SNC · LAVALIN

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Interim Condensed Consolidated Financial Statements (unaudited)

For the three-month and nine-month periods ended
September 30, 2022 and 2021

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	SEPTEMBER 30 2022	DECEMBER 31 2021
ASSETS			
Current assets			
Cash and cash equivalents		**$ 482,575**	$ 608,446
Restricted cash		**28,319**	13,398
Trade receivables		**1,101,503**	1,145,932
Contract assets		**1,536,386**	1,119,045
Inventories		**16,177**	17,037
Other current financial assets		**217,609**	138,371
Other current non-financial assets		**309,117**	246,158
Assets of disposal group classified as held for sale	16	**—**	343,913
Total current assets		**3,691,686**	3,632,300
Property and equipment		**319,706**	333,493
Right-of-use assets		**312,383**	355,637
Capital investments accounted for by the equity method	5	**403,225**	380,736
Capital investments at fair value through other comprehensive income	5	**94,689**	41,327
Goodwill		**3,287,237**	3,382,943
Intangible assets related to business combinations		**345,925**	445,716
Deferred income tax asset		**725,369**	658,061
Non-current portion of receivables under service concession arrangements		**355,907**	304,189
Other non-current financial assets		**38,346**	25,409
Other non-current non-financial assets		**218,642**	316,153
Total assets		**$ 9,793,115**	$ 9,875,964
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and accrued liabilities		**$ 1,691,337**	$ 1,652,514
Contract liabilities		**853,585**	838,209
Other current financial liabilities		**264,869**	205,770
Other current non-financial liabilities		**341,747**	328,119
Current portion of provisions		**309,317**	425,613
Current portion of lease liabilities		**89,601**	91,317
Short-term debt and current portion of long-term debt:			
Recourse		**783,770**	96,853
Non-recourse		**25,943**	14,021
Liabilities of disposal group classified as held for sale	16	**—**	298,888
Total current liabilities		**4,360,169**	3,951,304
Long-term debt:			
Recourse		**797,517**	997,249
Limited recourse		**400,000**	400,000
Non-recourse		**156,953**	156,048
Other non-current financial liabilities		**114,496**	137,519
Non-current portion of provisions		**299,730**	470,410
Non-current portion of lease liabilities		**346,265**	405,741
Other non-current non-financial liabilities		**42**	37
Deferred income tax liability		**309,805**	364,197
Total liabilities		**6,784,977**	6,882,505
Equity			
Share capital		**1,805,080**	1,805,080
Retained earnings		**1,611,195**	1,501,556
Other components of equity	9	**(428,345)**	(333,269)
Equity attributable to SNC-Lavalin shareholders		**2,987,930**	2,973,367
Non-controlling interests		**20,208**	20,092
Total equity		**3,008,138**	2,993,459
Total liabilities and equity		**$ 9,793,115**	$ 9,875,964

See accompanying notes to interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2022

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 9)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of the period	**175,554**	**$ 1,805,080**	**$ 1,501,556**	**$ (333,269)**	**$ 2,973,367**	**$ 20,092**	**$ 2,993,459**
Net income for the period	**—**	**—**	**64,102**	**—**	**64,102**	**972**	**65,074**
Other comprehensive income (loss) for the period	**—**	**—**	**54,707**	**(95,076)**	**(40,369)**	**(856)**	**(41,225)**
Total comprehensive income (loss) for the period	**—**	**—**	**118,809**	**(95,076)**	**23,733**	**116**	**23,849**
Dividends declared (Note 8)	**—**	**—**	**(10,533)**	**—**	**(10,533)**	**—**	**(10,533)**
Stock option compensation (Note 18)	**—**	**—**	**1,363**	**—**	**1,363**	**—**	**1,363**
Balance at end of the period	**175,554**	**$ 1,805,080**	**$ 1,611,195**	**$ (428,345)**	**$ 2,987,930**	**$ 20,208**	**$ 3,008,138**

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2021

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 9)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of the period	175,554	$ 1,805,080	$ 478,351	$ 274,074	$ 2,557,505	$ 11,188	$ 2,568,693
Net income for the period	—	—	719,449	—	719,449	5,257	724,706
Other comprehensive income (loss) for the period	—	—	153,317	(599,801)	(446,484)	(1,083)	(447,567)
Total comprehensive income (loss) for the period	—	—	872,766	(599,801)	272,965	4,174	277,139
Dividends declared (Note 8)	—	—	(10,533)	—	(10,533)	—	(10,533)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(2,017)	(2,017)
Balance at end of the period	175,554	$ 1,805,080	$ 1,340,584	$(325,727)	$ 2,819,937	$ 13,345	$ 2,833,282

