter of 2020, a higher contribution in the fourth quarter of 2021 from EDPM and Capital combined with a lower loss from Infrastructure EPC Projects and Resources, a decrease in corporate selling, general and administrative expenses, which included a $58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation in the fourth quarter of 2020, and a lower income tax expense from continuing operations.

- **For the fourth quarter of 2021, Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM was $25.6 million ($0.15 per diluted share),** compared to an adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM of $268.7 million ($1.53 per diluted share) for the comparable quarter in 2020, mainly due to a higher contribution from EDPM, combined with a lower loss from Infrastructure EPC Projects and Resources.

- **EBIT, EBITDA and Adjusted EBITDA from PS&PM to PS&PM revenues ratio (% of PS&PM revenues) increased in the fourth quarter of 2021** compared to the fourth quarter of 2020, mainly due to the factors described above.

AS AT (IN MILLIONS $)	DECEMBER 31, 2021	SEPTEMBER 30, 2021	CHANGE (%)
Additional Indicator			
Cash and cash equivalents	**$ 608.4**	$ 519.8	17.1%
Revenue backlog	**$ 12,597.0**	$ 12,757.1	(1.3%)

- **At the end of December 31, 2021, the Company's cash and cash equivalents amounted to $608.4 million**, compared to $519.8 million at the end of September 30, 2021. The increase is mainly attributable to net cash generated from operating activities of $115.4 million in the fourth quarter of 2021.

- **Revenue backlog was $12.6 billion as at December 31, 2021,** compared to $12.8 billion as at September 30, 2021, mainly reflecting a decrease in Infrastructure Services and EDPM, partially offset by an increase in Nuclear.

The following table summarizes the Company's revenues and Segment Adjusted EBIT and reconciles the Segment Adjusted EBIT to the Company's net loss for the fourth quarters ended December 31, 2021 and 2020.

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)	2021		2020	
BY SEGMENT	REVENUES	SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT
EDPM	**$ 1,063.5**	**$ 179.3**	$ 943.3	$ 84.9
Nuclear	**220.4**	**34.8**	245.3	36.2
Infrastructure Services	**386.8**	**23.3**	334.4	32.0
Total SNCL Engineering Services	**$ 1,670.8**	**$ 237.4**	$ 1,523.0	$ 153.1
Resources	**29.4**	**(39.6)**	53.7	(93.4)
Infrastructure EPC Projects	**179.5**	**(191.8)**	98.6	(319.4)
Total SNCL Projects	**$ 208.9**	**$ (231.4)**	$ 152.3	$ (412.8)
Capital	**65.2**	**60.6**	22.6	19.1
Total revenues and Segment Adjusted EBIT	**$ 1,944.9**	**$ 66.6**	$ 1,697.9	$ (240.6)
Corporate selling, general and administrative expenses not allocated to the segments		**(49.9)**		(95.7)
Loss arising on financial instruments at fair value through profit or loss		**(3.4)**		(0.3)
Restructuring and transformation costs		**(30.9)**		(31.8)
Amortization of intangible assets related to business combinations		**(23.4)**		(23.2)
Adjustments on gain on disposals of Capital investments		**5.0**		25.0
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**—**		(6.1)
EBIT		**$ (35.9)**		$ (372.7)
Net financial expenses		**27.0**		27.5
Loss before income taxes from continuing operations		**$ (62.9)**		$ (400.2)
Income tax recovery		**(47.8)**		(80.5)
Net loss from continuing operations		**$ (15.1)**		$ (319.7)
Net loss from discontinued operations		**(37.6)**		(379.8)
Net loss		**$ (52.7)**		$ (699.5)

Total Segment Adjusted EBIT in the fourth quarter of 2021 was $66.6 million, compared to a total Segment Adjusted EBIT of negative $240.6 million in the fourth quarter of 2020. The variance is largely attributable to a higher contribution from EDPM and Capital combined with a lower loss from Infrastructure EPC Projects and Resources. The increased contribution from EDPM reflected mainly a $93.0 million favourable outcome from a confirmed arbitration decision related to unpaid additional services performed on a completed contract in the Middle East, while Capital benefited from a $40.6 million dividend from Highway 407 ETR compared to $nil in the fourth quarter of 2020. The losses in Infrastructure EPC Projects and Resources in the fourth quarter of 2021 were mainly due to unfavourable cost reforecasts, primarily driven by COVID-19, supply chain disruptions, inflation and commissioning challenges, causing productivity losses, delays and cost increases on the last remaining LSTK construction projects. Productivity impacts due to COVID-19 increased significantly with the Omicron variant, including materially higher workforce absenteeism levels on some projects for periods of time. In addition, delays on certain equipment deliveries and significant increases in inflation impacted direct labour, materials and other costs across the projects. The impact of these were higher than foreseen by the Company in previous periods, and as a result, the forecasted costs to complete the LSTK construction projects had to be increased and adjusted in the fourth quarter of 2021. The loss in Infrastructure EPC Projects in the fourth quarter of 2020 was mainly attributable to commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19. The loss in Resources in the fourth quarter of 2020 was mainly due to charges for one remaining LSTK project and certain other historical legacy positions.

Corporate selling, general and administrative expenses not allocated to segments amounted to $49.9 million in the fourth quarter of 2021, compared to $95.7 million in the corresponding period of 2020. The variance is mainly due to a $48.3 million negative adjustment to the provision for the Pyrrhotite Case litigation and a $4.0 million revision to the Guaranteed Minimum Pension (“GMP”) equalization provision recognized in the fourth quarter of 2020.

In the fourth quarter of 2021, the Company recognized a pre-tax gain of $5.0 million from a contingent consideration receivable related to the previous disposal of a Capital investment accounted for by the equity method. In the fourth quarter of 2020, the Company released in full a $25.0 million provision for contingent indemnification related to the previous disposal of a Capital investment accounted for by the consolidation method upon expiry of the indemnification period. Such gains were included in “Adjustments on gain on disposals of Capital investments”.

The income tax recovery of $47.8 million in the fourth quarter of 2021 was mainly a result of the loss for the period. The effective income tax recovery rate was higher than the Canadian statutory income tax rate mainly due to the geographic mix of earnings, net income not affected by tax and revised estimates on certain income tax liabilities, partially offset with a $19.0 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of loss carryforwards in the United States. The income tax recovery of $80.5 million in the fourth quarter of 2020,was mainly a result of the loss for the period.

Net loss from discontinued operations was $37.6 million in the fourth quarter of 2021, compared to $379.8 million in the fourth quarter of 2020. The net loss from discontinued operations in the fourth quarter of 2020 included negative reforecasts on certain major projects and a write down of $271.6 million in the value of this disposal group presented as held for sale.

8 Liquidity and Capital Resources

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

- A **cash flow analysis**, providing details on how the Company generated and used its cash and cash equivalents;
- A discussion of the Company's **capital structure management** and **capital resources**;
- A description of the Company's **debt and financing agreements** and its **capital management indicators**;
- An update on the Company's **credit ratings**;
- A presentation of the Company's **dividends declared**; and
- A review of the Company's **contractual obligations** and **financial instruments**, which provides additional information for a better understanding of the Company's financial situation.

8.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		**2021**		2020
Cash flows generated from (used for):				
Operating activities	**$**	**134.2**	$	121.5
Investing activities		**(263.7)**		(185.1)
Financing activities		**(192.5)**		(190.4)
Decrease from exchange differences on translating cash and cash equivalents		**(0.2)**		(1.7)
Net decrease in cash and cash equivalents	**$**	**(322.3)**	$	(255.7)
Cash and cash equivalents at beginning of year		**932.9**		1,188.6
Cash and cash equivalents at end of year	**$**	**610.6**	$	932.9
Less: Cash and cash equivalents included in the assets of disposal group classified as held for sale	**$**	**(2.2)**	$	—
Cash and cash equivalents at end of year as presented on the consolidated statement of financial position	**$**	**608.4**	$	932.9

Cash and cash equivalents decreased by $322.3 million in 2021, compared to a decrease of $255.7 million in 2020, as discussed further below.

OPERATING ACTIVITIES

Net cash generated from operating activities totaled $134.2 million in 2021, compared to net cash generated from operating activities of $121.5 million in 2020, a variance reconciled as follows:

(IN MILLIONS $)		
Net cash generated from operating activities for the year ended December 31, 2020	$	121.5
Changes between the years ended December 31, 2021 and 2020:		
Increase in net income		1,628.3
Increase in income taxes paid		(48.9)
Decrease in income taxes recognized in net income		(73.2)
Lower depreciation of property and equipment and amortization of other non-current non-financial assets		(63.8)
Lower depreciation of right-of-use assets		(19.2)
Decrease in dividends and distributions received from Capital investments accounted for by the equity method		(16.6)
Increase in share-based expense		26.7
Lower impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		(283.9)
Higher net change in provisions related to forecasted losses on certain contracts		(62.8)
Lower adjustment on gain on disposal of a Capital investment		20.0
Decrease in restructuring and transformation costs recognized in net income		(33.5)
Decrease in restructuring and transformation costs paid		65.3
Change in loss (gain) arising on financial instruments at fair value through profit or loss		(65.6)
Gain on disposals of PS&PM businesses		(573.7)
Net change in other provisions		(162.6)
Other items		2.5
Changes in net cash used for operating activities before net change in non-cash working capital items	$	339.2
Variance from net change in non-cash working capital items		(326.5)
Net cash generated from operating activities for the year ended December 31, 2021	**$**	**134.2**

- **Net cash generated from operating activities before net change in non-cash working capital items totaled $231.4 million in 2021,** compared to net cash used for operating activities before net change in working capital items of $107.8 million in 2020.
- As detailed in Note 28B to the 2021 Annual Financial Statements, **changes in non-cash working capital items used net cash of $97.2 million in 2021,** compared to net cash generated of $229.2 million in 2020. This difference mainly reflected an unfavourable variance in contract assets, trade receivables, other current non-financial liabilities and inventories, partially offset by a favourable variance mainly in trade payables and accrued liabilities, other current financial assets, other current financial liabilities and contract liabilities.
- From a business line perspective, SNCL Engineering Services generated $543.6 million of cash from operating activities in 2021 compared to $800.4 million in 2020, while SNCL Projects used $266.5 million of cash for operating activities in 2021 compared to $243.1 million used in 2020. Discontinued operations generated $37.8 million of cash from operating activities in 2021 compared to $165.9 million of cash used for operating activities in 2020. The remaining balance of cash flows from operating activities relates to Capital, corporate activities and items not allocated to the Company's segments or to discontinued operations.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to $263.7 million in 2021, compared to net cash used for investing activities of $185.1 million in 2020, a variance reconciled as follows:

(IN MILLIONS $)

Net cash used for investing activities for the year ended December 31, 2020	$	(185.1)
Changes between the years ended December 31, 2021 and 2020:		
Increase in acquisition of property and equipment		(30.5)
Decrease in payments for Capital investments		26.1
Unfavourable variance in change in restricted cash position		(11.4)
Higher increase in receivables under service concession arrangements, net of recovery		(64.9)
Increase in cash outflow on disposals of PS&PM businesses		(6.0)
Other items		8.1
Net cash used for investing activities for the year ended December 31, 2021	**$**	**(263.7)**

- The acquisition of property and equipment related mainly to computer equipment and leasehold improvements in both 2021 and 2020.
- **In 2021, payments for Capital investments amounted to $29.7 million,** compared to $55.8 million in 2020. The payments made in 2021 included the contributions made by the Company to Carlyle Global Infrastructure Opportunity Fund, L.P. The payments made in 2020 included mainly the contributions made by the Company to Signature on the Saint-Laurent Group General Partnership and Carlyle Global Infrastructure Opportunity Fund, L.P.
- The higher increase in receivables under service concession arrangements, net of recovery, mainly relates to a higher level of activity on the Trillium Line Extension project in 2021 compared to 2020.

FINANCING ACTIVITIES

Net cash used for financing activities totaled $192.5 million in 2021, compared to net cash used for financing activities of $190.4 million in 2020, a variance reconciled as follows:

(IN MILLIONS $)

Net cash used for financing activities for the year ended December 31, 2020	$	(190.4)
Changes between the years ended December 31, 2021 and 2020:		
Lower repayment of recourse debt		1,123.5
Lower increase in recourse debt		(1,197.7)
Lower repayment of non-recourse debt		62.9
Lower increase in non-recourse debt		(10.5)
Lower increase in other non-current financial liabilities		(3.7)
Other items		19.6
Net cash used for financing activities for the year ended December 31, 2021	**$**	**(192.5)**

- The changes in cash flows related to financing activities between 2021 and 2020 were primarily explained by the elements in the table above. Notably, the following transactions on recourse debt took place during 2021 and 2020:
    - In 2021, the Company drew down $100.0 million under its committed revolving facility (the “Credit Agreement”). In the first quarter of 2020, the Company drew down $1.0 billion under its Credit Agreement in order to secure access to liquidity while financial markets were facing challenges at the onset of the COVID-19 pandemic. The Company subsequently repaid $500.0 million of this draw-down in the second quarter of 2020 and the remaining balance in the third quarter of 2020.
    - In the first quarter of 2021, the Company repaid in full at maturity the Series 3 Debentures for an aggregate principal amount of $175.0 million.

  - In the third quarter of 2020, the Company issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of $300 million. A portion of the net proceeds from this issuance was used to fund the repurchase, through open market purchases, of $40 million of the outstanding 2020 Debentures, for which the remaining $260 million principal amount was repaid in full at maturity in the fourth quarter of 2020.
  - In 2020, the credit facility of InPower BC General Partnership was repaid in full, resulting in a cash outflow of $63.1 million.

- The Company also provides a reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the years ended December 31, 2021 and 2020 in Note 28C to the 2021 Annual Financial Statements.
- The Company did not issue and did not repurchase any shares during either 2021 or 2020. The number of common shares outstanding as at February 16, 2022 was 175,554,252.
- **Dividends paid during 2021** were in line with dividends paid in 2020.

FREE CASH FLOW (USAGE)

Free cash flow (usage), a non-IFRS measure, is calculated as follows:

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2021		2020
Net cash generated from operating activities	**$**	**134.2**	$	121.5
Plus: Payment of federal charges settlement included in operating activities above		**56.0**		56.0
Less: Acquisition of property and equipment		**(106.3)**		(75.8)
Less: Payment of lease liabilities		**(99.8)**		(118.7)
Free cash flow (usage) [1]	**$**	**(15.9)**	$	(17.0)

[1] Non-IFRS financial measure. Please refer to Section 13 for further information on this financial measure..

The Company's free cash flow usage was $15.9 million in 2021, compared to free cash flow usage of $17.0 million in 2020, mainly due to the higher level of acquisition of property and equipment in 2021 compared to 2020, partially offset by the higher level of net cash generated from operating activities and the decrease in payment of lease liabilities during the same period.

8.2 CAPITAL STRUCTURE MANAGEMENT

The Company's sources of funds stem primarily from its operating cash flows from PS&PM projects and Capital investments, the divestiture of matured Capital investments and non-core assets, the issuance of debt and additional financial capacity available under the Credit Agreement. The Company's funds are mainly used to meet working capital requirements and sustain capital expenditures on projects, make equity investments, pay dividends to shareholders and for mergers and acquisitions activities.

SNC-Lavalin's key objectives for its capital allocation framework are:

- To drive organic and inorganic PS&PM growth;
- Optimize its balance sheet; and
- Return capital to shareholders.

8.3 CAPITAL RESOURCES

AT DECEMBER 31 (IN MILLIONS $)		2021		2020
Cash and cash equivalents	**$**	**608.4**	$	932.9
Unused portion of committed revolving credit facilities [1], [2]	**$**	**2,292.7**	$	2,394.7

[1] Including cash draws and letters of credit issued on a committed basis, but excluding bilateral letters of credit that can be issued on a non-committed basis.
[2] Before considering potential limitations resulting from contractual covenants.

As at December 31, 2021, the Company had cash and cash equivalents totaling $608.4 million (2020: $932.9 million).

Furthermore, as at December 31, 2021, the Company had a committed revolving facility of $2,600 million under its Credit Agreement (2020: $2,600 million), of which $2,292.7 million was unused (2020: $2,394.7 million), and uncommitted credit facilities by way of bilateral letters of credit.

While liquidity remains subject to numerous risks, uncertainties and limitations, including but not limited to the risks described in Section 14 "Risks and Uncertainties" of the 2021 Annual MD&A and in this Section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations over the foreseeable future. However, the ongoing COVID-19 pandemic has created and continues to create an environment and circumstances in which it is difficult to anticipate future economic and financial conditions and access to capital, credit and financial markets and, as such, statements regarding the Company's future liquidity are uncertain and subject to the risks and uncertainties relating to the COVID-19 pandemic. See also Section 14, "Risks and Uncertainties" of the 2021 Annual MD&A, for a more specific overview of the risks and uncertainties relating to the Company caused by the COVID-19 pandemic.

In addition, due to the nature of the Company's activities and the fact that its operations are conducted through multiple entities and joint arrangements on an international level, the Company's cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various cash pooling agreements with financial institutions and may transfer cash balances between subsidiaries, joint arrangements or investees or use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

8.4 DEBT AND FINANCING AGREEMENTS

NON-RECOURSE DEBT, LIMITED RECOURSE DEBT AND RECOURSE DEBT

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

The Company was required to maintain, as at December 31, 2021, a ratio of net recourse debt to EBITDA not to exceed: (a) 3.75x under the Company's Credit Agreement; and (b) 3.50x under the loan agreement, dated as of April 20, 2017, between SNC-Lavalin Highway Holdings Inc. ("Highway Holdings"), an indirect wholly-owned subsidiary of the Company, and CDPQ Revenu Fixe Inc. ("CDPQ RF"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (as amended, restated or otherwise modified, from time to time, the "CDPQ Loan Agreement" and the limited recourse loan established thereunder, the "CDPQ Loan"). As at December 31, 2021, the ratio of the Company's net recourse debt to EBITDA, as calculated under both the Credit Agreement and the CDPQ Loan Agreement, was 1.4x and, as such, the Company was in compliance with its financial ratio covenants under such agreements.

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and in the CDPQ Loan Agreement and do not correspond to the similarly labelled financial measures used in this MD&A. Furthermore, such ratio is calculated using certain financial information not disclosed in the 2021 Annual Financial Statements or in this MD&A, or not considered recourse debt in these documents. For example, the ratio includes the amount of down-payments on contracts totaling $145.4 million as at December 31, 2021 (2020: $226.1 million) and the amount of outstanding financial letters of credit totaling $97.9 million as at December 31, 2021 (2020: $101.7 million) as part of the net recourse debt calculation.