See accompanying notes to interim condensed consolidated financial statements

SNC-LAVALIN GROUP INC.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2022**	2021 (1)	**2022**	2021 (1)
Continuing operations					
Revenues from:					
PS&PM		**$ 1,859,945**	$ 1,781,395	**$ 5,589,214**	$ 5,357,405
Capital investments accounted for by the consolidation method or at fair value through other comprehensive income		**10,897**	12,556	**26,044**	36,934
Capital investments accounted for by the equity method		**18,576**	14,827	**33,713**	31,967
		1,889,418	1,808,778	**5,648,971**	5,426,306
Direct costs of activities		**1,755,945**	1,669,621	**5,286,765**	5,003,575
Corporate selling, general and administrative expenses	4	**31,870**	50,885	**95,922**	88,055
Restructuring and transformation costs	17	**8,845**	19,209	**28,953**	39,266
Amortization of intangible assets related to business combinations		**19,845**	22,306	**62,721**	66,102
Gain on disposal of a Capital investment	5A	**—**	—	**(4,327)**	—
Loss on disposal of a PS&PM business	15B	**—**	613	**—**	613
Gain on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**—**	—	**—**	(1,348)
DPCP Remediation Agreement expense	13	**—**	—	**27,437**	—
EBIT (2)		**72,913**	46,144	**151,500**	230,043
Financial expenses	6	**31,488**	29,172	**84,575**	85,979
Financial income and net foreign exchange losses (gains)	6	**(8,463)**	(2,832)	**(15,762)**	(2,520)
Earnings before income taxes from continuing operations		**49,888**	19,804	**82,687**	146,584
Income tax expense		**3,289**	48	**10,723**	25,814
Net income from continuing operations		**46,599**	19,756	**71,964**	120,770
Net income (loss) from discontinued operations	15A	**(6,890)**	582,111	**(6,890)**	603,936
Net income for the period		**$ 39,709**	$ 601,867	**$ 65,074**	$ 724,706
Net income from continuing operations attributable to:					
SNC-Lavalin shareholders		**$ 44,663**	$ 18,578	**$ 70,992**	$ 115,513
Non-controlling interests		**1,936**	1,178	**972**	5,257
Net income from continuing operations for the period		**$ 46,599**	$ 19,756	**$ 71,964**	$ 120,770
Net income attributable to:					
SNC-Lavalin shareholders		**$ 37,773**	$ 600,689	**$ 64,102**	$ 719,449
Non-controlling interests		**1,936**	1,178	**972**	5,257
Net income for the period		**$ 39,709**	$ 601,867	**$ 65,074**	$ 724,706
Earnings per share from continuing operations (in $)					
Basic		**$ 0.25**	$ 0.11	**$ 0.40**	$ 0.66
Diluted		**$ 0.25**	$ 0.11	**$ 0.40**	$ 0.66
Weighted average number of outstanding shares (in thousands)	18				
Basic		**175,554**	175,554	**175,554**	175,554
Diluted		**175,554**	175,554	**175,554**	175,554

(1) Comparative figures have been restated (see Note 2C).

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

See accompanying notes to interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30 (IN THOUSANDS OF CANADIAN DOLLARS)	2022			2021		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income from continuing operations for the period	**$ 44,663**	**$ 1,936**	**$ 46,599**	$ 18,578	$ 1,178	$ 19,756
Other comprehensive income (loss):						
Exchange differences on translating foreign operations	**99,747**	**233**	**99,980**	(525,482)	(376)	(525,858)
Cash flow hedges (Note 9)	**3,919**	**(866)**	**3,053**	13,909	(1,046)	12,863
Share of other comprehensive income of investments accounted for by the equity method (Note 9)	**—**	**—**	**—**	473	—	473
Income taxes (Note 9)	**(2,295)**	**—**	**(2,295)**	(3,600)	—	(3,600)
Total of items that will be reclassified subsequently to net income	**101,371**	**(633)**	**100,738**	(514,700)	(1,422)	(516,122)
Equity instruments designated at fair value through other comprehensive income (Note 9)	**11,434**	**—**	**11,434**	(25)	—	(25)
Remeasurement of defined benefit plans (Note 9)	**(139,285)**	**—**	**(139,285)**	(29,723)	—	(29,723)
Income taxes (Note 9)	**35,194**	**—**	**35,194**	6,850	—	6,850
Total of items that will not be reclassified subsequently to net income	**(92,657)**	**—**	**(92,657)**	(22,898)	—	(22,898)
Total other comprehensive income (loss) from continuing operations for the period	**8,714**	**(633)**	**8,081**	(537,598)	(1,422)	(539,020)
Net income (loss) from discontinued operations for the period	**(6,890)**	**—**	**(6,890)**	582,111	—	582,111
Other comprehensive income from discontinued operations	**—**	**—**	**—**	12,685	—	12,685
Total other comprehensive income (loss) from discontinued operations for the period	**(6,890)**	**—**	**(6,890)**	594,796	—	594,796
Total comprehensive income (loss) for the period	**$ 46,487**	**$ 1,303**	**$ 47,790**	$ 75,776	$ (244)	$ 75,532

NINE MONTHS ENDED SEPTEMBER 30 (IN THOUSANDS OF CANADIAN DOLLARS)	2022			2021		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income from continuing operations for the period	**$ 70,992**	**$ 972**	**$ 71,964**	$ 115,513	$ 5,257	$ 120,770
Other comprehensive income (loss):						
Exchange differences on translating foreign operations	**(99,423)**	**269**	**(99,154)**	(586,704)	(213)	(586,917)
Cash flow hedges (Note 9)	**4,428**	**(1,125)**	**3,303**	13,307	(870)	12,437
Share of other comprehensive income of investments accounted for by the equity method (Note 9)	**—**	**—**	**—**	1,220	—	1,220
Income taxes (Note 9)	**(81)**	**—**	**(81)**	(1,824)	—	(1,824)
Total of items that will be reclassified subsequently to net income	**(95,076)**	**(856)**	**(95,932)**	(574,001)	(1,083)	(575,084)
Equity instruments designated at fair value through other comprehensive income (Note 9)	**25,654**	**—**	**25,654**	1,564	—	1,564
Remeasurement of defined benefit plans (Note 9)	**36,330**	**—**	**36,330**	182,297	—	182,297
Income taxes (Note 9)	**(7,277)**	**—**	**(7,277)**	(31,255)	—	(31,255)
Total of items that will not be reclassified subsequently to net income	**54,707**	**—**	**54,707**	152,606	—	152,606
Total other comprehensive loss from continuing operations for the period	**(40,369)**	**(856)**	**(41,225)**	(421,395)	(1,083)	(422,478)
Net income (loss) from discontinued operations for the period	**(6,890)**	**—**	**(6,890)**	603,936	—	603,936
Other comprehensive loss from discontinued operations	**—**	**—**	**—**	(25,089)	—	(25,089)
Total other comprehensive income (loss) from discontinued operations for the period	**(6,890)**	**—**	**(6,890)**	578,847	—	578,847
Total comprehensive income for the period	**$ 23,733**	**$ 116**	**$ 23,849**	$ 272,965	$ 4,174	$ 277,139