REPAYMENT OF SERIES 3 DEBENTURES AND 2020 DEBENTURES

In the first quarter of 2021, SNC-Lavalin repaid in full at maturity the Series 3 Debentures for an aggregate principal amount of $175.0 million.

In the third quarter of 2020, a portion of the net proceeds from the issuance of the Series 6 Debentures was used to fund the repurchase, through open market purchases, of $40 million of the outstanding 2020 Debentures, for which the remaining $260 million principal amount was repaid in full at maturity in the fourth quarter of 2020.

AMENDMENTS TO THE REVOLVING CREDIT FACILITY

On March 26, 2021, certain lenders under the Company's Revolving 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 Facility was increased commensurately. As such, the notional amount of Tranche A of the Revolving 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 Facility is $600 million until May 15, 2022 and $507.2 million from May 16, 2022 to April 30, 2023.

ISSUANCE OF SERIES 6 DEBENTURES

In the third quarter of 2020, SNC-Lavalin issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of $300 million, which bear interest at the rate of 3.80% per annum and mature on August 19, 2024.

8.5 CAPITAL MANAGEMENT INDICATORS

The Company periodically monitors capital using certain ratios, which are described further below.

NET LIMITED RECOURSE AND RECOURSE DEBT TO ADJUSTED EBITDA RATIO

The net limited recourse and recourse debt to Adjusted EBITDA is a non-IFRS ratio used to analyze the Company's financial leverage. It is calculated by comparing the net limited recourse and recourse debt at the end of a given period with Adjusted EBITDA of the corresponding trailing twelve-month period, as follows:

AT DECEMBER 31 (IN MILLIONS $, EXCEPT FOR RATIO)		**2021**		2020
Limited recourse	**$**	**400.0**	$	400.0
Recourse debt		**1,094.1**		1,171.0
Less:				
Cash and cash equivalents		**608.4**		932.9
Net limited recourse and recourse debt [(1)]	**$**	**885.7**	$	638.1
Adjusted EBITDA (trailing 12 months) [(1)]		**525.0**		200.1
Net limited recourse and recourse debt to Adjusted EBITDA ratio [(1)]		**1.7**		3.2

[(1)] Non-IFRS financial measure or ratio. Please refer to Section 13 for further information on these financial measures.

While the level of limited recourse debt remained unchanged as at December 31, 2021 compared to December 31, 2020, the decrease in recourse debt in 2021 was more than offset by the decrease in cash and cash equivalents during the same period, resulting in a higher level of net limited recourse and recourse debt as at December 31, 2021 compared to December 31, 2020. When considering the higher level of Adjusted EBITDA in 2021 compared to 2020, the net limited recourse and recourse debt to Adjusted EBITDA ratio decreased to 1.7 as at December 31, 2021 compared to 3.2 as at December 31, 2020.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a supplementary financial measure. A definition of this supplementary financial measure is provided in Section 13. **ROASE was 14.3% in 2021**, compared to -33.4% for 2020.

8.6 CREDIT RATINGS

On February 10, 2021, DBRS placed the Company's Issuer Rating and Unsecured Debentures rating, both currently rated BB (high), Under Review with Negative Implications. On April 22, 2021, DBRS confirmed its BB (high) rating and removed it from Under Review with Negative Implications. DBRS considers that the agreement to sell the Company's Oil and Gas business allows for a relatively clean exit from its active contracts and the ongoing warranty obligations of former contracts. For DBRS, the sale is also an important milestone in achieving the strategic initiative of focusing on core Engineering Services business. The rating confirmation is supported by the Company's comfortable liquidity position and a largely unused revolving credit facility, as well as, the Company's portfolio of Capital investments. DBRS integrated its methodology "Rating Companies in the Services Industry" into the Company's rating, along with the methodology "Rating Companies in the Construction and Property Development Industry", which better aligns the risk profile with the strategic direction to exit LSTK construction contracts. DBRS notes the modestly improved business risk assessment of the Company with this incorporation.

On June 14, 2021, S&P Global Ratings revised its outlook on the Company from negative to stable and affirmed its BB+ issuer credit rating. The stable outlook reflects the expectation that the Company will generate steady improvement in its earnings and cash flow over the next two years, with reduced financial risk associated with the Company's remaining LSTK projects.

8.7 DIVIDENDS DECLARED

The table below summarizes the dividends declared for each of the past three years:

YEARS ENDED DECEMBER 31 (IN $)		2021		2020		2019
Dividends per share declared to SNC-Lavalin shareholders [1]	**$**	**0.080**	$	0.080	$	0.240
Dividend decrease (%)		**—%**		(67%)		(79%)

[1] The dividends declared are classified in the period based on the declaration date.

Total cash dividends paid in 2021 were $14.0 million, compared to $14.0 million in 2020. The Company has paid quarterly dividends for 32 consecutive years. The Board of Directors of the Company determines the dividend policy.

8.8 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

CONTRACTUAL OBLIGATIONS

In the normal course of business, SNC-Lavalin has various contractual obligations. The following table provides a summary of SNC-Lavalin's future contractual commitments specifically related to short-term debt and long-term debt repayments, commitments to invest in Capital investments and lease liabilities:

(IN MILLIONS $)		2022		2023-2024		2025-2026		THEREAFTER		TOTAL
Short-term debt, long-term debt repayments, commitments to invest and lease liabilities:										
Recourse	$	99.8	$	1,000.0	$	—	$	—	**$**	**1,099.8**
Limited recourse		—		400.0		—		—		**400.0**
Non-recourse		15.4		150.8		7.4		—		**173.6**
Commitments to invest in Capital investments		24.9		—		—		—		**24.9**
Lease liabilities		118.5		181.3		107.2		230.6		**637.6**
Total	$	258.6	$	1,732.1	$	114.6	$	230.6	**$**	**2,335.9**

Additional details of the future principal repayments of the Company's recourse, limited recourse and non-recourse short-term debt and long-term debt are provided in Note 20D to the 2021 Annual Financial Statements. The commitments to invest in Capital investments result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to the 2021 Annual Financial Statements. At December 31, 2021, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2020: Eglinton Crosstown) and were presented as "Other current financial liabilities" (see Note 18 to the 2021 Annual Financial Statements) since they are either expected to be paid in the following year or are callable on demand. Information regarding the Company's lease liabilities is provided in Note 34 to the 2021 Annual Financial Statements.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects. Such commitment to invest amounted to US$60.5 million (approximately CA$77.4 million) as at December 31, 2021 (2020: US$82.5 million [approximately CA$105.7 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 30 to the 2021 Annual Financial Statements.

Derivative financial instruments
SNC-Lavalin enters or may enter into derivative financial instruments, namely: ◦ Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates; ◦ Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements; ◦ Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company's share price; and ◦ Commodity swap agreements for certain contracts to hedge the variability of commodity prices. Refer to Note 30 to the 2021 Annual Financial Statements for further details.
All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures.

9 Financial Position

9.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

AT DECEMBER 31 (IN MILLIONS $)	2021	2020	CHANGE ($)	EXPLANATIONS
Current Assets				
Cash and cash equivalents	**$ 608.4**	$ 932.9	$ (324.5)	See discussion in Section 8.1.
Restricted cash	**13.4**	29.3	(15.9)	Decrease in restricted cash is mainly due to the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021.
Trade receivables	**1,145.9**	1,199.2	(53.2)	Decrease is mainly due to variation on multiple projects.
Contract assets	**1,119.0**	1,090.1	28.9	Increase is mainly due to variation on multiple projects.
Inventories	**17.0**	16.1	0.9	Not a significant change compared to prior year.
Other current financial assets	**138.4**	257.4	(119.1)	Decrease includes a decrease in fair value of favourable derivative financial instruments, the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021 and a decrease in the balance of recovery of costs expected from suppliers and subcontractors and in other various current assets.
Other current non-financial assets	**246.2**	253.3	(7.2)	Decrease is mainly due to a decrease in prepaid expenses and other, partially offset by an increase in Income taxes and other taxes receivable.
Assets of disposal groups classified as held for sale	**343.9**	273.2	70.7	Increase mainly reflects the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021, partially offset by the disposal in 2021 of the assets of the Oil & Gas business that were classified as held for sale as at December 31, 2020.
Total current assets	**$ 3,632.3**	$ 4,051.6	$ (419.3)	
Property and equipment	**$ 333.5**	$ 375.9	$ (42.4)	Decrease is mainly due to disposals/retirements/salvage as well as impairment of certain assets in 2021, as the additions were in line with the amount of deprecation during the year.
Right-of-use-assets	**355.6**	346.8	8.8	Increase reflects additions during the year, partially offset by depreciation expense and impairment.
Capital investments accounted for by the equity method	**380.7**	378.7	2.0	Not a significant change compared to prior year.
Capital investments at fair value through other comprehensive income	**41.3**	9.7	31.7	Increase is mainly due to capital contributions made to Carlyle Global Infrastructure Opportunity Fund, L.P.
Goodwill	**3,382.9**	3,429.5	(46.5)	Decrease is due to foreign currency translation.
Intangible assets related to business combinations	**445.7**	544.1	(98.3)	Decrease is mainly due to amortization expense recognized in 2021.
Deferred income tax asset	**658.1**	655.8	2.2	Not a significant change compared to prior year.
Non-current portion of receivables under service concession arrangements	**304.2**	433.9	(129.7)	Decrease is mainly due to classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021, partially offset by an increase from the progress made on the construction of the TransitNEXT project.
Other non-current financial assets	**25.4**	31.4	(6.0)	Not a significant change compared with prior year.
Other non-current non-financial assets	**316.2**	83.0	233.2	Increase is mainly due to the Atkins Pension Plan being in surplus as at December 31, 2021.
Total assets	**$ 9,876.0**	$10,340.3	$ (464.3)	

LIABILITIES

AT DECEMBER 31 (IN MILLIONS $)	2021	2020	CHANGE ($)	EXPLANATIONS
Current Liabilities				
Trade payables and accrued liabilities	**$ 1,652.5**	$ 1,730.4	$ (77.9)	Decrease is principally attributable to variations in multiple projects and accrued expenses.
Contract liabilities	**838.2**	837.0	1.2	Not a significant change compared to prior year.
Other current financial liabilities	**205.8**	187.8	18.0	Increase is mainly due to an increase in retentions on supplier contracts.
Other current non-financial liabilities	**328.1**	473.8	(145.7)	Decrease mainly reflects a decrease in taxes payable, partially offset by an increase in share unit plans' liabilities.
Current portion of provisions	**425.6**	401.6	24.0	Refer to Note 22 to the 2021 Annual Financial Statements for details.
Current portion of lease liabilities	**91.3**	97.4	(6.1)	Decrease is mainly due to certain leases which matured or are close to maturity at the end of 2021.
Short-term debt and current portion of long-term debt:				
Recourse	**96.9**	175.0	(78.1)	Decrease is mainly due to repayment of Series 3 Debentures in full at maturity in the first quarter of 2021, partially offset by the amount of draw down on the revolving facility.
Non-recourse	**14.0**	31.3	(17.2)	Decrease is mainly reflecting the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021.
Liabilities of disposal groups classified as held for sale	**298.9**	340.3	(41.4)	Decrease mainly reflects the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021, offset by the derecognition of liabilities held for sale related to the Oil & Gas business upon its disposal in 2021.
Total current liabilities	**$ 3,951.3**	$ 4,274.4	$ (323.1)	
Long-term debt:				
Recourse	**$ 997.2**	$ 996.0	$ 1.2	Not a significant change compared to prior year.
Limited recourse	**400.0**	400.0	—	No variance compared to prior year.
Non-recourse	**156.0**	400.3	(244.2)	Decrease is mainly reflecting the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021.
Other non-current financial liabilities	**137.5**	193.9	(56.3)	Decrease is mainly due to decrease in the non-current portion of the federal charges settlement (PPSC) liability initially recognized in 2019.
Non-current portion of provisions	**470.4**	753.2	(282.8)	Refer to Note 22 to the 2021 Annual Financial Statements for details.
Non-current portion of lease liabilities	**405.7**	399.2	6.5	Not a significant change compared to prior year.
Other non-current non-financial liabilities	**—**	0.2	(0.2)	Not a significant balance.
Deferred income tax liability	**364.2**	354.3	9.8	Not a significant change compared to prior year.
Total liabilities	**$ 6,882.5**	$ 7,771.6	$ (889.1)	

EQUITY

AT DECEMBER 31 (IN MILLIONS $)	2021	2020	CHANGE ($)	EXPLANATIONS
Share capital	**$ 1,805.1**	$ 1,805.1	$ —	Not applicable.
Retained earnings	**1,501.6**	478.4	1,023.2	Increase is mainly attributable to the 2021 net income, combined with other comprehensive income mainly related to the remeasurement of defined benefit plans.
Other components of equity	**(333.3)**	(320.1)	(13.2)	Decrease was largely due to exchange differences on translating foreign operations, partially offset by cash flow hedges.
Other components of equity of disposal groups classified as held for sale	**—**	594.1	(594.1)	The 2020 balance primarily related to cumulative balance of exchange differences on translating foreign operations of the Oil & Gas business which was classified as a disposal group held for sale as at December 31, 2020. The balance was reclassified to the income statement upon the completion of the disposal in 2021.
Equity attributable to SNC-Lavalin shareholders	**$ 2,973.4**	$ 2,557.5	$ 415.9	
Non-controlling interests	**20.1**	11.2	8.9	Not a significant balance.
Total Equity	**$ 2,993.5**	$ 2,568.7	$ 424.8	

WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021	2020	CHANGE ($)	EXPLANATIONS
Working Capital [(1)]	**$ (319.0)**	$ (222.9)	$ (96.1)	Decrease is due to the variance of multiple current assets and liabilities, notably the decrease of cash and cash equivalents, other current financial assets and other current non-financial liabilities.
Current Ratio [(1)]	**0.92**	0.95	(0.03)	

[(1)] Supplementary IFRS financial measures. Please refer to Section 13 for further information on these financial measures.

10 Related Party Transactions

The Company discloses information on its related party transactions, as defined in IAS 24, *Related Party Disclosures*, in Note 36 to the 2021 Annual Financial Statements.

11 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company’s accounting policies, which are described in Note 2 to the 2021 Annual Financial Statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the 2021 Annual Financial Statements.

12 Accounting Policies and Changes

Please refer to Note 2 to the 2021 Annual Financial Statements for more information regarding the Company's significant accounting policies.

13 Non-IFRS Financial Measures and Ratios, Supplementary Financial Measures and Non-Financial Information

The following section provides information regarding non-IFRS financial measures and ratios, supplementary financial measures and non-financial information used by the Company to analyze and evaluate its results. These measures do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these measures provide additional insight into the Company's operating performance and financial position and certain investors may use this information to evaluate the Company's performance from period to period. However, these measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Furthermore, certain non-IFRS financial measures and ratios, supplementary financial measures and other non-financial information are presented separately for PS&PM, by excluding components related to Capital, as the Company believes that such measures are useful as these PS&PM activities are usually analyzed separately by the Company.

13.1 PERFORMANCE

Adjusted diluted earnings per share ("Adjusted diluted EPS") is defined as adjusted net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS is a non-IFRS ratio that is an indicator of the financial performance of the Company's activities and allows the Company to present the adjusted net income (loss) attributable to SNC-Lavalin shareholders on a diluted share basis. Refer to **Section 13.4.1** for a reconciliation of Adjusted diluted EPS to diluted EPS (namely, net income (loss) per diluted share) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital, as the Company believes that such measures are useful since these activities are usually analyzed separately by the Company.

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts. Adjusted EBITDA is based on EBITDA from continuing operations and excludes charges related to restructuring and transformation costs, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the adjustment to provision for the Pyrrhotite Case litigation (as described in Note 33 to the 2021 Annual Financial Statements), the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the Guaranteed Minimum Pension ("GMP") equalization expenses (as described in Note 3 to the 2021 Annual Financial Statements) and the reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell. It should be noted that acquisition-related costs and integration costs and the federal charges settlement (PPSC) expense were removed from the list of adjustments disclosed in prior periods as there were no adjustments of this nature in the current periods and the previous year. The Company believes that Adjusted EBITDA is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted EBITDA is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. Refer to **Section 13.4.2** for a reconciliation of Adjusted EBITDA to net income (loss) from continuing operations as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except for the fair value revaluation of the Highway 407 ETR contingent consideration receivable and gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital), as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Adjusted EBITDA to revenue ratio is a non-IFRS ratio used to analyze the profitability of the Company and facilitate period-to-period comparisons, as well as comparison with peers. This ratio is calculated by dividing the amount of Adjusted EBITDA for a given period by the amount of revenue for the same period. This ratio is provided both on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except for the fair value revaluation of the Highway 407 ETR contingent consideration receivable and gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital, as the Company believes that such ratio is useful since these activities are analyzed separately by the Company. The table presenting the calculation of this ratio can be found at **Section 13.4.3**.

Adjusted net income (loss) attributable to SNC-Lavalin shareholders is a non-IFRS financial measure and is defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, adjusted for certain specific items that are significant but are not, based on management's judgement, reflective of the Company's underlying operations. These adjustments are restructuring and transformation costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the adjustment to provision for the Pyrrhotite Case litigation, reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell, the GMP equalization expense, as well as income taxes and non-controlling interests on these adjustments. It should be noted that the following adjustments were removed from the list of adjustments disclosed in prior periods as there were no adjustments of this nature in the current and comparative periods: acquisition-related costs and integration costs, financing costs related to the agreement to sell shares of Highway 407 ETR and the federal charges settlement (PPSC) expense. The Company believes that Adjusted net income (loss) attributable to SNC-Lavalin shareholders is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted net income (loss) attributable to SNC-Lavalin shareholders is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. It is also used by management to evaluate the performance of the activities of the Company from period to period. Refer to **Section 13.4.1** for a reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except for the fair value revaluation of the Highway 407 ETR contingent consideration receivable and gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital), as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Booking-to-revenue ratio is a non-IFRS ratio that corresponds to contract bookings divided by revenues for a given period. This measure provides a useful basis for assessing the renewal of business, as it compares the value of performance obligations added in a given period to the amount of revenue recognized upon satisfying performance obligations in the same period. It should be noted that the amount of revenue used to calculate this ratio includes only revenues that are under the scope of IFRS 15, *Revenues from contracts with customers* and disclosed in Note 9 to the 2021 Annual Financial Statements. Refer to **Section 5** for the calculation of the booking-to-revenue ratio on a consolidated basis and to **Section 13.4.4** for the calculation of the booking-to-revenue ratio for selected segments for which the Company believes to be the most meaningful.

EBITDA is a non-IFRS financial measure and is defined as earnings from continuing operations before net financial expenses (income), income taxes, depreciation and amortization. As such, this financial measure allows comparability of operating results from one period to another by excluding the effects of items that are usually associated with investing and financing activities. Refer to **Section 13.4.2** for a reconciliation of EBITDA to net income (loss) from continuing operations as determined under IFRS.

Return on Average Shareholders' Equity ("ROASE") is a supplementary financial measure and corresponds to the trailing 12-month net income (loss) attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity". The Company excludes "other components of equity" because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income (loss) of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. The Company believes that this financial measure is useful to compare its profitability to a measure of equity that excludes certain elements prone to volatility. See **Section 8.4**.

Segment Adjusted EBITDA is non-IFRS financial measure derived from Segment Adjusted EBIT (defined in Note 4 to the 2021 Annual Financial Statements) and is used by management to evaluate the performance of the Company's segments but excluding certain items related to investing activities, through the exclusion of depreciation and amortization from direct costs of activities. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance against peers. See a reconciliation of Segment Adjusted EBITDA to Segment Adjusted EBIT and consolidated EBIT in **Section 13.4.5**.

Segment Adjusted EBITDA to segment net revenue ratio is a non-IFRS ratio used to analyze the profitability of the Company's segments and management believes that it facilitates period-to-period comparisons, as well as comparison with peers. This ratio is calculated by dividing the amount of Segment Adjusted EBITDA of a given period by the amount of segment net revenue for the same period. While this MD&A does not actually disclose this ratio, the Company is providing, at **Section 13.5.3** of this MD&A, the details of the calculation of this ratio as both the press release issued by the Company announcing the results as well as other documents made publicly available by the Company for the year ended December 31, 2021 make reference to this ratio when disclosing the Company's forward-looking financial targets. In addition, as previously disclosed, beginning in respect of the first quarter of 2022, the Company will be changing its segment reporting and this non-IFRS ratio will be disclosed for the new Engineering Services segment in the Company's future public financial documents, with comparative figures restated to reflect the new operating and reportable segments and lines of business.

Segment net revenue is a non-IFRS financial measure that consists of segment revenues less direct costs for sub-contractors and other direct expenses that are recoverable directly from clients. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance against competitors and peer companies. While this MD&A does not actually disclose segment net revenue, the Company is providing, at **Section 13.5.3** of this MD&A, a quantitative reconciliation of this measure to segment revenue for the year ended December 31, 2021 as both the press release issued by the Company announcing the results as well as other documents made publicly available by the Company for the year ended December 31, 2021 make reference to this measure when disclosing the Company's forward-looking financial targets. In addition, as previously disclosed, beginning in respect of the first quarter of 2022, the Company will be changing its segment reporting and this non-IFRS measure will be disclosed for the new Engineering Services segment in the Company's future public financial documents, with comparative figures restated to reflect the new operating and reportable segments and lines of business.

13.2 LIQUIDITY

Days Sales Outstanding ("DSO") for the EDPM segment is a supplementary financial measure that corresponds to the average number of days needed to convert the trade receivables and contract assets of the EDPM segment, all using a 12-month average balance; the result is then divided by the 12-month average revenue of the segment and multiplied by 365 days, in order to calculate a number of days. The Company tracks this metric closely to ensure timely collection and healthy liquidity from the EDPM segment. The Company believes this measure is useful to investors as it demonstrates this segment's ability to timely convert its earned revenue into cash. See the DSO for the EDPM segment in **Section 4.2.4.1**.

Free cash flow (usage) is a non-IFRS financial measure and is defined as net cash generated from (used for) operating activities less acquisition of property and equipment, payment of lease liabilities and the federal charges settlement included in operating activities. SNC-Lavalin believes that free cash flow (usage) provides a meaningful measure of discretionary cash generated (used) by and available to the Company to service debt, meet other payment obligations and make strategic investments, among other things. This non-IFRS measure excludes the impact of the federal charges settlement (refer to Note 18 to the 2021 Annual Financial Statements and to **Section 14**) included in operating activities as the Company believes that such element is not representative of its capacity to generate cash flow from its ongoing operations. Refer to **Section 8.1** for a reconciliation of free cash flow (usage) to net cash generated from (used by) operating activities.

Free cash flow (usage) to adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio is a non-IFRS ratio calculated by dividing free cash flow (usage) by adjusted net income (loss) attributable to SNC-Lavalin shareholders, both non-IFRS measures. The Company believes that such ratio is useful when analyzing the ability of the Company to convert its profitability into cash. While this MD&A does not actually disclose this ratio, the Company is providing, at **Section 13.5.5** of this MD&A, the details of the calculation of this ratio as both the press release issued by the Company announcing the results as well as other documents made publicly available by the Company for the year ended December 31, 2021 make reference to this ratio when disclosing the Company's forward-looking financial targets.

Net limited recourse and recourse debt is a non-IFRS financial measure corresponding to the total amount of limited recourse and recourse debt, minus the amount of cash and cash equivalents at the end of a given period. This measure is used by management to analyze the indebtedness of the Company, excluding lease liabilities as well as indebtedness related to non-recourse financing. Refer to **Section 8.5** for a calculation of this non-IFRS measure.

Net limited recourse and recourse debt to Adjusted EBITDA ratio is a non-IFRS ratio used to analyze the Company's financial leverage. It is calculated by comparing the Net limited recourse and recourse debt at the end of a given period with Adjusted EBITDA of the corresponding trailing twelve-month period. Management believes that this measure is useful in evaluating the Company's ability to service its limited recourse and recourse debt from its continuing operations. Refer to **Section 8.5** for a calculation of this non-IFRS ratio.

Working capital corresponds to the amount of the Company's total current assets minus its total current liabilities and the **Current ratio** corresponds to the Company's total current assets divided by its total current liabilities. This measure and ratio are supplementary financial measures used to compare the Company's current assets with its current liabilities and are believed to be useful metrics in analyzing the Company's liquidity. These measures are presented at **Section 9**.

13.3 OTHER

Organic revenue is a non-IFRS financial measure corresponding to the amount of revenue of a given period, excluding the effect of acquisitions, disposals and foreign currency changes of the same period. This non-IFRS measure is used to analyze the level of activity of the Company excluding the effect of certain transactions and the impact of foreign exchange fluctuations in order to facilitate period-to-period comparisons, as well as comparison with peers. As such, **organic revenue growth** is a non-IFRS ratio calculated by comparing the amount of organic revenue of a given period with the amount of organic revenue of the comparative period. Both organic revenue and organic revenue growth do not have a standardized definition within IFRS and other issuers may define these measures differently and, accordingly, these measures may not be comparable to similar measures used by other issuers. Refer to **Section 13.4.6** for calculations of the organic revenue growth ratio.

13.4 RECONCILIATIONS

The objective of this section is to provide a quantitative reconciliation between certain non-IFRS measures to the most comparable measure specified under IFRS and to present the underlying calculation for certain non-IFRS ratios.

13.4.1 ADJUSTED DILUTED EPS AND ADJUSTED NET INCOME (LOSS) ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	**2021**				2020			
	Before taxes	Taxes	After taxes	Diluted EPS in $	Before taxes	Taxes	After taxes	Diluted EPS in $
Net loss attributable to SNC-Lavalin shareholders from continuing operations			**$ (15.3)**	**$ (0.09)**			$(322.9)	$ (1.84)
Restructuring and transformation costs	**$ 30.9**	**$ (6.7)**	**$ 24.2**		$ 31.8	$ (8.9)	$ 23.0	
Amortization of intangible assets related to business combinations	**23.4**	**(5.2)**	**18.1**		23.2	(4.3)	18.9	
Adjustments on gain on disposals of Capital investments	**(5.0)**	**1.4**	**(3.7)**		(25.0)	—	(25.0)	
GMP Equalization	**—**	**—**	**—**		4.0	(0.8)	3.2	
Adjustment to provision for the Pyrrhotite Case litigation	**—**	**—**	**—**		48.3	(11.7)	36.6	
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**—**	**—**	**—**		6.1	—	6.1	
Total adjustments	**$ 49.2**	**$(10.5)**	**$ 38.7**	**$ 0.22**	$ 88.3	$(25.8)	$ 62.7	$ 0.36
Adjusted net income (loss) attributable to SNC-Lavalin shareholders			**$ 23.4**	**$ 0.13**			$(260.2)	$ (1.48)
Net income attributable to SNC-Lavalin shareholders from Capital			**$ 52.6**	**$ 0.30**			$ 33.5	$ 0.19
Adjustments on gain on disposals of Capital investments already considered above	**(5.0)**	**1.4**	**(3.7)**		(25.0)	—	(25.0)	
Total adjustments	**$ (5.0)**	**$ 1.4**	**$ (3.7)**	**$ (0.02)**	$(25.0)	$ —	$ (25.0)	$ (0.14)
Adjusted net income attributable to SNC-Lavalin shareholders from Capital			**$ 48.9**	**$ 0.28**			$ 8.5	$ 0.05
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM			**$ (25.6)**	**$ (0.15)**			$(268.7)	$ (1.53)

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	**2021**				2020			
	Before taxes	Taxes	After taxes	Diluted EPS in $	Before taxes	Taxes	After taxes	Diluted EPS in $
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations			**$ 100.2**	**$ 0.57**			$(356.1)	$ (2.03)
Restructuring and transformation costs	**$ 70.1**	**$(16.5)**	**$ 53.6**		$ 63.3	$(13.9)	$ 49.4	
Amortization of intangible assets related to business combination	**89.5**	**(17.3)**	**72.1**		126.8	(23.3)	103.5	
Adjustments on gain on disposals of Capital investments	**(5.0)**	**1.4**	**(3.7)**		(25.0)	—	(25.0)	
Fair value revaluation of Highway 407 ETR contingent consideration receivable	**—**	**—**	**—**		57.2	(7.6)	49.6	
Loss on disposals of PS&PM businesses	**0.6**	**—**	**0.6**		7.5	—	7.5	
GMP Equalization	**—**	**—**	**—**		4.0	(0.8)	3.2	
Adjustment to provision for the Pyrrhotite Case litigation	**—**	**—**	**—**		58.3	(14.7)	43.6	
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**(1.3)**	**—**	**(1.3)**		6.1	—	6.1	
Total adjustments	**$153.9**	**$(32.5)**	**$ 121.4**	**$ 0.69**	$298.1	$(60.2)	$ 237.9	$ 1.36
Adjusted net income (loss) attributable to SNC-Lavalin shareholders			**$ 221.6**	**$ 1.26**			$(118.2)	$ (0.67)
Net income attributable to SNC-Lavalin shareholders from Capital			**$ 73.2**	**$ 0.42**			$ 45.6	$ 0.26
Adjustments on gain on disposals of Capital investments already considered above	**(5.0)**	**1.4**	**(3.7)**		(25.0)	—	(25.0)	
Fair value revaluation of Highway 407 ETR contingent consideration receivable already considered above	**—**	**—**	**—**		57.2	(7.6)	49.6	
Total adjustments	**$ (5.0)**	**$ 1.4**	**$ (3.7)**	**$ (0.02)**	$ 32.2	$ (7.6)	$ 24.6	$ 0.14
Adjusted net income attributable to SNC-Lavalin shareholders from Capital			**$ 69.5**	**$ 0.40**			$ 70.2	$ 0.40
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM			**$ 152.1**	**$ 0.87**			$(188.4)	$ (1.07)

13.4.2 CONSOLIDATED EBITDA AND ADJUSTED EBITDA

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021			2020		
	FROM PS&PM	**FROM CAPITAL**	**TOTAL**	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	**$ (67.7)**	**$ 52.6**	**$ (15.1)**	$ (353.1)	$ 33.5	$ (319.7)
Net financial expenses	**22.9**	**4.1**	**27.0**	23.6	3.9	27.5
Income taxes	**(49.7)**	**1.9**	**(47.8)**	(80.2)	(0.3)	(80.5)
EBIT	**$ (94.5)**	**$ 58.5**	**$ (35.9)**	$ (409.7)	$ 37.0	$ (372.7)
Depreciation and amortization	**$ 45.1**	**$ —**	**$ 45.2**	$ 48.8	$ —	$ 48.8
Amortization of intangible assets related to business combinations	**23.4**	**—**	**23.4**	23.2	—	23.2
EBITDA	**$ (25.9)**	**$ 58.5**	**$ 32.6**	$ (337.8)	$ 37.1	$ (300.7)
Restructuring and transformation costs	**$ 30.9**	**$ —**	**$ 30.9**	$ 31.8	$ —	$ 31.8
Adjustments on gain on disposals of Capital investments	**—**	**(5.0)**	**(5.0)**	—	(25.0)	(25.0)
GMP Equalization	**—**	**—**	**—**	4.0	—	4.0
Adjustment to provision for the Pyrrhotite Case litigation	**—**	**—**	**—**	48.3	—	48.3
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**—**	**—**	**—**	6.1	—	6.1
Adjusted EBITDA	**$ 4.9**	**$ 53.5**	**$ 58.5**	$ (247.6)	$ 12.1	$ (235.5)

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021			2020		
	FROM PS&PM	**FROM CAPITAL**	**TOTAL**	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	**$ 32.5**	**$ 73.2**	**$ 105.7**	$ (392.5)	$ 45.6	$ (346.9)
Net financial expenses	**93.9**	**16.6**	**110.5**	97.7	16.3	114.0
Income taxes	**(28.4)**	**6.4**	**(22.0)**	(53.4)	(5.6)	(59.0)
EBIT	**$ 98.0**	**$ 96.1**	**$ 194.1**	$ (348.2)	$ 56.2	$ (292.0)
Depreciation and amortization	**$ 176.9**	**$ 0.1**	**$ 177.0**	$ 193.7	$ 0.2	$ 193.9
Amortization of intangible assets related to business combinations	**89.5**	**—**	**89.5**	126.8	—	126.8
EBITDA	**$ 364.4**	**$ 96.2**	**$ 460.6**	$ (27.8)	$ 56.5	$ 28.7
Restructuring and transformation costs	**$ 70.1**	**$ —**	**$ 70.1**	$ 63.3	$ —	$ 63.3
Adjustments on gain on disposals of Capital investments	**—**	**(5.0)**	**(5.0)**	—	(25.0)	(25.0)
Fair value revaluation of the Highway 407 ETR contingent consideration receivable	**—**	**—**	**—**	—	57.2	57.2
Loss on disposals of PS&PM businesses	**0.6**	**—**	**0.6**	7.5	—	7.5
GMP Equalization	**—**	**—**	**—**	4.0	—	4.0
Adjustment to provision for the Pyrrhotite Case litigation	**—**	**—**	**—**	58.3	—	58.3
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**(1.3)**	**—**	**(1.3)**	6.1	—	6.1
Adjusted EBITDA	**$ 433.8**	**$ 91.2**	**$ 525.0**	$ 111.4	$ 88.7	$ 200.1

13.4.3 ADJUSTED EBITDA TO REVENUE RATIO

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		**2021**	
	FROM PS&PM	FROM CAPITAL	TOTAL
Revenues	**$ 1,879.7**	**$ 65.2**	**$ 1,944.9**
EBIT to revenue ratio (in %)	**(5.0)%**	**89.7 %**	**(1.8)%**
Adjusted EBITDA to revenue ratio (in %)	**0.3 %**	**82.1 %**	**3.0 %**

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2020	
	FROM PS&PM	FROM CAPITAL	TOTAL
Revenues	$ 1,675.3	$ 22.6	$ 1,697.9
EBIT to revenue ratio (in %)	(24.5)%	163.7 %	(22.0)%
Adjusted EBITDA to revenue ratio (in %)	(14.8)%	53.4 %	(13.9)%

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		**2021**	
	FROM PS&PM	FROM CAPITAL	TOTAL
Revenues	**$ 7,237.1**	**$ 134.1**	**$ 7,371.3**
EBIT to revenue ratio (in %)	**1.4 %**	**71.7 %**	**2.6 %**
Adjusted EBITDA to revenue ratio (in %)	**6.0 %**	**68.0 %**	**7.1 %**

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2020	
	FROM PS&PM	FROM CAPITAL	TOTAL
Revenues	$ 6,878.1	$ 129.4	$ 7,007.5
EBIT to revenue ratio (in %)	(5.1)%	43.5 %	(4.2)%
Adjusted EBITDA to revenue ratio (in %)	1.6 %	68.5 %	2.9 %

13.4.4 BOOKING TO REVENUE RATIO

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		**2021**		
	EDPM	Nuclear	Infrastructure Services	Resources
Opening backlog	**$ 2,864.4**	**$ 890.6**	**$ 7,098.5**	**$ 161.6**
Plus: Contract bookings during the year	**4,106.4**	**814.1**	**1,288.4**	**150.0**
Less: Revenues from contracts with customers recognized during the year [(1)]	**3,831.7**	**869.8**	**1,414.4**	**171.7**
Backlog of business sold during the year	**1.3**	**—**	**—**	**—**
Ending backlog	**$ 3,137.8**	**$ 834.9**	**$ 6,972.5**	**$ 139.9**
Booking-to-revenue ratio (in %)	**107.0 %**	**94.0 %**	**91.0 %**	**87.0 %**

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2020		
	EDPM	Nuclear	Infrastructure Services	Resources
Opening backlog	$ 2,630.0	$ 1,154.0	$ 7,337.0	$ 255.4
Plus: Contract bookings during the year	3,955.5	630.1	1,084.9	64.8
Less: Revenues from contracts with customers recognized during the year [(1)]	3,721.1	893.5	1,323.4	158.6
Ending backlog	$ 2,864.4	$ 890.6	$ 7,098.5	$ 161.6
Booking-to-revenue ratio (in %)	106.0 %	71.0 %	82.0 %	41.0 %

[(1)] Revenues under the scope of IFRS 15, as disclosed in Note 9 to the 2021 Annual Financial Statements.

13.4.5 SEGMENT ADJUSTED EBITDA

YEAR ENDED DECEMBER 31 (IN MILLIONS $)	2021							
	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	**$ 431.8**	**$ 135.9**	**$ 92.7**	**$ (39.4)**	**$ (250.9)**	**$ 119.3**	**$ (295.2)**	**$ 194.1**
Depreciation and amortization	**82.5**	**12.0**	**10.3**	**10.3**	**17.2**	**0.1**		
Segment Adjusted EBITDA	**$ 514.3**	**$ 147.9**	**$ 103.0**	**$ (29.2)**	**$ (233.7)**	**$ 119.4**		

YEAR ENDED DECEMBER 31 (IN MILLIONS $)	2020							
	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	$ 302.3	$ 140.1	$ 97.2	$ (171.1)	$ (359.7)	$ 116.6	$ (417.3)	$ (292.0)
Depreciation and amortization	98.6	13.8	11.1	12.0	17.5	0.2		
Segment Adjusted EBITDA	$ 400.9	$ 153.9	$ 108.3	$ (159.1)	$ (342.1)	$ 116.9		

[1] "Corporate and other" corresponds to items not specifically allocated to segments and, therefore, not included in the Segment Adjusted EBIT of the Company's segments, for which details are provided below.