See accompanying notes to interim condensed consolidated financial statements

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

(IN THOUSANDS OF CANADIAN DOLLARS)		THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2022**	2021	**2022**	2021
Operating activities					
Net income for the period		**$ 39,709**	$ 601,867	**$ 65,074**	$ 724,706
Income taxes paid		**(2,298)**	(28,078)	**(65,202)**	(60,582)
Interest paid		**(36,820)**	(20,768)	**(86,026)**	(61,853)
Depreciation and amortization [2]	10A	**63,153**	67,705	**191,109**	204,778
Other reconciling items [2]	10B	**(40,981)**	(629,388)	**(81,081)**	(652,905)
		22,763	(8,662)	**23,874**	154,144
Net change in non-cash working capital items	10C	**(181,431)**	(56,300)	**(445,240)**	(135,370)
Net cash generated from (used for) operating activities		**(158,668)**	(64,962)	**(421,366)**	18,774
Investing activities					
Acquisition of property and equipment		**(41,556)**	(20,757)	**(75,934)**	(59,005)
Payments for Capital investments		**—**	(29,020)	**(39,633)**	(29,731)
Refunds for Capital investments		**11,846**	—	**11,846**	2,529
Change in restricted cash position		**(2,178)**	—	**(1,052)**	—
Increase in receivables under service concession arrangements		**(56,988)**	(115,358)	**(154,068)**	(299,164)
Recovery of receivables under service concession arrangements		**21,947**	54,943	**99,214**	184,666
Net cash inflow on disposal of a Capital investment	5A	**—**	—	**40,482**	—
Cash outflow on disposals of PS&PM businesses	15C	**(713)**	(21,076)	**(713)**	(21,076)
Other		**(527)**	25,385	**1,063**	9,682
Net cash used for investing activities		**(68,169)**	(105,883)	**(118,795)**	(212,099)
Financing activities					
Increase in debt	10D	**164,637**	56,589	**494,174**	70,048
Repayment of debt and payment for debt issue costs	10D	**(1,819)**	(10,476)	**(9,192)**	(199,736)
Payment of lease liabilities	10D	**(19,605)**	(17,980)	**(63,611)**	(76,560)
Dividends paid to SNC-Lavalin shareholders	8, 10D	**(3,511)**	(3,511)	**(10,533)**	(10,533)
Other	10D	**(10)**	77	**48**	(1,675)
Net cash generated from (used for) financing activities		**139,692**	24,699	**410,886**	(218,456)
Increase (decrease) from exchange differences on translating cash and cash equivalents		**2,338**	3,007	**1,240**	(1,355)
Net decrease in cash and cash equivalents		**(84,807)**	(143,139)	**(128,035)**	(413,136)
Cash and cash equivalents at beginning of period [3]		**567,382**	662,905	**610,610**	932,902
Cash and cash equivalents at end of period		**$ 482,575**	$ 519,766	**$ 482,575**	$ 519,766

(1) SNC-Lavalin has elected to present a consolidated statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 15.

(2) Effective January 1, 2022, the Company decided to present “Depreciation and amortization” separately from “Other reconciling items”, both presented in operating activities in the consolidated statements of cash flows. The Company has restated the comparative figures accordingly.

(3) The amount of $610.6 million as at December 31, 2021 included $2.2 million of cash and cash equivalents comprised within “Assets of disposal group classified as held for sale”.

See accompanying notes to interim condensed consolidated financial statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

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

In these unaudited interim condensed consolidated financial statements ("financial statements"), activities related to Professional Services & Project Management ("PS&PM") are collectively referred to as "from PS&PM" or "excluding Capital investments" to distinguish them from activities related to the Company's Capital investments.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The International Financial Reporting Standards ("IFRS") accounting policies that are set out in Note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2021 were consistently applied to all periods presented.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 to the Company's annual audited consolidated financial statements for the year ended December 31, 2021 and are updated in these financial statements.

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

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

These financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

The Company's financial statements were authorized for issue by the Board of Directors of the Company on November 3, 2022.

2. BASIS OF PREPARATION (CONTINUED)

B) NEW AMENDMENTS ADOPTED IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

The following amendments to existing standards were adopted by the Company on January 1, 2022:

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

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

C) CHANGES IN PRESENTATION

<u>Segment Disclosures</u>

Effective January 1, 2022, the Company implemented an operational realignment of the business to support the next phase of its transformation journey to growth. 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 (Canada, the United Kingdom and the United States), as a result of which the Company's reportable segments are now as follows: i) Engineering Services, bringing together EDPM, Mining and Metallurgy (previously with Resources), as well as Infrastructure Services (but excluding Operations & Maintenance ("O&M") and Linxon); ii) Nuclear; iii) O&M; iv) Linxon; v) LSTK Projects; and vi) Capital. See Note 3 for a description of each of the segments.

This change was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior periods figures (see Note 3).

<u>Income statement</u>

Effective January 1, 2022, the Company modified the presentation of its income statement by combining the line items "Corporate selling, general and administrative expenses" and "Loss (gain) arising on financial instruments at fair value through profit or loss" into the line item "Corporate selling, general and administrative expenses" (see Note 4).