The table below presents the details of the "Corporate and other" amount reconciling the Segment Adjusted EBIT to the Company's consolidated EBIT:

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2021	2020
Corporate selling, general and administrative expenses not allocated to the segments	**$ 145.1**	$ 175.9
Impairment loss arising from expected credit losses	**—**	0.9
Loss (gain) arising on financial instruments at fair value through profit or loss	**(3.7)**	61.9
Restructuring and transformation costs	**70.1**	63.3
Amortization of intangible assets related to business combinations	**89.5**	126.8
Adjustments on gain on disposals of Capital investments	**(5.0)**	(25.0)
Loss on disposals of PS&PM businesses	**0.6**	7.5
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**(1.3)**	6.1
Corporate and other - Total	**$ 295.2**	$ 417.3

13.4.6 ORGANIC REVENUE GROWTH

FOURTH QUARTER ENDED DECEMBER 31
(IN MILLIONS $)

	2021 Revenue	2020 Revenue	Variance	Foreign exchange impact	Divestiture impact	Organic revenue growth (contraction)
EDPM	**$ 1,063.5**	$ 943.3	$ 120.2	$ (19.8)	$ (0.6)	$ 140.7
Nuclear	**220.4**	245.3	(24.9)	(3.2)	—	(21.7)
Infrastructure Services	**386.8**	334.4	52.5	(6.8)	—	59.2
Total - SNCL Engineering Services	**$ 1,670.8**	$ 1,523.0	$ 147.8	$ (29.8)	$ (0.6)	$ 178.2

FOURTH QUARTER ENDED DECEMBER 31
(IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)

	2021 Revenue	2020 Revenue	Variance (%)	Foreign exchange impact (%)	Divestiture impact (%)	Organic revenue growth (contraction) (%)
EDPM	**$ 1,063.5**	$ 943.3	12.7 %	(2.4)%	(0.1)%	15.2 %
Nuclear	**220.4**	245.3	(10.1)%	(1.2)%	— %	(9.0)%
Infrastructure Services	**386.8**	334.4	15.7 %	(2.4)%	— %	18.1 %
Total - SNCL Engineering Services	**$ 1,670.8**	$ 1,523.0	9.7 %	(2.2)%	— %	11.9 %

YEAR ENDED DECEMBER 31
(IN MILLIONS $)

	2021 Revenue	2020 Revenue	Variance	Foreign exchange impact	Divestiture impact	Organic revenue growth (contraction)
EDPM	**$ 3,848.8**	$ 3,721.1	$ 127.7	$ (94.6)	$ (2.7)	$ 225.0
Nuclear	**904.7**	928.6	(23.9)	(17.2)	—	(6.7)
Infrastructure Services	**1,416.6**	1,325.3	91.3	(22.3)	—	113.6
Total - SNCL Engineering Services	**$ 6,170.0**	$ 5,975.0	$ 195.0	$ (134.1)	$ (2.7)	$ 331.8

YEAR ENDED DECEMBER 31
(IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)

	2021 Revenue	2020 Revenue	Variance (%)	Foreign exchange impact (%)	Divestiture impact (%)	Organic revenue growth (contraction) (%)
EDPM	**$ 3,848.8**	$ 3,721.1	3.4 %	(2.5)%	(0.1)%	6.0 %
Nuclear	**904.7**	928.6	(2.6)%	(1.9)%	— %	(0.7)%
Infrastructure Services	**1,416.6**	1,325.3	6.9 %	(1.7)%	— %	8.6 %
Total - SNCL Engineering Services	**$ 6,170.0**	$ 5,975.0	3.3 %	(2.2)%	— %	5.5 %

13.5 ADDITIONAL INFORMATION AND RECONCILIATIONS

13.5.1 IFRS MEASURES AND NON-IFRS MEASURES UNDER NEW STRUCTURE EFFECTIVE JANUARY 1, 2022

As mentioned at Section 1.2, the Company will present its segment results, starting on January 1, 2022, based on its new operational structure. The Company will also start presenting additional non-IFRS financial measures, some of which will be provided under the new operating segments structure. As such, the table below provides a reconciliation of such new segment operating results and related non-IFRS financial measures for 2021, on a quarterly and annual basis. Please refer to Section 13.4.5 for the quantitative reconciliation of Segment Adjusted EBITDA for the year end December 31, 2021 and to Section 13.5.2 for the quantitative reconciliations of Segment Adjusted EBITDA for each quarter of 2021.

YEAR ENDED DECEMBER 31 (IN MILLIONS $)	2021							
REVENUES BY SEGMENT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 3,848.8	$ —	$ —	$ —	$ 3,848.8	$ —	$ —	$ 3,848.8
Nuclear	—	904.7	—	—	904.7	—	—	904.7
Infrastructure Services	357.8	—	470.4	588.4	1,416.6	—	—	1,416.6
Resources	137.3	—	—	—	137.3	34.4	—	171.8
Infrastructure EPC Projects	22.6	—	—	—	22.6	872.8	—	895.3
Capital	—	—	—	—	—	—	134.1	134.1
Total from continuing operations	**$ 4,366.4**	**$ 904.7**	**$ 470.4**	**$ 588.4**	**$ 6,330.0**	**$ 907.2**	**$ 134.1**	**$ 7,371.3**

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021							
SEGMENT ADJUSTED EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 431.8	$ —	$ —	$ —	$ 431.8	$ —	$ —	$ 431.8
Nuclear	—	135.9	—	—	135.9	—	—	135.9
Infrastructure Services	19.9	—	54.6	18.2	92.7	—	—	92.7
Resources	9.3	—	—	—	9.3	(48.7)	—	(39.4)
Infrastructure EPC Projects	3.0	—	—	—	3.0	(253.9)	—	(250.9)
Capital	—	—	—	—	—	—	119.3	119.3
Total from continuing operations	**$ 464.0**	**$ 135.9**	**$ 54.6**	**$ 18.2**	**$ 672.7**	**$(302.6)**	**$ 119.3**	**$ 489.3**
Segment Adjusted EBIT to segment revenue ratio (in %) [1]	**10.6 %**	**15.0 %**	**11.6 %**	**3.1 %**	**10.6 %**	**(33.4)%**	**89.0 %**	**6.6 %**

[1] Corresponds to the percentage obtained by dividing the amount of Segment Adjusted EBIT by the amount of segment revenue.

YEAR ENDED DECEMBER 31 (IN MILLIONS $)				2021				
SEGMENT ADJUSTED EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 514.3	$ —	$ —	$ —	$ 514.3	$ —	$ —	$ 514.3
Nuclear	—	147.9	—	—	147.9	—	—	147.9
Infrastructure Services	24.2	—	56.7	22.1	103.0	—	—	103.0
Resources	11.3	—	—	—	11.3	(40.5)	—	(29.2)
Infrastructure EPC Projects	9.2	—	—	—	9.2	(242.9)	—	(233.7)
Capital	—	—	—	—	—	—	119.4	119.4
Total from continuing operations	**$ 558.9**	**$ 147.9**	**$ 56.7**	**$ 22.1**	**$ 785.7**	**$(283.4)**	**$ 119.4**	**$ 621.6**

FIRST QUARTER (IN MILLIONS $)				2021				
REVENUES BY SEGMENT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 933.2	$ —	$ —	$ —	$ 933.2	$ —	$ —	$ 933.2
Nuclear	—	229.1	—	—	229.1	—	—	229.1
Infrastructure Services	79.3	—	141.6	131.9	352.8	—	—	352.8
Resources	32.9	—	—	—	32.9	24.1	—	56.9
Infrastructure EPC Projects	4.3	—	—	—	4.3	221.7	—	226.0
Capital	—	—	—	—	—	—	21.7	21.7
Total from continuing operations	**$ 1,049.6**	**$ 229.1**	**$ 141.6**	**$ 131.9**	**$ 1,552.3**	**$ 245.8**	**$ 21.7**	**$ 1,819.7**

FIRST QUARTER (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)				2021				
SEGMENT ADJUSTED EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 80.6	$ —	$ —	$ —	$ 80.6	$ —	$ —	$ 80.6
Nuclear	—	31.8	—	—	31.8	—	—	31.8
Infrastructure Services	1.9	—	12.4	6.1	20.4	—	—	20.4
Resources	3.2	—	—	—	3.2	(0.8)	—	2.3
Infrastructure EPC Projects	0.6	—	—	—	0.6	(11.1)	—	(10.5)
Capital	—	—	—	—	—	—	18.7	18.7
Total from continuing operations	**$ 86.2**	**$ 31.8**	**$ 12.4**	**$ 6.1**	**$ 136.6**	**$ (11.9)**	**$ 18.7**	**$ 143.3**
Segment Adjusted EBIT to segment revenue ratio (in %) [1]	**8.2 %**	**13.9 %**	**8.8 %**	**4.6 %**	**8.8 %**	**(4.8)%**	**86.2 %**	**7.9 %**

[1] Corresponds to the percentage obtained by dividing the amount of Segment Adjusted EBIT by the amount of segment revenue.

FIRST QUARTER (IN MILLIONS $)	2021							
SEGMENT ADJUSTED EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 102.8	$ —	$ —	$ —	$ 102.8	$ —	$ —	$ 102.8
Nuclear	—	34.6	—	—	34.6	—	—	34.6
Infrastructure Services	2.8	—	12.9	7.3	23.0	—	—	22.9
Resources	3.6	—	—	—	3.6	1.3	—	4.9
Infrastructure EPC Projects	2.3	—	—	—	2.3	(9.4)	—	(7.0)
Capital	—	—	—	—	—	—	18.7	18.7
Total from continuing operations	**$ 111.5**	**$ 34.6**	**$ 12.9**	**$ 7.3**	**$ 166.3**	**$ (8.1)**	**$ 18.7**	**$ 176.9**

SECOND QUARTER (IN MILLIONS $)	2021							
REVENUES BY SEGMENT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 935.3	$ —	$ —	$ —	$ 935.3	$ —	$ —	$ 935.3
Nuclear	—	234.7	—	—	234.7	—	—	234.7
Infrastructure Services	86.6	—	104.4	143.4	334.4	—	—	334.3
Resources	35.0	—	—	—	35.0	5.7	—	40.7
Infrastructure EPC Projects	4.3	—	—	—	4.3	228.7	—	233.0
Capital	—	—	—	—	—	—	19.8	19.8
Total from continuing operations	**$ 1,061.2**	**$ 234.7**	**$ 104.4**	**$ 143.4**	**$ 1,543.7**	**$ 234.4**	**$ 19.8**	**$ 1,797.8**

SECOND QUARTER (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021							
SEGMENT ADJUSTED EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 85.4	$ —	$ —	$ —	$ 85.4	$ —	$ —	$ 85.4
Nuclear	—	33.2	—	—	33.2	—	—	33.2
Infrastructure Services	5.8	—	13.4	7.3	26.5	—	—	26.4
Resources	3.4	—	—	—	3.4	(2.4)	—	1.0
Infrastructure EPC Projects	0.6	—	—	—	0.6	(22.9)	—	(22.2)
Capital	—	—	—	—	—	—	16.4	16.4
Total from continuing operations	**$ 95.2**	**$ 33.2**	**$ 13.4**	**$ 7.3**	**$ 149.1**	**$ (25.3)**	**$ 16.4**	**$ 140.3**
Segment Adjusted EBIT to segment revenue ratio (in %) [(1)]	**9.0 %**	**14.1 %**	**12.8 %**	**5.1 %**	**9.7 %**	**(10.8)%**	**82.8 %**	**7.8 %**

[(1)] Corresponds to the percentage obtained by dividing the amount of Segment Adjusted EBIT by the amount of segment revenue.

SECOND QUARTER (IN MILLIONS $)	2021							
SEGMENT ADJUSTED EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 106.0	$ —	$ —	$ —	$ 106.0	$ —	$ —	$ 106.0
Nuclear	—	36.9	—	—	36.9	—	—	36.9
Infrastructure Services	6.7	—	13.9	8.4	29.0	—	—	29.0
Resources	3.8	—	—	—	3.8	(0.4)	—	3.4
Infrastructure EPC Projects	2.5	—	—	—	2.5	(21.8)	—	(19.3)
Capital	—	—	—	—	—	—	16.4	16.4
Total from continuing operations	**$ 119.1**	**$ 36.9**	**$ 13.9**	**$ 8.4**	**$ 178.2**	**$ (22.3)**	**$ 16.4**	**$ 172.4**

THIRD QUARTER (IN MILLIONS $)	2021							
REVENUES BY SEGMENT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 916.8	$ —	$ —	$ —	$ 916.8	$ —	$ —	$ 916.8
Nuclear	—	220.5	—	—	220.5	—	—	220.5
Infrastructure Services	83.9	—	109.8	148.9	342.6	—	—	342.6
Resources	34.4	—	—	—	34.4	10.4	—	44.7
Infrastructure EPC Projects	4.2	—	—	—	4.2	252.6	—	256.8
Capital	—	—	—	—	—	—	27.4	27.4
Total from continuing operations	**$ 1,039.3**	**$ 220.5**	**$ 109.8**	**$ 148.9**	**$ 1,518.5**	**$ 263.0**	**$ 27.4**	**$ 1,808.8**

THIRD QUARTER (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021							
SEGMENT ADJUSTED EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 86.5	$ —	$ —	$ —	$ 86.5	$ —	$ —	$ 86.5
Nuclear	—	36.0	—	—	36.0	—	—	36.0
Infrastructure Services	3.6	—	17.3	1.6	22.5	—	—	22.5
Resources	2.4	—	—	—	2.4	(5.5)	—	(3.1)
Infrastructure EPC Projects	0.6	—	—	—	0.6	(26.9)	—	(26.4)
Capital	—	—	—	—	—	—	23.6	23.6
Total from continuing operations	**$ 93.0**	**$ 36.0**	**$ 17.3**	**$ 1.6**	**$ 148.0**	**$ (32.4)**	**$ 23.6**	**$ 139.2**
Segment Adjusted EBIT to segment revenue ratio (in %) [1]	**8.9 %**	**16.3 %**	**15.8 %**	**1.1 %**	**9.7 %**	**(12.3)%**	**86.1 %**	**7.7 %**

[1] Corresponds to the percentage obtained by dividing the amount of Segment Adjusted EBIT by the amount of segment revenue.

THIRD QUARTER (IN MILLIONS $)	2021							
SEGMENT ADJUSTED EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 105.8	$ —	$ —	$ —	$ 105.8	$ —	$ —	$ 105.8
Nuclear	—	38.7	—	—	38.7	—	—	38.7
Infrastructure Services	4.9	—	17.8	2.4	25.1	—	—	25.2
Resources	2.9	—	—	—	2.9	(3.4)	—	(0.5)
Infrastructure EPC Projects	1.8	—	—	—	1.8	(22.6)	—	(20.8)
Capital	—	—	—	—	—	—	23.6	23.6
Total from continuing operations	**$ 115.4**	**$ 38.7**	**$ 17.8**	**$ 2.4**	**$ 174.3**	**$ (26.0)**	**$ 23.6**	**$ 172.0**

FOURTH QUARTER (IN MILLIONS $)	2021							
REVENUES BY SEGMENT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 1,063.5	$ —	$ —	$ —	$ 1,063.5	$ —	$ —	$ 1,063.5
Nuclear	—	220.4	—	—	220.4	—	—	220.4
Infrastructure Services	107.9	—	114.6	164.3	386.8	—	—	386.8
Resources	35.1	—	—	—	35.1	(5.7)	—	29.4
Infrastructure EPC Projects	9.8	—	—	—	9.8	169.7	—	179.5
Capital	—	—	—	—	—	—	65.2	65.2
Total from continuing operations	**$ 1,216.3**	**$ 220.4**	**$ 114.6**	**$ 164.3**	**$ 1,715.6**	**$ 164.1**	**$ 65.2**	**$ 1,944.9**

FOURTH QUARTER (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021							
SEGMENT ADJUSTED EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$ 179.3	$ —	$ —	$ —	$ 179.3	$ —	$ —	$ 179.3
Nuclear	—	34.8	—	—	34.8	—	—	34.8
Infrastructure Services	8.6	—	11.5	3.2	23.3	—	—	23.3
Resources	0.4	—	—	—	0.4	(40.0)	—	(39.6)
Infrastructure EPC Projects	1.2	—	—	—	1.2	(193.0)	—	(191.8)
Capital	—	—	—	—	—	—	60.6	60.6
Total from continuing operations	**$ 189.5**	**$ 34.8**	**$ 11.5**	**$ 3.2**	**$ 239.0**	**$(233.0)**	**$ 60.6**	**$ 66.6**
Segment Adjusted EBIT to segment revenue ratio (in %) [1]	**15.6 %**	**15.8 %**	**10.0 %**	**1.9 %**	**13.9 %**	**(142.0)%**	**92.9 %**	**3.4 %**

[1] Corresponds to the percentage obtained by dividing the amount of Segment Adjusted EBIT by the amount of segment revenue.

FOURTH QUARTER (IN MILLIONS $)	2021							
SEGMENT ADJUSTED EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNCL Services	Infrastructure LSTK Projects	Capital	Total
EDPM	**$ 199.6**	**$ —**	**$ —**	**$ —**	**$ 199.6**	**$ —**	**$ —**	**$ 199.6**
Nuclear	**—**	**37.7**	**—**	**—**	**37.7**	**—**	**—**	**37.7**
Infrastructure Services	**9.8**	**—**	**12.1**	**4.1**	**26.0**	**—**	**—**	**25.9**
Resources	**1.0**	**—**	**—**	**—**	**1.0**	**(37.9)**	**—**	**(37.0)**
Infrastructure EPC Projects	**2.5**	**—**	**—**	**—**	**2.5**	**(189.1)**	**—**	**(186.6)**
Capital	**—**	**—**	**—**	**—**	**—**	**—**	**60.6**	**60.6**
Total from continuing operations	**$ 212.9**	**$ 37.7**	**$ 12.1**	**$ 4.1**	**$ 266.8**	**$(227.0)**	**$ 60.6**	**$ 100.2**

13.5.2 SEGMENT ADJUSTED EBITDA – 2021 QUARTERLY RESULTS

The tables below present a reconciliation of Segment Adjusted EBIT to consolidated EBIT, along with a reconciliation to Segment Adjusted EBITDA, for each quarter of 2021.