This change was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior periods figures.

2. BASIS OF PREPARATION (CONTINUED)

D) PROGRESS IN THE TRANSITION TO ALTERNATIVE BENCHMARK INTEREST RATES

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of the Canadian Dollar Offered Rate ("CDOR"), following the authorization granted by the Ontario Securities Commission and the *Autorité des marchés financiers*, announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024. As at September 30, 2022, the Company determined that, based on analysis made until that date, its material contracts making reference to CDOR and having outstanding balances as at September 30, 2022 were not expected to be impacted by the change, either because of their expected maturity date, because they already incorporate fallback provisions to establish an alternate reference rate to CDOR or because they are expected to be novated to a new interest benchmark rate prior to the final publication date of CDOR. The Company will continue monitoring the situation on its existing and upcoming contracts until the last publication of the CDOR rate expected in June 2024.

E) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2023 and thereafter, with an earlier application permitted:

- Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.
- Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendments to IAS 12, *Income Taxes*, specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and that entities are required to recognize deferred income taxes on such transactions.

The following amendments to an existing standard have been issued and are applicable to the Company for its annual periods beginning on January 1, 2024 and thereafter, with an earlier application permitted:

- Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

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

3. SEGMENT DISCLOSURES

The Company has six reportable segments consisting of i) **Engineering Services**; ii) **Nuclear**, iii) **O&M**; iv) **Linxon**; v) **LSTK Projects**; and vi) **Capital**.

The description of each of the segments is as follows:

Engineering Services incorporates consultancy, engineering, design and project management services around the world, primarily for the transportation, building & places, defence, water, industrial & mining and power & renewables markets. A significant portion of Engineering Services revenues are derived from the public sector, including national, provincial, state and local and municipal authorities.

3. SEGMENT DISCLOSURES (CONTINUED)

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.

O&M consists of providing operations, maintenance and asset management solutions for bridges, transit systems, highways, buildings and industrial plants including power plants, water supply and treatment systems and desalination plants, as well as postal services and ships.

Linxon offers engineering, procurement, management and construction services for execution of large, complex alternative current power substations including expansions and electrification, notably through repetitive EPC offerings in the following markets: Utilities, Renewable, Conventional Generation, Transportation and Data centers.

LSTK Projects is comprised of the remaining lump-sum turnkey ("LSTK") construction contracts of the Company, notably mass transit projects in Canada and one mining & metallurgy project in the Middle East. This segment also includes the financial results of legacy warranty costs and claims from completed LSTK projects. In July 2019, the Company decided to cease bidding on new LSTK construction contracts.

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

The following table presents revenues and Segment Adjusted EBIT for each of the Company's segments for the three-month periods ended September 30, 2022 and 2021:

THREE MONTHS ENDED SEPTEMBER 30	2022		2021 (1)	
	REVENUES	SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT
Engineering Services	**$ 1,176,469**	**$ 97,888**	$ 1,039,332	$ 92,963
Nuclear	**219,205**	**36,585**	220,473	36,012
O&M	**124,297**	**15,796**	109,761	17,335
Linxon	**123,077**	**2,330**	148,864	1,642
SNCL Services	**1,643,048**	**152,599**	1,518,430	147,952
LSTK Projects (2)	**216,897**	**(43,923)**	262,965	(32,404)
Capital	**29,473**	**24,797**	27,383	23,609
	$ 1,889,418		$ 1,808,778	
Segment Adjusted EBIT — Total		**133,473**		139,157
Corporate selling, general and administrative expenses not allocated to the segments — PS&PM		**(24,821)**		(43,836)
Corporate selling, general and administrative expenses not allocated to the segments — Capital		**(7,049)**		(7,049)
Restructuring and transformation costs (Note 17)		**(8,845)**		(19,209)
Amortization of intangible assets related to business combinations		**(19,845)**		(22,306)
Loss on disposal of a PS&PM business (Note 15B)		**—**		(613)
EBIT		**72,913**		46,144
Net financial expenses (Note 6)		**23,025**		26,340
Earnings before income taxes from continuing operations		**49,888**		19,804
Income tax expense		**3,289**		48
Net income from continuing operations		**46,599**		19,756
Net income (loss) from discontinued operations (Note 15A)		**(6,890)**		582,111
Net income for the period		**$ 39,709**		$ 601,867

(1) Comparative figures have been restated (see Note 2C).

(2) In the three-month period ended September 30, 2022, the negative Segment Adjusted EBIT of LSTK Projects was mainly due to unfavourable cost reforecasts.

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and Segment Adjusted EBIT for each of the Company's segments for the nine-month periods ended September 30, 2022 and 2021:

NINE MONTHS ENDED SEPTEMBER 30	2022		2021 (1)	
	REVENUES	SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT
Engineering Services	**$ 3,443,339**	**$ 278,507**	$ 3,150,113	$ 274,437
Nuclear	**672,314**	**103,405**	684,242	101,082
O&M	**365,591**	**38,923**	355,770	43,091
Linxon	**427,290**	**4,361**	424,130	15,007
SNCL Services	**4,908,534**	**425,196**	4,614,255	433,617
LSTK Projects (2)	**680,680**	**(111,095)**	743,150	(69,622)
Capital	**59,757**	**48,105**	68,901	58,736
	$ 5,648,971		$ 5,426,306	
Segment Adjusted EBIT — Total		**362,206**		422,731
Corporate selling, general and administrative expenses not allocated to the segments — PS&PM		**(74,776)**		(66,909)
Corporate selling, general and administrative expenses not allocated to the segments — Capital		**(21,146)**		(21,146)
Restructuring and transformation costs (Note 17)		**(28,953)**		(39,266)
Amortization of intangible assets related to business combinations		**(62,721)**		(66,102)
Gain on disposal of a Capital investment (Note 5A)		**4,327**		—
Loss on disposals of a PS&PM business (Note 15B)		**—**		(613)
Gain on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		**—**		1,348
DPCP Remediation Agreement expense (Note 13)		**(27,437)**		—
EBIT		**151,500**		230,043
Net financial expenses (Note 6)		**68,813**		83,459
Earnings before income taxes from continuing operations		**82,687**		146,584
Income tax expense		**10,723**		25,814
Net income from continuing operations		**71,964**		120,770
Net income (loss) from discontinued operations (Note 15A)		**(6,890)**		603,936
Net income for the period		**$ 65,074**		$ 724,706

(1) Comparative figures have been re-presented (see Note 2C).

(2) For the nine-month period ended September 30, 2022, the negative Segment Adjusted EBIT of LSTK Projects was mainly due to unfavourable cost reforecasts.

3. SEGMENT DISCLOSURES (CONTINUED)

Revenues by geographic area

The following tables present revenues by geographic area according to project location:

THREE MONTHS ENDED SEPTEMBER 30	2022			2021		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	**$ 596,639**	**$ 23,889**	**$ 620,528**	$ 557,391	$ 16,379	$ 573,770
United States	**353,056**	**11,473**	**364,529**	313,419	10,119	323,538
Latin America	**25,942**	**—**	**25,942**	22,807	—	22,807
Europe:						
United Kingdom	**527,355**	**2,710**	**530,065**	518,536	14,590	533,126
Other	**66,785**	**908**	**67,693**	111,007	—	111,007
Middle East and Africa:						
Middle East	**164,634**	**—**	**164,634**	114,701	1,186	115,887
Africa	**37,015**	**(1,383)**	**35,632**	32,945	5,070	38,015
Asia Pacific (1)	**80,395**	**—**	**80,395**	90,628	—	90,628
	$ 1,851,821	**$ 37,597**	**$ 1,889,418**	$ 1,761,434	$ 47,344	$ 1,808,778

NINE MONTHS ENDED SEPTEMBER 30	2022			2021		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	**$ 1,759,204**	**$ 46,529**	**$ 1,805,733**	$ 1,701,697	$ 41,264	$ 1,742,961
United States	**1,063,963**	**26,665**	**1,090,628**	917,174	25,151	942,325
Latin America	**74,831**	**—**	**74,831**	63,465	—	63,465
Europe:						
United Kingdom	**1,626,919**	**9,511**	**1,636,430**	1,592,147	15,940	1,608,087
Other	**255,302**	**2,305**	**257,607**	352,723	—	352,723
Middle East and Africa:						
Middle East	**433,876**	**—**	**433,876**	334,225	3,618	337,843
Africa	**107,673**	**(17)**	**107,656**	100,318	11,740	112,058
Asia Pacific (1)	**242,210**	**—**	**242,210**	266,844	—	266,844
	$ 5,563,978	**$ 84,993**	**$ 5,648,971**	$ 5,328,593	$ 97,713	$ 5,426,306

(1) Effective as of the fourth quarter of 2021, revenues from Australia and Other countries of Asia-Pacific are included in "Asia Pacific". The Company has restated the comparative figures accordingly.

In the third quarters and nine-month periods ended September 30, 2022 and 2021, Canada, the United Kingdom and the United States were the only countries where the Company derived more than 10% of its revenues.

3. SEGMENT DISCLOSURES (CONTINUED)

Revenues by type of contracts

The types of contracts presented are defined as follows:

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. Although these projects are at a lump-sum price, the amount of associated revenue could nevertheless vary based on change orders, claims or other contract modifications, negotiated or otherwise awarded, which might take various forms. Projects in this category were all initiated as lump-sum contracts, and while in some cases have been modified to change their lump-sum risk exposure, continue to be presented in this category.

3. SEGMENT DISCLOSURES (CONTINUED)

The following tables present revenues by type of contracts:

THREE MONTHS ENDED SEPTEMBER 30				2022				2021 [1]
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
Engineering Services	**$ 1,147,257**	**$ 14,505**	**$ —**	**$ 1,161,762**	$ 1,017,157	$ 10,220	$ —	$ 1,027,377
Nuclear	**214,400**	**—**	**5,292**	**219,692**	203,411	—	6,867	210,278
O&M	**124,297**	**—**	**—**	**124,297**	109,761	—	—	109,761
Linxon	**2,695**	**120,382**	**—**	**123,077**	12,795	136,069	—	148,864
Revenue from contracts with customers – SNCL Services	**1,488,649**	**134,887**	**5,292**	**1,628,828**	1,343,124	146,289	6,867	1,496,280
Revenue from contracts with customers – LSTK Projects	**—**	**—**	**216,893**	**216,893**	—	—	259,219	259,219
	$ 1,488,649	**$ 134,887**	**$ 222,185**	**$ 1,845,721**	$ 1,343,124	$ 146,289	$ 266,086	$ 1,755,499
Revenue from PS&PM investments accounted for by the equity method				**14,224**				25,896
Revenue from contracts with customers – Capital segment				**6,100**				5,935
Other revenue – Capital segment				**23,373**				21,448
				$ 1,889,418				$ 1,808,778