FIRST QUARTER (IN MILLIONS $)	2021							
	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	**$ 80.6**	**$ 31.8**	**$ 20.4**	**$ 2.3**	**$ (10.5)**	**$ 18.7**	**$ (39.9)**	**$ 103.5**
Depreciation and amortization	**22.3**	**2.7**	**2.5**	**2.6**	**3.5**	**—**		
Segment Adjusted EBITDA	**$ 102.8**	**$ 34.6**	**$ 22.9**	**$ 4.9**	**$ (7.0)**	**$ 18.7**		

SECOND QUARTER (IN MILLIONS $)	2021							
	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	**$ 85.4**	**$ 33.2**	**$ 26.4**	**$ 1.0**	**$ (22.2)**	**$ 16.4**	**$ (59.8)**	**$ 80.4**
Depreciation and amortization	**20.6**	**3.6**	**2.6**	**2.5**	**2.9**	**—**		
Segment Adjusted EBITDA	**$ 106.0**	**$ 36.9**	**$ 29.0**	**$ 3.4**	**$ (19.3)**	**$ 16.4**		

THIRD QUARTER (IN MILLIONS $)	2021							
	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	$ 86.5	$ 36.0	$ 22.5	$ (3.1)	$ (26.4)	$ 23.6	$ (93.0)	$ 46.1
Depreciation and amortization	19.3	2.7	2.6	2.6	5.5	—		
Segment Adjusted EBITDA	$ 105.8	$ 38.7	$ 25.2	$ (0.5)	$ (20.8)	$ 23.6		

FOURTH QUARTER (IN MILLIONS $)	2021							
	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	$ 179.3	$ 34.8	$ 23.3	$ (39.6)	$ (191.8)	$ 60.6	$ (102.5)	$ (35.9)
Depreciation and amortization	20.3	3.0	2.6	2.6	5.2	—		
Segment Adjusted EBITDA	$ 199.6	$ 37.7	$ 25.9	$ (37.0)	$ (186.6)	$ 60.6		

[1] "Corporate and other" corresponds to items not specifically allocated to segments and, therefore, not included in the Segment Adjusted EBIT of the Company's segments, for which details are provided below.

The table below presents the details of the "Corporate and other" amount reconciling the Segment Adjusted EBIT to the Company's consolidated EBIT:

	2021			
(IN MILLIONS $)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Corporate selling, general and administrative expenses not allocated to the segments	$ 16.3	$ 26.7	$ 52.2	$ 49.9
Loss (gain) arising on financial instruments at fair value through profit or loss	(4.2)	(1.6)	(1.3)	3.4
Restructuring and transformation costs	4.9	15.2	19.2	30.9
Amortization of intangible assets related to business combinations	23.3	20.5	22.3	23.4
Adjustments on gain on disposals of Capital investments	—	—	—	(5.0)
Loss on disposals of PS&PM businesses	—	—	0.6	—
Reversal of impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(0.5)	(0.9)	—	—
Corporate and other - Total	$ 39.9	$ 59.8	$ 93.0	$ 102.5

13.5.3 SEGMENT NET REVENUE AND SEGMENT ADJUSTED EBITDA TO SEGMENT NET REVENUE RATIO – ENGINEERING SERVICES

The table below presents a reconciliation of Net revenue to Revenue for the Engineering Services segment under the new organizational structure effective January 1, 2022, as well as the associated Segment Adjusted EBITDA to segment net revenue ratio for Engineering services.

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2021 [1]
Revenue - Engineering Services [2]	$	4,366.4
Direct costs for sub-contractors and other direct expenses that are recoverable directly from clients - Engineering Services		(1,076.0)
Segment net revenue - Engineering Services	**$**	**3,290.4**
Segment Adjusted EBITDA - Engineering Services [2]	**$**	**558.9**
Segment Adjusted EBITDA to segment net revenue ratio - Engineering Services (in %)		**17.0 %**

[1] Based on new organizational structure effective January 1, 2022.

[2] Revenue of Engineering Services and Segment Adjusted EBITDA of Engineering Services under the new organizational structure effective January 1, 2022 are presented at Section 13.5.2.

13.5.4 BOOKING-TO-REVENUE RATIO - ENGINEERING SERVICES

The table below presents the calculation related to the booking-to-revenue ratio of the Engineering Services segment under the new organizational structure effective January 1, 2022.

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2021
Opening backlog	$	3,531.7
Plus: Contract bookings during the year		4,585.7
Less: Revenues from contracts with customers recognized during the year [1]		4,347.1
Backlog of business sold during the year		1.3
Ending backlog	**$**	**3,769.0**
Booking-to-revenue ratio (in %)		**105.0 %**

[1] Revenues under the scope of IFRS 15.

13.5.5 FREE CASH FLOW (USAGE) TO ADJUSTED NET INCOME (LOSS) ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS RATIO

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2021
Free cash flow (usage) [1]	$	(15.9)
Adjusted net income (loss) attributable to SNC-Lavalin shareholders [2]	$	221.6
Free cash flow (usage) to Adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio (in %)		**(7.2)%**

[1] Please refer to Section 8.1 for a quantitative reconciliation of Free cash flow to net cash generated from operating activities.

[2] Please refer to Section 13.4.1 for a quantitative reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) attributable to SNC-Lavalin shareholders.

14 Risks and Uncertainties

14.1 PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties in carrying out its activities. SNC-Lavalin has measures in place to identify, monitor and, to a certain extent, mitigate such risks and uncertainties. Such measures include, among others, the enterprise risk management program, the work performed by various committees at the Board and management levels, as well as the enforcement of numerous policies and procedures. Investors should carefully consider the risks and uncertainties set out below before investing in the Company's securities. Additional risks and/or uncertainties not currently known or that the Company currently believes are immaterial may also impair its business, results of operations, financial condition and liquidity.

ONGOING AND ADDITIONAL IMPACTS OF THE COVID-19 PANDEMIC

From its onset in the first quarter of 2020, the COVID-19 global pandemic has significantly disrupted global health, economic, market and labour conditions and has created varying degrees of slowdowns in the global economy and recessions. Despite differing levels of business and commercial re-openings throughout the world, and the availability of vaccines and ongoing vaccination programs in some geographies, the ongoing pandemic has had, and, as the world continues to periodically experience new and emerging variants of the SARS-CoV-2 virus, continues to have, adverse (and potentially material adverse) repercussions in the jurisdictions where the Company has offices, delivers services and holds investments, and uncertainties exist as to the efficacy of vaccines against new variants or mutations of COVID-19. As such, the COVID-19 global pandemic has created and continues to create significant volatility and negative pressure on virtually all national economies as well as financial markets. At the present time the duration or scope of the pandemic cannot be predicted and, although some impacts have materialized, it remains challenging for the Company to accurately estimate or quantify the full scope and magnitude of the pandemic's impact on the Company, its business, financial condition and prospects. In particular, the Company's LSTK projects have seen, in some cases, substantial increases in cost forecasts and delays to forecast completion dates as a result of the impact of COVID-19 on labour productivity and project prolongation, in addition to associated inflation and supply chain disruptions.

To attempt to mitigate the spread of the pandemic, there have been extraordinary and wide-ranging actions taken by international, federal, provincial and local public health and governmental authorities to contain and combat the outbreak of COVID-19 around the world. These actions include quarantines and "stay-at-home" orders, social distancing measures, travel restrictions, school closures and similar mandates for many individuals in order to substantially restrict daily activities and orders for many businesses to curtail or cease normal operations unless their work is critical, essential or life-sustaining and to require their employees to be vaccinated against COVID-19 as a condition for continued employment. Although from time to time there has been an easing of restrictions in certain jurisdictions, some of these restrictions have been reinstated in other jurisdictions, or could be reinstated in the future, to manage a resurgence or new outbreak of COVID-19, including in connection with new variants or mutations of the virus. In addition, the reopening of businesses and economies in certain countries is creating a variety of new challenges, including, for example, higher prices for goods and services, limited availability of products, disruptions to supply chains and labour shortages. As such, the duration, severity of its effects and ultimate impact to the world's population and the global economy remain uncertain and difficult to fully evaluate and quantify.

The COVID-19 pandemic has adversely affected, and will likely continue to adversely affect the Company's financial condition, liquidity, future results of operations and outlook due to, among other factors:

- Ongoing and future actions taken by governmental and non-governmental bodies to curtail activity in an effort to help slow the spread of COVID-19 and new and emerging variants thereof, including the implementation of mandatory quarantines, restrictions on travel, "stay-at-home" orders and restrictions on the types of businesses that may continue to operate and on the types of construction projects that may continue to progress. The Company's worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from (i) disruptions in the Company's supply chains, (ii) project delays resulting from temporary or partial project shutdowns, and (iii) the Company's inability to continue or resume projects as a result of extended or complete project shutdowns, which may, in each case, expose the Company to penalties or sanctions under contracts, business interruption claims or even the cancellation or termination of contracts altogether.
- If the COVID-19 pandemic persists for all or a substantial portion of 2022, it may continue to impact the health of the Company's personnel, partners and contractors, causing labour shortages due to illness making it difficult to recruit, attract and retain skilled personnel. In addition, we may experience difficulties with effectively training and integrating new employees, and in the short term, it may be even more difficult to do so remotely during the COVID-19 pandemic. Increased turnover rates of our employees could increase operating costs and create challenges for us in maintaining high levels of employee awareness of, and compliance with, our internal procedures and external regulatory compliance requirements, in addition to increasing our recruiting, training and supervisory costs.
- Resumption of operations by the Company where it operates after previously implemented restrictive measures have been loosened or eliminated has been and may continue to be delayed or constrained as a result of the lingering effects of the impacts of COVID-19 on the Company's employees, contractors, suppliers, third-party service providers and customers. Resumption may also continue to impose an additional financial burden on the Company as it seeks to resume projects with adequate safety measures in place, which safety measures may not be sufficient to mitigate the risk of infection and could result in increased illness among the Company's employees and contractors and associated business interruption, as well as lower productivity due to revised working conditions. The continued spread of the pandemic, including the emergence of variants and further resurgences of the SARS-CoV-2 virus, has caused and may continue to cause the reintroduction of previously loosened or eliminated restrictions or the imposition of new restrictions that could potentially be more onerous.
- Work-from-home measures implemented by the Company have impacted and may continue to impact the productivity of certain employees. In addition, the measures implemented by the Company present operational challenges as technology in employees' homes may not be as robust as in the Company's offices and, as such, could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than the Company's in-office technology. Moreover, having a significant portion of the Company's workforce working remotely from non-office-based locations has led to an increase in the number of potential points of attack and greater cybersecurity risks, including increased phishing attacks, introduction of malware, strain on the local technology networks for remote operations, and may cause impairment of the ability to perform critical functions. The Company could also face legal, reputational and financial risks if it fails to protect data from security breaches or cyberattacks.
- Having to systemically deal with, manage and implement a coherent response to the COVID-19 pandemic could divert management's attention from the Company's key strategic priorities, increase costs as the Company prioritizes health and safety matters and complies with mitigation measures imposed upon it for the benefit of its personnel and the continuation of ongoing projects, and cause the Company to reduce, delay, alter or abandon initiatives that may otherwise increase its long-term value.
- Public perception of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, a decrease in demand for the Company's services and worsening economic conditions. These impacts are expected to continue or worsen if "stay-at-home", "shelter-in-place", social distancing, travel restrictions and other similar orders, measures or restrictions remain in place for an extended period of time or are re-imposed after being lifted or eased. Although we have experienced, and may continue to experience, an

increase in demand for certain of our services as a result of new projects that have arisen in response to the COVID-19 pandemic, there can be no assurance that any such increased demand would be sufficient to offset lost or delayed demand.

- Our clients may be unable to meet their payment obligations to us in a timely manner, including as a result of deteriorating financial condition or bankruptcy resulting from the COVID-19 pandemic and resulting economic impacts. Further, other third parties, such as suppliers, subcontractors, joint venture partners and other outside business partners, may experience significant disruptions in their ability to satisfy their obligations with respect to us, or they may be unable to do so altogether.

Although the Company has made various efforts to manage and mitigate the aforementioned risk factors, such efforts may not sufficiently mitigate the negative impacts of COVID-19 on the business and the effectiveness of these efforts and the extent to which the COVID-19 pandemic affects the Company's business will depend on factors beyond its control, including all of the factors listed above, as well as other elements of uncertainty.

The continued global spread of the COVID-19 pandemic and the responses thereto are complex and rapidly evolving, and the extent to which the pandemic impacts our business, financial condition and results of operations, including the duration and magnitude of such impacts, will depend on numerous evolving factors that we may not be able to accurately predict or assess. Even after the COVID-19 pandemic begins to wane, the Company may continue to experience material adverse effects to its business, financial condition and prospects as a result of the continued disruption in the global economy and any resulting recession or increased inflation, the effects of which may persist beyond that time and which may not be fully reflected in our results of operations until future periods.

The COVID-19 pandemic may also have the effect of heightening other risks and uncertainties disclosed and described below in the "Risks and Uncertainties" section of this MD&A.

RISKS RELATING TO THE COMPANY'S OPERATIONS

Execution of the Company's "Pivoting to Growth Strategy" unveiled in September 2021

Since mid-2019, the Company has been implementing a new strategic direction focused on the high-performing and growth areas of the business as it exits LSTK construction contracting. More recently, the Company unveiled in September 2021 a three-year global strategic growth plan and a new operational structure and re-affirmed its strategy comprised of four core elements, namely: (i) focusing on core geographic areas of operation and end customer markets targeted in the built and natural environment; (ii) leveraging SNC-Lavalin's unique end-to-end global capabilities to deliver high value products and services locally; (iii) identifying key growth areas; and (iv) establishing capital allocation priorities to strengthen business and drive further value creation opportunities. The strategy also involves SNC-Lavalin SNC-Lavalin focusing its efforts on its three core regions—United Kingdom, Canada and the United States—where it has a leading presence in each region all the while maintaining more targeted operations in select markets in Europe, the Middle East, Asia-Pacific, and Latin America. Within these geographies, SNC-Lavalin intends to focus on seven clearly defined customer end markets, namely Transportation, Buildings and Places, Defence, Water, Industrial and Mining, Power and Renewables, and Nuclear.

The strategic direction may also be affected by various factors, notably that it will take several years for the exit from LSTK construction projects to be fully reflected in the Company's backlog. Until that exit is completed by the run-off or transfer of existing LSTK construction projects, the Company may experience losses resulting from the risks inherent in such projects. In addition, it may be necessary for the Company to accept change orders under existing LSTK construction contracts, which may temporarily extend the performance timeframe of such contracts and increase or prolong the Company's financial and legal exposure under the relevant projects as a result thereof.

There can be no assurance that this strategy will succeed, in whole or in part. Implementation of this plan presents various managerial, organizational, administrative, operational and other challenges, and the Company's organizational, administrative and operational systems may require adjustments in order to appropriately implement this strategic direction.

If the Company is unable to successfully execute on any or all of the initiatives contemplated under its strategic direction, the Company's revenues, operating results and profitability may be adversely affected. Even if the Company successfully implements this strategic direction, there can be no guarantee that it will achieve its intended objectives of improved revenues, operating results and/or profitability. Modifications to this strategic direction may also be required to achieve such objectives, which could delay or temporarily pause its implementation.

Fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently

While the Company is in the process of exiting LSTK construction contracting, a significant portion of the Company's backlog and revenues remains dependent on fixed-price contracts. The Company bears the risk for cost overruns from fixed-price contracts. Contract revenues and costs are established, in part, based on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, productivity, performance of the Company's employees and of subcontractors or equipment suppliers, price, inflation, availability of labour, equipment and materials and other requirements that may affect project costs or schedule, such as obtaining the required environmental permits and approvals on a timely basis. Cost overruns may also occur when unforeseen circumstances arise. In addition, reimbursable contracts such as unit-rate contracts for which a fixed amount per quantity is charged to the customer and reimbursable contracts with a cap bear some risks that are similar to those related to fixed-price contracts, as the estimates used to establish the contract unit-rate and/or the contractual cap are also subject to the assumptions listed above.

Furthermore, should the Company experience difficulties in the execution of projects due to various factors, such as a lack of efficiency in the implementation of its processes, COVID-19 impacts on productivity, increases in inflation and supply chain disruptions, all of which could lead to higher costs and delays to project completions, failure to accurately estimate project costs and/or conclude strategic transactions pertaining to project resources, such difficulties could have an adverse impact on the Company's financial results from these projects.

If cost overruns occur, the Company could experience reduced profits or, in some cases, a loss for that project. A significant cost overrun can occur on both large and smaller contracts or projects. If a large cost overrun occurs, or if cost overruns occur on multiple projects, such cost overruns could increase the unpredictability and volatility of the Company's profitability as well as have a material adverse impact on its business.

In addition, in certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs should the project or facility subsequently fail to meet the scheduled completion date or performance standards. A project's revenues could also be reduced in the event the Company is required to pay liquidated damages or in connection with contractual penalty provisions, which can be substantial and can accrue on a daily basis.

Remaining performance obligations

The Company's remaining performance obligations are derived from contract awards that are considered firm or management's estimates of revenues to be generated from firm contract awards for reimbursable contracts, thus an indication of expected future revenues. Project delays, suspensions, terminations, cancellations or reductions in scope do occur from time to time in the Company's industry due to considerations beyond the control of SNC-Lavalin and may have a material impact on the amount of reported remaining performance obligations with a corresponding adverse impact on future revenues and profitability. In addition, a number of project contracts have warranty periods and/or outstanding claims, that may result in legal proceedings extending for considerable periods of time beyond the actual performance and completion of the projects. Furthermore, many of the Company's contracts contain "termination for convenience" provisions, which permit the client to terminate or cancel the contract at its convenience upon providing the Company with notice a specified period of time before the termination date and/or paying the Company equitable compensation, depending on the specific contract terms. In the event a significant number of the Company's clients were to avail themselves of such "termination for convenience" provisions, or if one or more significant contracts were terminated for convenience, the Company's reported remaining performance obligations would be adversely affected with a corresponding adverse impact on expected future revenues and profitability.

Contract awards and timing

Obtaining new contract awards, which is a key component for the sustainability of revenues and profitability, is increasingly difficult in a competitive environment. The timing of when project awards will be made is unpredictable and outside of the Company's control. SNC-Lavalin operates in highly competitive markets where it is difficult to predict whether and when it will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a wide variety of factors including governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. In addition, the Company may not win contracts that it has bid upon due to price, a client's perception of the Company's reputation, ability to perform and/or perceived technology or other advantages held by competitors. SNC-Lavalin's competitors may be more inclined to take greater or unusual risks or accept terms and conditions in a contract that the Company might not otherwise deem market or acceptable. As a result, SNC-Lavalin is subject to the risk of losing new awards to competitors or the risk that revenue may not be derived from awarded projects as quickly as anticipated. Furthermore, the Company may incur significant costs in order to bid on projects that may not be awarded to the Company, thus resulting in expenses that did not generate any profit for the Company. It should also be noted that the Company's results of operations can fluctuate from quarter to quarter and year to year depending on whether and when project awards occur and the commencement and progress of work under awarded contracts.