NINE MONTHS ENDED SEPTEMBER 30				2022				2021 [1]
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
Engineering Services	**$ 3,367,188**	**$ 38,744**	**$ —**	**$ 3,405,932**	$ 3,113,054	$ 29,801	$ —	$ 3,142,855
Nuclear	**649,530**	**—**	**22,581**	**672,111**	639,132	—	18,290	657,422
O&M	**365,591**	**—**	**—**	**365,591**	355,770	—	—	355,770
Linxon	**16,644**	**410,646**	**—**	**427,290**	22,225	401,905	—	424,130
Revenue from contracts with customers – SNCL Services	**4,398,953**	**449,390**	**22,581**	**4,870,924**	4,130,181	431,706	18,290	4,580,177
Revenue from contracts with customers – LSTK Projects	**—**	**—**	**680,654**	**680,654**	—	—	732,519	732,519
	4,398,953	**449,390**	**703,235**	**5,551,578**	4,130,181	431,706	750,809	5,312,696
Revenue from PS&PM investments accounted for by the equity method				**37,636**				44,709
Revenue from contracts with customers – Capital segment				**12,400**				15,897
Other revenue – Capital segment				**47,357**				53,004
				$ 5,648,971				$ 5,426,306

[1] Comparative figures have been restated (see Note 2C).

4. CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Corporate selling, general and administrative expenses before loss (gain) arising on financial instruments at fair value through profit or loss	**$ 32,360**	$ 52,221	**$ 92,850**	$ 95,161
Loss (gain) arising on financial instruments at fair value through profit or loss	**(490)**	(1,336)	**3,072**	(7,106)
Corporate selling, general and administrative expenses	**$ 31,870**	$ 50,885	**$ 95,922**	$ 88,055

5. CAPITAL INVESTMENTS

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

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

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

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

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 ("SNCL IP Partnership") in which the Company has a 20% ownership interest.

Net gain on disposal

NINE MONTHS ENDED SEPTEMBER 30	**2022**
Consideration received in cash	$ 40,760
Consideration received in equity instruments of the SNCL IP Partnership	10,190
Total consideration received	50,950
Net assets disposed of	(44,676)
Disposition-related costs and other	(1,947)
Gain on disposal	**4,327**
Income tax recovery	102
Net gain on disposal	**$ 4,429**

Net assets disposed of

On disposal date, major classes of assets and liabilities disposed of were as follows:

Cash and cash equivalents	$ 278
Restricted cash	22,454
Other current assets	23,240
Non-current assets	296,057
Assets disposed of	342,029
Current liabilities	21,417
Non-current liabilities	275,936
Liabilities disposed of	297,353
Net assets disposed of	**$ 44,676**

5. CAPITAL INVESTMENTS (CONTINUED)

Net cash inflow on disposal

NINE MONTHS ENDED SEPTEMBER 30		2022
Consideration received in cash	$	40,760
Less: cash and cash equivalents balances disposed of		278
Net cash inflow on disposal	**$**	**40,482**

B) FINANCIAL INFORMATION

Statements of financial position

The Company's consolidated statements of financial position include the following net assets (liabilities) from its consolidated Capital investments and net book value from its Capital investments accounted for by the equity method and at fair value through other comprehensive income.

		SEPTEMBER 30 2022		DECEMBER 31 2021
Net assets from Capital investments accounted for by the consolidation method (1)	**$**	**155,037**	$	197,918
Net book value of Capital investments accounted for by the equity method (2)		**403,225**		380,736
Net book value of Capital investments at fair value through other comprehensive income		**94,689**		41,327
	$	**652,951**	$	619,981

(1) The net assets as at December 31, 2021 included InPower BC General Partnership, which was classified as held for sale. Such investment was disposed of in the first quarter of 2022.

(2) Includes the Company's investment in Highway 407 ETR, for which the net book value was nil as at September 30, 2022 and December 31, 2021.

Income statements

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

	THIRD QUARTERS				NINE MONTHS ENDED SEPTEMBER 30			
		2022		2021		**2022**		2021
Revenues from Capital	**$**	**29,473**	$	27,383	**$**	**59,757**	$	68,901
Direct cost of activities		**4,676**		3,774		**11,652**		10,165
		24,797		23,609		**48,105**		58,736
Corporate selling, general and administrative expenses not allocated to the segments — Capital		**7,049**		7,049		**21,146**		21,146
Gain on disposal of a Capital investment		**—**		—		**(4,327)**		—
EBIT		**17,748**		16,560		**31,286**		37,590
Net financial expenses		**1,091**		4,027		**2,892**		12,487
Earnings before income taxes		**16,657**		12,533		**28,394**		25,103
Income taxes		**1,487**		1,718		**3,038**		4,508
Net income for the period	**$**	**15,170**	$	10,815	**$**	**25,356**	$	20,595

Other

In 2016, SNC-Lavalin signed an agreement to support a commitment of US$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group, subject to certain conditions. The remaining commitment to invest amounted to US$33.9 million (approximately CA$45.6 million) as at September 30, 2022 (December 31, 2021: US$60.5 million [approximately CA$77.4 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

6. NET FINANCIAL EXPENSES

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Interest on debt:				
Recourse	**$ 17,808**	$ 8,697	**$ 39,734**	$ 25,781
Limited recourse	**6,707**	4,036	**14,472**	11,860
Non-recourse	**2,164**	5,178	**5,665**	15,378
Interest on lease liabilities	**3,186**	4,339	**12,243**	13,586
Other	**1,623**	6,922	**12,461**	19,374
Financial expenses	**31,488**	29,172	**84,575**	85,979
Financial income	**(2,036)**	(743)	**(5,174)**	(3,491)
Net foreign exchange losses (gains)	**(6,427)**	(2,089)	**(10,588)**	971
Financial income and net foreign exchange losses (gains)	**(8,463)**	(2,832)	**(15,762)**	(2,520)
Net financial expenses	**$ 23,025**	$ 26,340	**$ 68,813**	$ 83,459

7. GOVERNMENT GRANTS

In the third quarter and nine-month period ended September 30, 2022, SNC-Lavalin recognized government grants as a reduction of "Direct costs of activities" for $0.6 million and $1.5 million, respectively (third quarter and nine-month period ended September 30, 2021: $2.4 million and $42.1 million, respectively) and as a reduction of "Corporate selling, general and administrative expenses" for nil and nil, respectively (third quarter and nine-month period ended September 30, 2021: nil and $3.3 million, respectively) in the consolidated income statement, as an offset of costs for which the grants were intended to compensate.

These government grants were provided by various government assistance programs related mainly to COVID-19. The main programs resulted in governments subsidizing a portion of salaries paid by qualifying employers who experienced a decrease in activities exceeding a certain threshold or subsidizing salaries of employees that were no longer providing services to their employers but continued to receive compensation.

8. DIVIDENDS

During the nine-month period ended September 30, 2022, the Company recognized as distributions to its equity shareholders dividends of $10.5 million or $0.06 per share (2021: $10.5 million or $0.06 per share).

NINE MONTHS ENDED SEPTEMBER 30	**2022**	2021
Dividends payable at January 1	**$ —**	$ —
Dividends declared during the period	**10,533**	10,533
Dividends paid during the period	**(10,533)**	(10,533)
Dividends payable at September 30	**$ —**	$ —

9. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at September 30, 2022 and December 31, 2021:

	SEPTEMBER 30 2022	DECEMBER 31 2021
Exchange differences on translating foreign operations	**$ (427,777)**	$ (329,121)
Cash flow hedges	**(568)**	(4,148)
Share of other comprehensive income (loss) of investments accounted for by the equity method	**—**	—
Other components of equity	**$ (428,345)**	$ (333,269)

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

A) ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

The following table provides a reconciliation of each element of other components of equity for the third quarters and nine-month periods ended September 30, 2022 and 2021:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Exchange differences on translating foreign operations:				
Balance at beginning of the period	**$ (526,442)**	$ 192,861	**$ (329,121)**	$ 292,568
Current period gains (losses)	**91,581**	63,535	**(123,438)**	(37,703)
Reclassification to net income	**—**	(572,817)	**—**	(572,817)
Net investment hedge – current period gains (losses)	**8,166**	(3,515)	**24,015**	(1,984)
Income taxes relating to current period gains (losses)	**(1,082)**	—	**767**	—
Balance at end of the period	**(427,777)**	(319,936)	**(427,777)**	(319,936)
Cash flow hedges:				
Balance at beginning of the period	**(3,274)**	(16,078)	**(4,148)**	(17,450)
Current period gains	**6,026**	12,105	**8,147**	11,184
Income taxes relating to current period gains	**(2,034)**	(3,215)	**(2,416)**	(1,235)
Reclassification to net income	**(2,107)**	1,804	**(3,719)**	2,123
Income taxes relating to amounts reclassified to net income	**821**	(260)	**1,568**	(266)
Balance at end of the period	**(568)**	(5,644)	**(568)**	(5,644)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of the period	**—**	(495)	**—**	(1,044)
Current period share	**—**	473	**—**	1,220
Income taxes relating to current period share	**—**	(125)	**—**	(323)
Balance at end of the period	**—**	(147)	**—**	(147)
Other components of equity	**$ (428,345)**	$ (325,727)	**$ (428,345)**	$ (325,727)

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

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

Remeasurement recognized in other comprehensive income

The following tables present changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the third quarters and nine-month periods ended September 30, 2022 and 2021:

THREE MONTHS ENDED SEPTEMBER 30		2022			2021	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of the period	**$ 474,307**	**$ (101,880)**	**$ 372,427**	$ 45,834	$ (2,852)	$ 42,982
Losses recognized during the period	**(139,285)**	**35,194**	**(104,091)**	(29,723)	6,850	(22,873)
Cumulative amount at end of the period	**$ 335,022**	**$ (66,686)**	**$ 268,336**	$ 16,111	$ 3,998	$ 20,109

NINE MONTHS ENDED SEPTEMBER 30		2022			2021	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of the period	**$ 298,692**	**$ (59,409)**	**$ 239,283**	$ (166,186)	$ 35,253	$ (130,933)
Gains recognized during the period	**36,330**	**(7,277)**	**29,053**	182,297	(31,255)	151,042
Cumulative amount at end of the period	**$ 335,022**	**$ (66,686)**	**$ 268,336**	$ 16,111	$ 3,998	$ 20,109

Equity instruments designated at fair value through other comprehensive income

The following tables present changes in fair value of the equity instruments designated at fair value through other comprehensive income for the third quarters and nine-month periods ended September 30, 2022 and 2021:

THREE MONTHS ENDED SEPTEMBER 30		2022			2021	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of the period	**$ 10,187**	**$ 105**	**$ 10,292**	$ (8,193)	$ 105	$ (8,088)
Gains (losses) recognized during the period	**11,434**	**—**	**11,434**	(25)	—	(25)
Cumulative amount at end of the period	**$ 21,621**	**$ 105**	**$ 21,726**	$ (8,218)	$ 105	$ (8,113)

NINE MONTHS ENDED SEPTEMBER 30		2022			2021	
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of the period	**$ (4,033)**	**$ 105**	**$ (3,928)**	$ (9,782)	$ 105	$ (9,677)
Gains recognized during the period	**25,654**	**—**	**25,654**	1,564	—	1,564
Cumulative amount at end of the period	**$ 21,621**	**$ 105**	**$ 21,726**	$ (8,218)	$ 105	$ (8,113)

10. STATEMENTS OF CASH FLOWS

A) DEPRECIATION AND AMORTIZATION

The following table presents the items composing “Depreciation and amortization”:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021 [(1)]	**2022**	2021 [(1)]
Property and equipment	**$ 20,267**	$ 25,126	**$ 67,491**	$ 74,504
Intangible assets related to business combinations	**19,845**	22,306	**62,721**	66,102
Right-of-use assets	**23,041**	20,273	**60,897**	64,172
Total	**$ 63,153**	$ 67,705	**$ 191,109**	$ 204,778

(1) Effective January 1, 2022, the Company decided to present “Depreciation and amortization” separately from “Other reconciling items”, both presented in operating activities in the consolidated statements of cash flows. The Company has restated the comparative figures accordingly.