In addition, fluctuating demand cycles are common in the engineering and construction industries and can have a significant impact on the degree of competition for available projects and the awarding of new contracts. As such, fluctuations in the demand for engineering and construction services or the ability of the private and/or public sector to fund projects in a depressed economic climate could adversely affect the awarding of new contracts and margin and thus SNC-Lavalin's results. Given the cyclical nature of the engineering and construction industries, the financial results of SNC-Lavalin, like others in such industries, may be impacted in any given period by a wide variety of factors beyond its control, and as a result there may, from time to time, be significant and unpredictable variations in the Company's quarterly and annual financial results.

Among other matters, SNC-Lavalin's estimates of future performance depend on whether and when the Company will receive certain new contract awards, including the extent to which the Company utilizes its workforce. The rate at which SNC-Lavalin utilizes its workforce is impacted by a variety of factors including: the Company's ability to manage attrition; the Company's ability to forecast its need for services which in turn allows the Company to maintain an appropriately sized workforce; the Company's ability to transition employees from completed projects to new projects or between internal business groups; and the Company's need to devote resources to non-chargeable activities such as training or business development. While SNC-Lavalin's estimates are based upon its professional judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when the Company will receive a contract award. The uncertainty of contract award timing can present difficulties in matching the Company's workforce size with its contract needs. If an expected contract award is delayed or not received, or if an ongoing contract is cancelled, the Company could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing the Company's operational efficiency, margins and profits.

Being a provider of services to government agencies

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting. SNC-Lavalin's failure to comply with the terms of one or more government contracts or government statutes, regulations and policies could result in the Company's contracts with government agencies being terminated or the Company being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties and the risk of public scrutiny of the Company's performance, and potential harm to its reputation, each of which could have a material adverse effect on SNC-Lavalin's business. Other remedies that the Company's government clients may seek for improper activities or performance issues include sanctions such as forfeiture of profits and suspension of payments. In addition, virtually all of the Company's contracts with governments contain "termination for convenience" provisions, as described in the risk factor above entitled "Remaining performance obligations".

Government contracts present SNC-Lavalin with other risks as well. Legislatures typically appropriate funds on a year-by-year basis, while contract performance may take more than one year. As a result, the Company's contracts with government agencies may be only partially funded or may be terminated, and the Company may not realize all of its expected potential revenues and profits from those contracts. Appropriations and the timing of payment may be influenced by, among other things, the state of the economy, competing political priorities, curtailments in the use of government contracting firms, budget constraints, the timing and amount of tax receipts and the overall level of government expenditures.

International operations

A significant portion of SNC-Lavalin's revenues are attributable to projects in international markets outside of Canada. SNC-Lavalin's business is dependent on the continued success of its international operations, and the Company expects its international operations to continue to account for a significant portion of total revenues.

The Company's international operations are subject to a variety of risks, many of which also apply to its Canadian operations, including:

- recessions and other economic crises in other regions, or specific foreign economies and the impact on the Company's costs of doing business in those countries;
- difficulties in staffing and managing foreign operations, including logistical, security and communication challenges;
- changes in foreign government policies, laws, regulations and regulatory requirements, or the interpretation, application and/or enforcement thereof;
- difficulty or expense in enforcing contractual rights due to a lack of a developed legal system or otherwise;
- renegotiation or nullification of existing contracts;
- the adoption of new, and the expansion of existing, trade or other tariffs and restrictions, including those of a retaliatory or political nature as geopolitical events unfold;
- difficulties, delays and expense that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions;
- embargoes;
- acts of war, civil unrest, force majeure and terrorism;
- social, political and economic instability;
- expropriation of property;
- the risk that inter-governmental relationships may deteriorate such that the Company's operations in a given country may be negatively impacted because the Company is head-quartered in Canada or because we carry on business in another country;
- difficulties, delays and expense that may be experienced in obtaining critical licenses, permits or the like to carry on the Company's business as a result of administrative processes in certain jurisdictions that differ from those in North America;
- tax increases or changes in tax laws, legislation or regulation or in the interpretation, application and/or enforcement thereof; and

- limitations on the Company's ability to repatriate cash, funds or capital invested or held in jurisdictions outside Canada.

To the extent SNC-Lavalin's international or Canadian operations are affected by unexpected or adverse economic, political and other conditions, the Company's business, financial condition and results of operations may be adversely affected.

In addition, the Company's activities outside Canada expose SNC-Lavalin to foreign currency exchange risks, which could adversely impact its operating results. The Company is particularly vulnerable to fluctuations in British pounds and U.S. dollars. While SNC-Lavalin has a hedging strategy in place to mitigate some of the effects of certain foreign currency exposures, there can be no assurance that such hedging strategy will be effective. The Company does not have hedging strategies in place with respect to all currencies to which it is exposed in the conduct of its business. The Company's hedging strategy includes the use of forward foreign exchange contracts, which also contain an inherent credit risk related to default on obligations by the counterparties to such contracts.

Nuclear liability

The Company's Nuclear segment supports clients across the entire Nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. Such services can subject the Company to risks arising out of a nuclear, radiological or criticality incident, whether or not within the Company's control.

Indemnification provisions contained in the domestic legislation of the jurisdictions in which the Company's Nuclear segment operates, such as Canada's Nuclear Liability and Compensation Act, the United Kingdom's Nuclear Installations Act 1965, the United States' Price-Anderson Act, or equivalent protections afforded under international conventions, seek to ensure compensation for the general public, while indemnifying nuclear industry participants against liability arising from nuclear incidents, subject to possible exclusions.

However, these legislative indemnification provisions may not apply to all liabilities incurred while performing services as a contractor for the nuclear industry. If an incident or certain damages resulting therefrom are not covered under applicable legislative indemnification provisions, the Company could be held liable for damages which could have a material adverse impact on the Company's financial condition and results of operations. In addition to legislative indemnification provisions, the Company seeks to protect itself from liability associated with nuclear incidents and damages resulting therefrom in its contracts, but there can be no assurance that such contractual limitations on liability will be effective in all cases or that the Company's or its clients' insurance will cover all the liabilities assumed under those contracts. The costs of defending against claims arising out of a nuclear incident, and any damages that could be awarded as a result of such claims, could have a material adverse impact on the Company's financial condition and results of operations.

Ownership interests in investments

SNC-Lavalin holds investments, mainly through its Capital segment that acts as the Company's investment and asset management arm. When SNC-Lavalin holds an ownership interest in an investment, it assumes a degree of risk associated with the financial performance of such investment. The value of the Company's investment is dependent on the ability of the investment to attain its revenue and cost projections as well as the ability to secure initial and ongoing financing, which can be influenced by numerous factors, some partially beyond the Company's control, including, but not limited to, political or legislative changes, lifecycle maintenance, operating revenues, collection success, cost management and the general state of the capital and/or credit markets.

The Company sometimes makes investments in project entities in which it does not hold a controlling interest. These investments may not be subject to the same requirements regarding internal controls and internal control over financial reporting that SNC-Lavalin follows. To the extent the controlling entity makes decisions that negatively impact such investments or internal controls relating thereto and, consequently, problems arise within such investments, it could have a material adverse impact on the Company's business, financial condition and results of operations.

The Company’s non-recourse debt from its investments can be affected by fluctuations in interest rates. A hedging strategy is put in place when the management body of the project entity for such investment deems it appropriate. However, the assumptions and estimates inherent to the hedging strategy could be erroneous, thus rendering the hedging strategy ineffective or partially ineffective. Furthermore, the financial instruments associated with the hedging strategy contain an inherent credit risk related to defaults on obligations by the counterparties to such instruments.

In addition, many of the Company’s investments are governed by shareholder, partnership or similar joint venture agreements or arrangements, many of which restrict the Company's ability or right to freely sell or otherwise dispose of its investments and/or that affect the timing of any such sale or other disposition. Consequently, the Company’s ability to efficiently or timely dispose of or monetize one or more of its investments could be limited by such contractual arrangements, which could in turn have an adverse impact on SNC-Lavalin's liquidity or capital resources.

Dependence on third parties

SNC-Lavalin undertakes contracts wherein it subcontracts a portion of the project or the supply of material and equipment to third parties. If the amount the Company is required to pay for subcontractors or equipment and supplies exceeds what was estimated, the Company may suffer losses on these contracts. If a supplier or subcontractor fails to provide supplies, equipment or services as required under a negotiated contract for any reason, or provides supplies, equipment or services that are not of an acceptable quality or quantity, the Company may be required to source those supplies, equipment or services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. In addition, faulty equipment or materials could impact the overall project, resulting in claims against SNC-Lavalin for failure to meet required project specifications. These risks may be intensified during an economic downturn if these suppliers or subcontractors experience financial difficulties or find it difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the services or supplies (altogether or on a timely basis) or the requisite quality or grade of services or supplies necessary for the Company’s business.

In addition, in instances where SNC-Lavalin relies on a single contracted supplier or subcontractor or a small number of subcontractors, there can be no assurance that the marketplace can provide these products or services on a timely basis, or at the costs the Company had anticipated. Furthermore, irrespective of the importance or number of project or Company subcontractors or suppliers, general global supply chain disruptions and issues outside the control of the Company could adversely affect ongoing operations also resulting in the aforementioned risks to the Company. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact SNC-Lavalin’s business and/or reputation and, in the case of government contracts, could also result in fines, penalties, suspension or even debarment being imposed on the Company.

Supply chain disruptions

Global disruptions in supply chains continue to affect companies in a variety of industries, triggering widespread impacts. Shortages and logistical bottlenecks with labour and transportation have in certain instances led to a shortage of material availability and an increase in shipping costs. Illness, travel restrictions and other workforce disruptions could adversely affect the Company’s supply chain and its ability to complete its clients’ projects in the scheduled time frame, while the shortage of material availability and increased shipping costs could also adversely affect its profitability, notably through inflationary price pressure on material used on certain contracts and increased prolongation costs.

Joint ventures and partnerships

SNC-Lavalin enters into certain contracts with joint venture partners, as a member of partnerships, and under other similar arrangements. This situation exposes the Company to a number of risks, including the risk that its partners may be unable or unwilling to fulfill their contractual obligations to the Company or its clients. SNC-Lavalin's partners may also be unable or unwilling to provide the required levels of financial support to the partnerships. If these circumstances occur, the Company may be required to pay financial penalties or liquidated damages, provide additional services, or make additional investments to ensure adequate performance and delivery of the contracted services. Under agreements with joint and several (or solidary) liabilities, SNC-Lavalin could be liable for both its obligations and those of its partners. These circumstances could also lead to disputes and litigation with the Company's partners or clients, all of which could have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

SNC-Lavalin participates in joint ventures and similar arrangements in which it is not the controlling partner. In these cases, the Company has limited control over the actions or decisions of the joint venture. These joint ventures may not be subject to the same governance framework and corresponding requirements regarding internal controls and internal control over financial reporting that SNC-Lavalin follows. To the extent the controlling partner makes decisions that negatively impact the joint venture or internal control problems arise within the joint venture, it could have a material adverse impact on the Company's business, financial condition and results of operations.

The failure by a joint venture partner to comply with applicable laws, rules or regulations, or contract requirements, could negatively impact SNC-Lavalin's business and reputation and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on the Company, which could in turn have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

Information systems and data and compliance with privacy legislation

The integrity, reliability and security of information in all forms are critical to the Company's daily and strategic operations.

Cyber-attacks have become more frequent and sophisticated and the Company's information technology and other defences must be adequate at all times to repel them. Cyber-attacks can involve malware (including ransomware), hacking, industrial espionage, unauthorized access to confidential or proprietary information, phishing or other security breaches and system disruptions. If the Company is unable to protect its information systems, they could be interrupted, slowed down or fail altogether. The Company's information systems and operations could also be interrupted or damaged by natural disasters, failures, acts of war or terrorism, among other causes.

A successful cyber-attack could harm the Company's reputation and adversely affect its business, financial condition and results of operations as it may lead to network failures; unauthorized access to confidential or proprietary information about its business, assets, customers or employees; theft, loss, leakage, destruction or corruption of data, including information about its customers or employees; physical damage to network assets; litigation, fines and liability for failure to comply with privacy and information security laws; increased fraud; lost revenues; the potential for loss of customers or impairment of the Company's ability to attract new customers; higher insurance premiums; and the incurrence by the Company of significant costs payable to specialist advisors, such as forensic and external communications/public relations experts, to assist the Company in dealing with such cyber-attacks and the consequences thereof.

In addition, cyber-attacks affecting the Company's suppliers or other business partners could also adversely affect the Company's business, financial condition and results of operations.

As a company that operates globally, SNC-Lavalin is subject to a complex array of legislation designed to protect personal and confidential information. Privacy and data protection legislation and regulations are in constant evolution, and it can be anticipated that more countries will establish personal data protection frameworks in 2022 and beyond. The ever-changing landscape presents unique compliance challenges for SNC-Lavalin as its business undergoes significant transformation. Presently, the European Union's General Data Protection Regulation and the Canadian federal Personal Information Protection and Electronic Documents Act (PIPEDA) set the global compliance-standard for SNC-Lavalin's personal data compliance framework. In addition, responding to the UK's withdrawal from the European Union ("Brexit") has recently been a key focus for SNC-Lavalin's data protection and compliance efforts. The EU is currently undertaking a review of the UK's data privacy legislative framework before determining how freely personal data may flow across borders and thus there remains a degree of uncertainty in relation to data transfers between the UK and EU.

The constantly evolving nature of technology and applicable privacy legislation and regulations pose increasingly complex compliance challenges and may trigger higher spend by the Company to meet the requirements thereof. Any failure to comply with these laws and regulations could result in significant penalties, legal liability and reputational risk for the Company.

The Company relies on industry-accepted security measures and technology to protect the confidential and proprietary information on its computer and information technology systems. The Company also seeks to adapt its security policies, procedures and controls to protect its assets. There is no assurance that these measures will prevent the occurrence of cyber-attacks, or that any insurance the Company may have will cover the costs, damages, liabilities or losses that could result therefrom.

Competition

SNC-Lavalin operates businesses in highly competitive industry segments and geographic markets both in Canada and internationally. SNC-Lavalin competes with both large as well as many mid-size and smaller companies across a range of industry segments. In addition, an increase in international companies entering into the Canadian marketplace and/or non-traditional competitors and international markets entering any industry segments where SNC-Lavalin is present has also made such market more competitive. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which the Company operates. Fluctuations in demand in the segments in which the Company operates may impact the degree of competition for work. Competitive position is based on a multitude of factors, including pricing, ability to obtain adequate bonding, remaining performance obligations, financial strength, appetite for risk, availability of partners, suppliers and workforce, and reputation for quality, timeliness and experience. If the Company is unable to effectively respond to these competitive factors, the Company's results of operations and financial condition will be adversely impacted. In addition, a prolonged economic slump or slower than anticipated recovery may also result in increased competition in certain market segments, price or margin reductions or decreased demand which may adversely affect results.

Professional liability or liability for faulty services.

The Company's failure to act or to make judgments and recommendations in accordance with applicable professional standards could result in large monetary damages awards against the Company. The Company's business involves making professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. A failure or incident at one of SNC-Lavalin's project sites or completed projects resulting from the work it has performed could result in significant professional or product liability, warranty or other claims against the Company as well as reputational harm, especially if public safety is impacted. These liabilities could exceed the Company's insurance limits or the fees it generates, or could impact the Company's ability to obtain insurance in the future. See the "Insurance coverage" risk factor below. In addition, clients or subcontractors who have agreed to indemnify SNC-Lavalin against any such liabilities or losses might refuse or be unable to pay. An uninsured claim, either in part or in whole, if successful and of a material magnitude, could have a material adverse impact on the Company's financial condition and results of operations.

In some jurisdictions where the Company does business, it may be held jointly and severally (solidarily) liable for both its obligations and those of other parties working on a particular project, notwithstanding the absence of a contractual relationship between the Company and such other parties.

Monetary damages and penalties in connection with professional and engineering reports and opinions

SNC-Lavalin issues reports and opinions to clients based on its professional engineering expertise, as well as its other professional credentials. The Company's reports and opinions are often required to comply with professional standards, licensing and technical requirements, securities regulations and other laws, regulations, rules and standards governing the performance of professional services in the jurisdiction where the services are performed. In addition, the Company could be liable to third parties who use or rely upon the Company's reports or opinions even if it is not contractually bound to those third parties, which may result in monetary damages or penalties.

Gaps in insurance coverage

As part of SNC-Lavalin's business operations, the Company maintains a certain level of insurance coverage. There can be no assurance that the Company has in place sufficient insurance coverage to satisfy its needs, or that it will be able to secure all necessary or sufficient insurance coverage in the future. The Company's insurance is purchased from a number of third-party insurers, often in layered insurance arrangements. If any of its third-party insurers fail, refuse to renew or revoke coverage or otherwise cannot satisfy their insurance requirements to SNC-Lavalin, or if the Company is found liable on or pays out a significant claim in respect of a project or contract that is not covered by any insurance, then the Company's overall risk exposure and operational expenses could be increased and its business operations could be interrupted.

SNC-Lavalin has obtained directors' and officers' liability insurance insuring directors and officers against liability for acts or omissions in their capacities as directors and officers of the Company, subject to certain exclusions. Such insurance also insures SNC-Lavalin against losses which the Company may incur in indemnifying officers and directors. In addition, SNC-Lavalin may enter into indemnification agreements with key officers and directors and such persons may also have indemnification rights under applicable laws and the Company's constating documents. SNC-Lavalin's obligations to indemnify directors and officers may pose substantial risks to the Company's financial condition as the Company may not be able to maintain its insurance or, even if the Company is able to maintain its insurance, claims in excess of the Company's insurance coverage and/or claims not covered by insurance could materially deplete its assets.

Health and safety

The nature of SNC-Lavalin's work places employees and others near large equipment, dangerous processes or highly regulated materials, and in challenging environments. Many clients require that the Company meet certain safety standards or criteria to be eligible to bid on contracts, and the payment of a portion of the Company's contract fees or profits may be subject to satisfying safety standards or criteria. Unsafe work conditions also have the potential of increasing employee turnover, increasing project and operating costs and could negatively impact the awarding of new contracts. If SNC-Lavalin fails to implement appropriate safety procedures and/or if its procedures fail, employees or others may suffer injuries. Failure to comply with such procedures, client contracts or applicable regulations could subject SNC-Lavalin to losses and liability and adversely impact the Company's business, financial condition and operating results as well as its ability to obtain future projects.

Qualified personnel

The success of SNC-Lavalin depends heavily on its workforce and its ability to attract, recruit, develop and retain qualified personnel in a competitive work environment. Engineers, architects, designers, project managers, as well as functional experts and corporate leadership professionals who possess both experience and skills are essential to the success of the Company's business. The ability to retain and motivate qualified personnel, or attract suitable replacements as needed, is dependent on, among other things, the competitive nature of the employment market and the career opportunities and compensation that the Company can offer. There is strong competition for qualified technical and management personnel in the Company's industry, and if the Company were to lose some or all of these personnel, they could be difficult to replace in the timeline demanded by the Company's clients. For example, some of the Company's personnel hold government granted clearance that may be required to obtain government projects. If the Company were to lose some or all of these personnel, they could be difficult to replace. The inability to attract and retain such qualified personnel would place increased demands on the Company's existing resources, and could result in, among other factors, lost opportunities, cost overruns, failure to successfully complete existing and compete for new projects, and inability to mitigate risks and uncertainties.

In addition, in the event that the Company's corporate leadership professionals and other key personnel were to retire or otherwise leave the Company, the Company would require appropriate succession plans in place, including preparation of internal talent and, where relevant, identification of potential external candidates for key roles, and to successfully implement such plans, which requires devoting time and resources toward identifying and integrating new personnel into leadership roles and other key positions. If the Company cannot effectively prepare and implement such succession plans, it could have a material adverse effect on the Company's ability to conduct its business effectively and to provide services to its clients until such qualified replacements are found.

Work stoppages, union negotiations and other labour matters

A portion of the Company's workforce and employees working for various subcontractors are unionized. A lengthy strike or other work stoppages, caused by unionized or non-unionized employees, in connection with any of the Company's projects could have a material adverse effect on the Company. There is an inherent risk that on-going or future negotiations relating to collective bargaining agreements or union representation may not be favourable to the Company. From time to time, the Company has also experienced attempts to unionize the Company's non-unionized employees. Such efforts can often disrupt or delay work and present risk of labour unrest.

Extreme weather conditions and the impact of natural or other disasters and global health crises

The Company's field activities are generally performed outdoors and include professional surveying, resident engineering services, field data surveys and collection, archeology, geotechnical investigations and exploratory drilling, construction oversight and inspection, plant start-up and testing and plant operations. Extreme weather conditions or natural or other disasters, such as earthquakes, fires, floods, tornadoes, hurricanes, lightning, epidemics or pandemics (including the current COVID-19 pandemic) and similar events, may cause postponements in the initiation and/or completion of the Company's field activities and may hinder the ability of its employees, subcontractors or suppliers to perform their duties, which may result in delays or loss of revenues that otherwise would be recognized while certain costs continue to be incurred. Extreme weather conditions or disasters may also delay or eliminate the start and/or completion of various phases of work relating to other services that commence concurrently with or subsequent to field activities. The Company's financial and/or operating performance could also be adversely affected by the outbreak of epidemics or other public health crises. Refer to the risk factor entitled "Ongoing and additional impacts of the COVID-19 pandemic" in this Section for a description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs. Any delay in the completion of the Company's services may require the Company to incur additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules. Due to various factors, a delay in the commencement or completion of a project may also result in penalties or sanctions under contracts or even the cancellation of contracts.

Divestitures and the sale of significant assets

The sale of a business unit and/or significant assets is a complex process that involves certain risks, such as failure to properly plan, prepare and execute the transaction and to prepare a contract that is intended to protect the Company from post-closing adjustments, certain liabilities and additional costs. In addition, the Company is exposed to the risk of the deal falling through, selling at a lower price than the asking price and/or extended deal close times.

Divesting businesses involves risks and uncertainties, such as the difficulty separating assets related to such businesses from the businesses the Company retains, senior management and employee distraction, the need to obtain regulatory approvals and other third-party consents, which potentially disrupts customer and supplier relationships, and the fact that the Company may be subject to additional tax obligations or loss of certain tax benefits. Such actions also involve significant costs and require time and attention of management, which may divert attention from other business operations. Because of these challenges, as well as market conditions or other factors, divestitures may take longer or be costlier or generate fewer benefits than expected and may not be completed at all. If the Company is unable to complete divestitures or to successfully transition divested businesses, its business and financial results could be negatively impacted. If the Company disposes of a business, it may not be able to successfully cause a buyer of a divested business to assume the liabilities of that business or, even if such liabilities are assumed, the Company may have difficulties enforcing its rights, contractual or otherwise, against the buyer. The Company may retain exposure on financial or performance guarantees and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law because of the disposition or the subsequent failure of a buyer. As a result, performance by the divested businesses or other conditions outside of the Company's control could have a material adverse effect on its results of operations. In addition, many contracts for the sale of a subsidiary or a business provide for the delivery of closing financial statements and, depending on the result of such closing financial statements, the buyer could assert a claim, whether founded or not, that the Company, as seller, is obligated to pay certain sums, even material sums, as a post-closing adjustment to the buyer after completion of the transaction and, depending on the amount of any such post-closing adjustment payment that the Company may be required (or decides) to pay, such payment could have an adverse or even a material adverse impact on the Company's cash resources, liquidity and/or its financial results and performance. Conversely, the right to assert a similar claim is generally also available to the Company against a buyer, depending on the result of the closing financial statements. Also, the divestiture of any business could negatively impact the Company's profitability because of losses that may result from such a sale, the loss of revenues or a decrease in cash flows. Following a divestiture, the Company may also have less diversity in its business and in the markets it serves, as well as in its client base.

Intellectual property

SNC-Lavalin's success depends, in part, upon its ability to protect its intellectual property. The Company relies on a combination of intellectual property policies and other contractual arrangements to protect much of its intellectual property where it does not believe that trademark, patent or copyright protection is appropriate or obtainable. Trade secrets are generally difficult to protect. Although SNC-Lavalin's employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of the Company's confidential information and/or the infringement of the Company's patents and copyrights. Further, the Company may be unable to detect unauthorized use of its intellectual property or otherwise take appropriate steps to enforce its rights. Failure to adequately protect, maintain, or enforce the Company's intellectual property rights may adversely limit the Company's competitive position.

RISKS RELATED TO THE COMPANY'S LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

Liquidity and financial position

The Company relies on its cash, its credit facilities and other debt instruments, as well as the capital markets to provide some of its liquidity and capital requirements and it is, in certain instances, required to obtain bank guarantees/letters of credit as a means to secure its various contractual obligations for its underlying projects. Significant instability or disruptions of the capital markets or a deterioration in or weakening of its financial position due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the cost of one or more of these financing sources, including credit facilities, the issuance of medium- and long-term debt (such as the issuance of debentures, bonds or notes), or the availability of bank guarantees/letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate cash balance and generate sufficient cash flow from operations in an amount to enable itself to fund its operations and liquidity needs, service its debt and/or maintain its ability to obtain and secure bank guarantees.

A deterioration in the Company's financial condition could also result in a reduction or downgrade of its credit ratings, which could limit the Company's ability to issue new letters of credit or performance guarantees or accessing external sources of short-term and long-term debt financing or could significantly increase the costs associated with utilizing such letters of credit and performance guarantees, bank credit facilities and issuing medium- and long-term debt, which would in turn have a material adverse effect on the Company's business, financial condition and results of operations.

A draw on letters of credit or bank guarantees by one or more third parties could, among other things, significantly reduce the Company's cash position and have a material adverse effect on its business and results of operations.

Indebtedness

The Company had approximately $1.7 billion of consolidated indebtedness as at December 31, 2021 under recourse, limited recourse and non-recourse debt presented on its statement of financial position.

The Company will need to refinance or reimburse amounts outstanding under the Company's consolidated indebtedness. There can be no assurance that any indebtedness of the Company will be refinanced or that additional financing on commercially reasonable terms will be obtained, if at all.

The Company's degree of leverage could have other important consequences, including the following:

- it may have a negative effect on the current credit ratings of the Company's rated long-term debt;
- it may limit the Company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes on commercially reasonable terms, if at all;
- most of the Company's borrowings are at variable rates of interest and expose the Company to the risk of increased interest rates and a resulting increase in financial expenses, which risk may become more acute in the near and mid term as world and North American economies appear to be entering a higher inflation rate environment;
- it may limit the Company's ability to adjust to changing market conditions and place the Company at a competitive disadvantage (including if the Company's credit rating is negatively affected) compared to its competitors that have less debt or greater financial resources;
- it may limit the Company's ability to declare and pay dividends on its Common Shares;
- the Company may be vulnerable in a downturn in general economic conditions; and
- the Company may be unable to make capital expenditures that are important to its growth and strategies.

The credit facilities and instruments governing the Company's consolidated debt contain certain financial covenants requiring the Company, on a consolidated basis, to satisfy net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratios. Such credit facilities and instruments also contain covenants restricting the Company's ability to incur liens on its assets, incur additional debt or effect dispositions of assets or fundamental changes in its business, pay dividends and make certain other disbursements, or use the proceeds from the sale of assets and capital stock of subsidiaries. These covenants limit the Company's discretion and financial flexibility in the operation of its business. Under the terms of these credit facilities and instruments, the Company and its subsidiaries are permitted to incur additional debt only in certain circumstances. However, doing so could increase the risks described above. In addition, if the Company or its subsidiaries incur additional debt in the future, the Company may be subject to additional covenants, which may be more restrictive than those that it is subject to now.

A breach of any of these agreements or the Company's inability to comply with these covenants (as the case may be) could, if not cured or waived, result in an acceleration of the Company's consolidated debt or a cross-default under certain of its debt instruments. If the Company's indebtedness is accelerated, the Company may not be able to service its indebtedness, or borrow sufficient funds to refinance its indebtedness.

The Company's ability to service its consolidated debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions, interest rate fluctuations and financial, business, legal, regulatory and other factors, some of which are beyond the Company's control. If the Company's operating results or liquidity are not sufficient to service its current or future consolidated indebtedness, the Company may be forced to take actions such as reducing dividends, reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt, or seeking additional equity capital.

Impact of operating results and level of indebtedness on financial situation

As outlined in Section 8.4 of this MD&A, the Company is required to maintain a ratio of net recourse debt to EBITDA not to exceed a certain threshold. While the Company met its covenant requirements in both 2021 and 2020, an increase of net recourse debt due to items such as cash requirements of operating activities or the delay/acceleration of certain investing/divestitures or financing transactions, or an inability to generate sufficient adjusted EBITDA to support the level of indebtedness in the ratio calculation in the future, could have a negative impact on the Company, as further described in the risk factor entitled "Indebtedness" above.

Security under the CDPQ Loan Agreement

The CDPQ Loan is secured by all of Highway Holdings' assets, excluding the Highway 407 ETR shares held by Highway Holdings (until such time as Highway Holdings may elect to grant a pledge thereon), as well as the rights and loan receivables of Highway Holdings under the intercompany loan agreement, dated July 10, 2017, between Highway Holdings, as lender, and the Company, as borrower. In addition to this security, SNC-Lavalin Inc. has provided a guarantee (the "Guarantee") in favour of CDPQ RF secured by a pledge given by SNC-Lavalin Inc. to CDPQ RF over 20,900 common shares held by SNC-Lavalin Inc. in the share capital of Highway Holdings (representing approximately 29.9% of the outstanding common shares of Highway Holdings). CDPQ RF's sole recourse against SNC-Lavalin Inc. in connection with the Guarantee and any potential breach or default by Highway Holdings under the CDPQ Loan Agreement is limited to enforcement on or against the shares of the capital of Highway Holdings held by SNC-Lavalin Inc. The Company has a 6.76% ownership interest in Highway 407 ETR through Highway Holdings. The terms of the CDPQ Loan Agreement include various covenants that must be satisfied by Highway Holdings. There can be no assurance that such covenants will be satisfied. Any event of default under the CDPQ Loan Agreement, including in respect of covenants thereunder, could result in, among other things, CDPQ RF demanding immediate payment of all amounts outstanding under the CDPQ Loan Agreement, or forcing the sale of the Highway 407 ETR shares held by Highway Holdings in compliance with the Highway 407 ETR shareholders' agreement at a time, price and in circumstances outside of the Company's control and/or that may not allow for an optimal sale price of such Highway 407 ETR shares, which could have a material adverse effect on the Company's business and financial position.

Dependence on subsidiaries to help repay indebtedness

A significant portion of the Company's assets are the capital stock of its subsidiaries and the Company conducts an important portion of its business through its subsidiaries. Consequently, the Company's cash flow and ability to service its debt obligations are dependent to a great extent upon the earnings of its subsidiaries and the distribution of those earnings to the Company, or upon loans, advances or other payments made by these entities to the Company.

The Company's subsidiaries are separate and distinct legal entities and may have significant liabilities. The ability of these entities to pay dividends or make other loans, advances or payments to the Company will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt including, for example, the financial covenants set out in the CDPQ Loan Agreement pursuant to which the Company's consolidated net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio cannot exceed a certain limit. In addition, certain other deeds and agreements governing certain subsidiaries of the Company contain restrictions on the payment of dividends and distributions, as well as specified liquidity covenants. Also, a number of the Company's material subsidiaries have provided guarantees of the Company's primary third-party debt instruments and obligations, including the Company's Credit Agreement and its outstanding debentures.

The ability of the Company's subsidiaries to generate sufficient cash flow from operations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, including those discussed in this section, many of which are outside of the control of the Company or its subsidiaries. The cash flow and earnings of the Company's operating subsidiaries and the amount that they are able to distribute to the Company as dividends or otherwise may not generate sufficient cash flow from operations to satisfy the Company's debt obligations. Accordingly, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any such alternatives would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of the Company's various debt instruments then in effect. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have a material adverse effect on its business, financial condition and results of operations.

Dividends

The declaration and payment of dividends on Common Shares are at the discretion of the board of directors of the Company. The cash available for dividends is a function of numerous factors, including the Company's financial performance, the impact of interest rates, debt covenants and obligations, working capital requirements and future capital requirements. In addition, the Company's ability to pay dividends depends upon the payment of dividends by certain of the Company's subsidiaries or the repayment of funds to the Company by its subsidiaries. The Company's subsidiaries, in turn, may be restricted from paying dividends, making repayments or making other distributions to the Company for financial, regulatory, legal or other reasons. To the extent the Company's subsidiaries are not able to pay dividends or repay funds to the Company, it may adversely affect the Company's ability to pay dividends on Common Shares.

Post-employment benefit obligations, including pension-related obligations

The Company operates certain defined benefits plans and provides other post-employment benefits. More specifically, its subsidiary Atkins operates two significant defined benefit plans, namely the Atkins Pension Plan and the Railways Pension Scheme, with combined net significant retirement benefit liabilities. The majority of Atkins' post-employment benefits obligations sit within its U.K. business and is comprised of defined benefit pension obligations. In the U.K., defined benefit pension schemes funding requirements are based on actuarial valuations of the assets and liabilities of each scheme. Scheme's assets are mainly determined by the value of investments held by the scheme and the returns. The valuation of plan liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Changes in a number of key assumptions, such as the discount rate, the rate of compensation increase or inflation, can have a material impact on the calculation of the liability. There is also some judgement in the measurement of the fair value of pension assets giving rise to a risk of material misstatement in their valuation.

The nature of the funding regime in the U.K. creates uncertainty around the size and timing of cash that Atkins will be required to pay to the pension schemes. The scheduled contribution to the Atkins Pension Plan and the Railways Pension Scheme from Atkins totaled £37.9 million (or approximately CA$65.4 million) and £4.2 million (or approximately CA$7.2 million), respectively, for the year ended December 31, 2021, with annual contributions escalating by 2.5% each year until March 31, 2026 for the Atkins pension plan. If Atkins is required to increase cash funding contributions, this will reduce the availability of such funds for other corporate purposes and limit its ability to invest in growth. Deteriorating economic conditions may result in significant increases in Atkins' funding obligations, which could restrict available cash for Atkins' operations, capital expenditures and other requirements, and have a material adverse effect on Atkins' business, financial condition and results of operations.

The Company's post-employment benefit obligations, including its pension-related liabilities, and its future payment obligations thereunder could restrict cash available for the Company's operations, capital expenditures and other requirements and may materially adversely affect its financial condition and liquidity.

Working capital requirements

SNC-Lavalin may require significant amounts of working capital to finance the purchase of materials and/or the performance of engineering, construction and other work on certain projects before it receives payment from clients. In some cases, the Company is contractually obligated to its clients to fund working capital on projects. Increases in working capital requirements could negatively impact SNC-Lavalin's business, financial condition and cash flows.

Additionally, the Company could temporarily experience a liquidity shortfall if it is unable to access its cash balances, short-term investments or draw on facilities under its Credit Agreement to meet the Company's working capital requirements. SNC-Lavalin's cash balances and short-term investments are in accounts held by banks and financial institutions, and some of the Company's deposits exceed available insurance. There is a risk that such banks and financial institutions may, in the future, go into bankruptcy or forced receivership, or that their assets may be seized by their governments, which may cause the Company to experience a temporary liquidity shortfall or fail to recover its deposits in excess of available insurance, if any.

A significant deterioration of the current global economic and credit market environment could challenge SNC-Lavalin's efforts to maintain a diversified asset allocation with creditworthy financial institutions.

In addition, SNC-Lavalin may invest some of its cash in longer-term investment opportunities, including the acquisition of other entities or operations, the reduction of certain liabilities such as unfunded pension liabilities and/or repurchases of the Company's outstanding shares. To the extent the Company uses cash for such other purposes, the amount of cash available for the working capital needs described above would be reduced.

Collection from customers

SNC-Lavalin is subject to the risk of loss due to clients' inability to fulfill their obligations with respect to trade receivables, contracts in progress and other financial assets. A client's inability to fulfill its obligations could have an adverse impact on the Company's financial condition and profitability.

In addition, the Company typically bills clients for engineering services in arrears and is, therefore, subject to its clients delaying or failing to pay invoices after the Company has already committed resources to their projects. If one or more clients delays in paying or fails to pay a significant amount of the Company's outstanding receivables, it could have a material adverse impact on the Company's liquidity, financial condition and results of operations.

Impairment of goodwill and other assets

In accordance with IFRS, goodwill is assessed for impairment no less frequently than on an annual basis by determining whether the recoverable amount of a cash-generating unit ("CGU") or group of CGUs exceeds its carrying amount. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU or group of CGU to which goodwill has been allocated, requiring management's estimates and judgments that are inherently subjective and uncertain, and thus may change over time. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate. The determination of these estimated cash flows requires the exercise of judgment, which might result in significant variances in the carrying amount of these assets.

The Company cannot guarantee that new events or unfavourable circumstances will not take place that would lead it to reassess the value of goodwill and record a significant goodwill impairment loss, which could have a material adverse effect on the Company's results of operations and financial position.

Financial assets, including the Company's investments, other than those accounted for at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. In such instance, the Company may be required to reduce carrying values to their estimated fair value. The inherent subjectivity of the Company's estimates of future cash flows could have a significant impact on its analysis. Any future write-offs or write-downs of assets or in the carrying value of the Company's investments could also have a material adverse effect on its financial condition or results of operations.

RISKS RELATED TO LITIGATION, INVESTIGATIONS, SETTLEMENTS AND REGULATORY MATTERS

The impact on the Company of legal and regulatory proceedings, investigations and litigation settlements

SNC-Lavalin itself, its subsidiaries or the entities through which Capital makes its investments, are or can be party to litigation in the normal course of business. Since the Company engages in engineering and construction, and O&M activities for facilities and projects where design, construction or systems failures can result in substantial injury or damage to employees or others, the Company is exposed to substantial claims and litigation if there is a failure at any such project. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and be brought by clients or third parties, such as those who use or reside near clients' projects. SNC-Lavalin can also be exposed to claims if it agreed that a project will achieve certain performance standards or satisfy certain technical requirements and those standards or requirements are not met. In many contracts with clients, subcontractors, and vendors, the Company agrees to retain or assume potential liabilities for damages, penalties, losses and other exposures relating to projects that could result in claims that greatly exceed the anticipated profits relating to those contracts. In addition, while clients and subcontractors may agree to indemnify the Company against certain liabilities, such third parties may refuse or be unable to pay.

In addition, in the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. SNC-Lavalin has been in the past and it is currently a defendant in two shareholder-instituted class action proceedings based on alleged disclosure failures under applicable securities legislation. The Company cannot provide any assurance that similar litigation will not occur in the future with respect to it. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect upon the Company's business, operating results, and financial condition.

Due to the inherent uncertainties of litigation, it is not possible to (a) predict the final outcome of these and other related proceedings generally, (b) determine if the amount included in the Company's provisions is sufficient or (c) determine the amount of 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 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 issue the change orders or other claims, or fails to document the nature of claims and change orders or is otherwise unsuccessful in negotiating reasonable settlements with clients, subcontractors and vendors, the Company could incur cost overruns, reduced profits or, in some cases, a loss for a project. A failure to recover promptly on these types of claims could have a material adverse impact on SNC-Lavalin's liquidity and financial results. Additionally, irrespective of how well the Company documents the nature of its claims and change orders, the cost to prosecute and defend claims and change orders can be significant.

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

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

The Company is subject to ongoing investigations that could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business. The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters (unrelated to the settlements described below) in various jurisdictions, including, without limitation, Algeria, Brazil and Angola.

With respect to the investigation by the Royal Canadian Mounted Police (the "RCMP") concerning the Jacques Cartier Bridge project, on September 23, 2021, the RCMP represented by the Province of Quebec's Directeur des Poursuites Criminelles et Pénales ("DPCP") laid charges against the Company's subsidiary, SNC-Lavalin Inc. and indirect subsidiary, SNC-Lavalin International Inc. Each entity has been jointly charged (along with a former employee of the Company, Normand Morin) with the following counts: 1) forgery under Section 366 of the Criminal Code (Canada) (the "Criminal Code"), 2) fraud under Section 380 of the Criminal Code, and 3) fraud against the government under Section 121 of the Criminal Code. Each entity has also been charged with one count of conspiracy to commit the aforementioned crimes (the "Criminal Charges"). On the same date, the DPCP gave notice to SNC-Lavalin Inc. and SNC-Lavalin International Inc. of an invitation to negotiate a remediation agreement in accordance with Part XXII.1. of the Criminal Code with respect to the Criminal Charges and on October 1, 2021, both entities formally accepted the invitation. These Criminal Charges follow the RCMP's formal 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 Inc. and which has previously led to a guilty plea on certain criminal charges in 2017 by the former head of the Canada Federal Bridges Corporation. Another former employee of the Company, Kamal Francis was also charged separately with similar offenses.

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

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

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

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

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

In addition, SNC-Lavalin has entered in a number of settlement agreements, including in December 2019 with the Public Prosecution Service of Canada (the "PPSC") in connection with charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. under Section 380 of the Criminal Code (Canada) (the "Criminal Code") and Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the "Charges"). As part of the PPSC Settlement, SNC-Lavalin Construction Inc. accepted a plea of guilty to a single charge of fraud (the "Plea"), the Charges were withdrawn and SNC-Lavalin Construction Inc. agreed to pay a fine in the amount of $280 million, payable in equal installments over 5 years, and to be subject to a three-year probation order. The Company estimated the net present cost of these installments at $257.3 million at the date of settlement. The Company has complied and will comply with the probation order for its remaining term. The Plea may result in, among other things, (i) breaches and/or events of default under various project agreements giving rise to discretionary termination rights in favour of the counterparties thereto, (ii) third party claims, which may include claims for special, indirect, derivative or consequential damages, or (iii) adverse consequences on the Company's ability to secure financing, or to continue to secure financing for current or future projects, any of which could materially adversely affect the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

In addition, potential consequences of the Plea could include, in respect of the Company or one or more of its subsidiaries, suspension, prohibition or debarment from participating in public or private sector projects or bids, or the revocation of authorizations or certifications, by certain governments or by certain administrative organizations. While the Company does not anticipate that the Plea will affect the eligibility of the Company to bid on future projects that are aligned with its newly announced strategic direction, possible suspension, prohibition, debarment or loss of bidding opportunities or the revocation of authorizations or certifications in the short term, as a result of the Plea, could have a short term material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

The Company cannot predict if any other actions may be taken by any other applicable government or authority or the Company's customers or other third parties as a result of the Plea.

As previously disclosed, the Company also entered into an administrative agreement with the Canadian government under the Integrity Regime for procurement and real property transactions in connection with the Charges, which terminated on December 18, 2020. The Company also entered into a settlement agreement with the World Bank Group in connection with the previously announced investigations by the World Bank Group relating to a project in Bangladesh and a project in Cambodia.

Failure by the Company to abide by the terms of any of the above-described settlement agreements could result in serious consequences for the Company, including new sanctions, legal actions and/or suspension from eligibility to carry on business with the government or agency involved or to work on projects funded by them. The Company is taking steps that are expected to mitigate these risks.

A description of the most material legal and regulatory proceedings, investigations and settlements involving SNC-Lavalin and its subsidiaries is set forth in Note 33 to the 2021 Annual Financial Statements.

Further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations

The Company is subject to various rules, regulations, laws, and other legal requirements, enforced by governments or other authorities. Further regulatory developments, namely abrupt changes in foreign government policies and regulations, could have a significant adverse impact on the Company's results.

In addition, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of the Company's employees, agents or partners could have a significant negative impact on SNC-Lavalin's business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal control over financial reporting, environmental laws and any other applicable laws or regulations. For example, the CFPOA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, SNC-Lavalin provides services that may be highly sensitive or that could relate to critical national security matters; if a security breach were to occur, the Company's ability to procure future government contracts could be severely limited.

SNC-Lavalin's policies mandate compliance with these regulations and laws, and the Company takes precautions intended to prevent and detect misconduct. However, since internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, SNC-Lavalin cannot assure that its controls will protect the Company from reckless or criminal acts committed by employees, agents or partners. Failure to comply with applicable laws or regulations or acts of misconduct could subject SNC-Lavalin to fines and penalties, loss of security clearances, and suspension, prohibition or debarment from contracting, any or all of which could harm the Company's reputation, subject the Company to criminal and administrative enforcement actions and civil actions and have a negative impact on SNC-Lavalin's business.

Reputation of the Company

The consequence of reputational risk is a negative impact on the Company's public image, which may cause the cancellation of current projects and influence the Company's ability to obtain future projects. Reputational risk may arise under many situations including, among others, quality or performance issues on the Company's projects, a poor health and safety record or other environmental, governance or social issues, alleged or proven non-compliance with laws or regulations by the Company's employees, agents, subcontractors, suppliers and/or partners, and creation of pollution and contamination.

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework

SNC-Lavalin maintains accounting systems and internal controls over its financial reporting and disclosure controls and procedures. There are inherent limitations to any control framework, as controls can be circumvented by acts of individuals, intentional or not, by collusion of two or more individuals, by management override of controls, by lapses in judgment and breakdowns resulting from human error. There are no systems or controls that can provide absolute assurance that all fraud, errors, circumvention of controls or omission of disclosure can and will be prevented or detected. Such fraud, errors, circumvention of controls or omission of disclosure could result in a material misstatement of financial information. Also, projections of any evaluation of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Environmental laws and regulations

SNC-Lavalin is exposed to various environmental risks and is required to comply with environmental laws and regulations which vary from country to country and are subject to change. Any non-compliance by the Company with environmental laws and regulations could result in penalties, lawsuits and potential harm to its reputation.

The Company manages several legacy sites for which the Company has potential exposure to the costs of environmental remediation and possible harm to neighboring properties and communities. While the Company is taking steps to manage this risk and has taken provisions in its financial statements for the related risk and expense, there can be no assurance that it will not be subject to claims for damages, remediation and other related matters, and its provisions may not fully cover any such future claim or expense.

Growing concerns about climate change may also result in the imposition of additional environmental regulations. Legislation, international protocols, regulation or other restrictions on emissions could result in increased compliance costs for the Company and its clients, including those who are involved in the exploration, production or refining of fossil fuels, emit greenhouse gases through the combustion of fossil fuels or emit greenhouse gases through the mining, manufacture, utilization or production of materials or goods. Such policy changes could increase the costs of projects for clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for the Company's services, which would in turn have a material adverse impact on the Company's business, financial condition and results of operations. However, these changes could also increase the pace of projects, such as carbon capture or storage projects, that could have a positive impact on the Company's business. SNC-Lavalin cannot predict when or whether any of these various proposals may be enacted or what their effect will be on the Company or on its customers.

GLOBAL / MACROECONOMIC RISKS

Global economic conditions

Fluctuations in global economic conditions, including the continued general impact of the COVID-19 pandemic on the global supply chains, public health regulatory mandates and resulting inflationary pressures, may have an impact on clients' willingness and ability to fund their projects. These conditions could make it difficult for the Company's clients to accurately forecast and plan future business trends and activities, thereby causing clients to slow or even curb spending on the Company's services, or seek contract terms more favourable to them. Global economic conditions could also be adversely impacted by more restrictions on certain economic relations between countries or group of countries, such as the post-Brexit relationship between the U.K and the European Union or by an increased level of trade protectionism. SNC-Lavalin's government clients may face budget deficits that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate contracts with little or no prior notice. Furthermore, any financial difficulties suffered by the Company's partners, subcontractors or suppliers could increase cost or adversely impact project schedules. These economic conditions continue to reduce the availability of liquidity and credit to fund or support the continuation and expansion of industrial business operations worldwide. Volatile financial market conditions and adverse credit market conditions could adversely affect clients', partners' or the Company's own borrowing capacity, which support the continuation and expansion of projects worldwide, and could result in contract cancellations or suspensions, project delays, payment delays or defaults by the Company's clients. SNC-Lavalin's ability to operate or expand its business would be limited if, in the future, the Company is unable to access sufficient credit capacity, including capital market funding, bank credit, such as letters of credit, and surety bonding on favourable terms or at all. These disruptions could materially impact the Company's remaining performance obligations, revenues and net income.

Inflation

As indicated above, one of the numerous incidences of the COVID-19 pandemic has been the resulting inflationary pressures, in part due to issues from the global supply chains that led to the shortage of certain goods and materials. Inflation could also result from other factors outside of the control of the Company and could have an impact on the cost of labour, supplies, materials, as well as on various selling, general and administrative expenses, which may vary from different geographic areas.

While certain contracts include price-indexation clauses aimed at protecting the Company from the increase of certain costs, the Company generally bears the risk of rising inflation in connection with LSTK, fixed-rate and other fixed-price contracts. Furthermore, there can be no assurance that price-indexation clauses included in the Company's contracts with its customers will result in recovering all cost increases on a given contract, including but not limited to cost increases resulting from price-indexation clauses in contracts with subcontractors or suppliers, if any.

The inability of the Company to recover, in whole or in part, the increase in costs from inflationary pressures may have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

Furthermore, a significant portion of the Company's financial indebtedness is at variable rates of interest and expose the Company to the risk of increased interest rates and a resulting increase in financial expenses, which risk may become more acute in the near and mid-term as world and North American economies appear to be entering a higher inflation rate environment.

Fluctuations in commodity prices

Commodity prices can affect SNC-Lavalin's clients in a number of ways. For example, for those clients that produce commodity products, fluctuations in price can have a direct effect on their profitability and cash flow and, therefore, their willingness to continue to invest or make new capital investments. To the extent commodity prices decline and the Company's clients defer new investments or cancel or delay existing projects, the demand for the Company's services decreases, which may have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

Commodity prices can also strongly affect the costs of projects. Rising commodity prices and price volatility can adversely affect the Company’s ability to reasonably forecast or estimate future costs and negatively impact the cost of completing future projects as well as those in progress, and could have a material adverse impact on SNC-Lavalin’s business, financial condition and results of operations.

Income taxes

The Company is subject to income taxes in various jurisdictions throughout the world. The tax legislation, regulations and interpretation that apply to its operations are continually changing. Moreover, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which the Company operates and holds assets. Careful judgment is necessary in determining the required provision for income taxes and management uses accounting and fiscal principles to determine income tax positions that it believes are likely to be sustained. However, there is no assurance that the Company's tax benefits or tax liabilities will not materially differ from its estimates or expectations. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although management believes that its tax estimates and tax positions are reasonable, they could nonetheless be materially affected by many factors, including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations, and related interpretations, the Company’s global mix of earnings and the realizability of deferred income tax assets. Any of the above factors could have a material adverse effect on the Company's net income or cash flows by affecting its operations and profitability, the availability of tax credits, the cost of the services it provides, and the availability of deductions for operating losses as the Company grows its business. An increase or decrease in the Company’s effective income tax rate could have a material adverse impact on its financial condition and results of operations.

15 Controls and Procedures

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

15.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that:

i. Material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and

ii. Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2021.

The CEO and the CFO have also evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures, and its internal control over financial reporting, in each case as at December 31, 2021.

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2021, using the *Internal Control – Integrated Framework (2013 Framework*) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

15.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

16 Quarterly Information

(IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021					2020				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Continuing operations										
Revenues:										
SNCL Engineering Services	**1,515.1**	**1,504.3**	**1,479.8**	**1,670.8**	**6,170.0**	1,534.8	1,469.5	1,447.7	1,523.0	5,975.0
SNCL Projects	**282.9**	**273.7**	**301.6**	**208.9**	**1,067.1**	287.5	168.9	294.5	152.3	903.1
Capital	**21.7**	**19.8**	**27.4**	**65.2**	**134.1**	46.2	21.6	38.9	22.6	129.4
Total Revenues	**1,819.7**	**1,797.8**	**1,808.8**	**1,944.9**	**7,371.3**	1,868.5	1,660.0	1,781.1	1,697.9	7,007.5
EBIT	**103.5**	**80.4**	**46.1**	**(35.9)**	**194.1**	14.9	(21.5)	87.4	(372.7)	(292.0)
Net financial expenses	**31.2**	**25.9**	**26.3**	**27.0**	**110.5**	31.9	25.9	28.7	27.5	114.0
Earnings (loss) before income taxes from continuing operations	**72.3**	**54.5**	**19.8**	**(62.9)**	**83.6**	(17.0)	(47.5)	58.7	(400.2)	(406.0)
Income taxes	**3.6**	**22.2**	**—**	**(47.8)**	**(22.0)**	(21.4)	(24.0)	66.9	(80.5)	(59.0)
Net income (loss) from continuing operations	**68.7**	**32.3**	**19.8**	**(15.1)**	**105.7**	4.4	(23.5)	(8.1)	(319.7)	(346.9)
Net income (loss) from discontinued operations	**5.3**	**16.5**	**582.1**	**(37.6)**	**566.4**	(66.9)	(86.3)	(76.3)	(379.8)	(609.3)
Net income (loss)	**74.0**	**48.9**	**601.9**	**(52.7)**	**672.1**	(62.5)	(109.9)	(84.4)	(699.5)	(956.3)
Net income (loss) attributable to:										
SNC-Lavalin shareholders	**73.0**	**45.7**	**600.7**	**(52.9)**	**666.6**	(66.0)	(111.6)	(85.1)	(702.7)	(965.4)
Non-controlling interests	**0.9**	**3.1**	**1.2**	**0.2**	**5.5**	3.4	1.8	0.7	3.3	9.2
Net income (loss)	**74.0**	**48.9**	**601.9**	**(52.7)**	**672.1**	(62.5)	(109.9)	(84.4)	(699.5)	(956.3)
Basic earnings (loss) per share ($)	**0.42**	**0.26**	**3.42**	**(0.30)**	**3.80**	(0.38)	(0.64)	(0.48)	(4.00)	(5.50)
Diluted earnings (loss) per share ($)	**0.42**	**0.26**	**3.42**	**(0.30)**	**3.80**	(0.38)	(0.64)	(0.48)	(4.00)	(5.50)
Net income (loss) from continuing operations attributable to:										
SNC-Lavalin shareholders	**67.7**	**29.2**	**18.6**	**(15.3)**	**100.2**	1.0	(25.3)	(8.8)	(322.9)	(356.1)
Non-controlling interests	**0.9**	**3.1**	**1.2**	**0.2**	**5.5**	3.4	1.8	0.7	3.3	9.2
Net income (loss) from continuing operations	**68.7**	**32.3**	**19.8**	**(15.1)**	**105.7**	4.4	(23.5)	(8.1)	(319.7)	(346.9)
Basic earnings (loss) per share from continuing operations ($)	**0.39**	**0.17**	**0.11**	**(0.09)**	**0.57**	0.01	(0.14)	(0.05)	(1.84)	(2.03)
Diluted earnings (loss) per share from continuing operations ($)	**0.39**	**0.17**	**0.11**	**(0.09)**	**0.57**	0.01	(0.14)	(0.05)	(1.84)	(2.03)
Dividend declared per share ($)	**0.02**	**0.02**	**0.02**	**0.02**	**0.08**	0.02	0.02	0.02	0.02	0.08

17 Event After the Reporting Period

DISPOSAL OF INPOWER BC GENERAL PARTNERSHIP AND ITS RELATED HOLDING COMPANIES

On February 7, 2022, SNC-Lavalin announced that the Company completed the sale and transfer of its ownership interest in InPower BC General Partnership and its related holding companies to SNC-Lavalin Infrastructure Partners LP in which the Company has a 20% ownership interest. The net gain on disposal from this transaction amounted to approximately $4.8 million, while it generated a cash consideration to the Company of approximately $41 million.