10. STATEMENTS OF CASH FLOWS (CONTINUED)

The depreciation and amortization charge was presented in the Company's income statements in the following lines:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021 (1)	**2022**	2021 (1)
Direct costs of activities	**$ 42,043**	$ 41,933	**$ 124,723**	$ 127,727
Corporate selling, general and administrative expenses	**1,265**	2,216	**3,665**	4,126
Amortization of intangible assets related to business combinations	**19,845**	22,306	**62,721**	66,102
Net income from discontinued operations	**—**	1,250	**—**	6,823
Total	**$ 63,153**	$ 67,705	**$ 191,109**	$ 204,778

B) **OTHER RECONCILING ITEMS**

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

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021 (1)	**2022**	2021 (1)
Income taxes recognized in net income	**$ 2,698**	$ (9,297)	**10,132**	(31,136)
Net financial expenses recognized in net income	**23,025**	26,875	**68,813**	81,399
Expense recognized in respect of cash-settled share-based payment arrangements	**7,047**	15,810	**12,359**	38,916
Expense recognized in respect of stock options (Note 18)	**173**	—	**1,363**	—
Income from Capital investments accounted for by the equity method	**(18,576)**	(14,827)	**(33,713)**	(31,967)
Dividends and distributions received from Capital investments accounted for by the equity method	**16,700**	15,145	**25,089**	28,226
Income from PS&PM investments accounted for by the equity method	**(14,224)**	(25,898)	**(37,636)**	(46,852)
Dividends and distributions received from PS&PM investments accounted for by the equity method	**3,137**	10,688	**28,668**	26,588
Net change in provisions related to forecasted losses on certain contracts	**(12,124)**	(8,802)	**(35,036)**	(66,236)
Gain on disposal of a Capital investment (Note 5A)	**—**	—	**(4,327)**	—
Restructuring and transformation costs recognized in net income	**8,845**	15,071	**28,953**	42,748
Restructuring and transformation costs paid	**(21,251)**	(9,482)	**(46,232)**	(30,812)
Net gain or adjustment on net gain on disposals of PS&PM businesses (Note 15C)	**7,481**	(572,429)	**7,481**	(572,429)
DPCP Remediation Agreement expense (Note 13)	**—**	—	**27,437**	—
Loss (gain) arising on financial instruments at fair value through profit or loss (Note 4)	**(490)**	(1,336)	**3,072**	(7,106)
Gain on remeasurement of assets of disposal groups classified as held for sale to fair value less cost to sell	**—**	—	**—**	(6,232)
Net change in other provisions (2)	**(36,610)**	(83,963)	**(34,120)**	(43,875)
Other	**(6,812)**	13,057	**(103,384)**	(34,137)
Other reconciling items	**$ (40,981)**	$ (629,388)	**$ (81,081)**	$ (652,905)

(1) Effective January 1, 2022, the Company decided to present "Depreciation and amortization" separately from "Other reconciling items", both presented in operating activities in the consolidated statements of cash flows. The Company has restated the comparative figures accordingly.

(2) Net change in other provisions includes changes in all provisions, except for: i) pension, other long-term benefits and other post-employment benefits, which change is included in "Other"; ii) forecasted losses on certain contracts, which change is separately presented in the table above; and iii) restructuring, which change is separately presented in the table above.

10. STATEMENTS OF CASH FLOWS (CONTINUED)

C) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Decrease (increase) in trade receivables	**$ (13,766)**	$ (163,661)	**$ 13,157**	$ 13,356
Increase in contract assets	**(182,759)**	(199,073)	**(409,670)**	(220,560)
Decrease (increase) in inventories	**(2,043)**	794	**563**	1,568
Decrease (increase) in other current financial assets	**(18,239)**	97,239	**(21,059)**	126,456
Decrease (increase) in other current non-financial assets	**(14,162)**	27,702	**(44,897)**	(10,971)
Increase (decrease) in trade payables and accrued liabilities	**(13,365)**	168,036	**38,825**	83,231
Increase (decrease) in contract liabilities	**46,048**	15,826	**38,638**	(77,753)
Increase (decrease) in other current financial liabilities	**(3,315)**	21,412	**3,096**	17,017
Increase (decrease) in other current non-financial liabilities	**20,170**	(24,575)	**(63,893)**	(67,714)
Net change in non-cash working capital items	**$ (181,431)**	$ (56,300)	**$ (445,240)**	$ (135,370)

D) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the nine-month period ended September 30, 2022:

	Recourse [(1)] debt	Limited recourse debt	Non-[(2)] recourse debt	Lease [(3)] liabilities	Dividends declared to SNC-Lavalin shareholders	Other non-[(4)] current financial liabilities	Other non-[(4)] current non-financial liabilities
Balance at January 1, 2022	$ 1,094,102	$ 400,000	$ 170,069	$ 497,058	$ —	$ 137,519	$ 37
Changes arising from cash flows:							
Increase	478,115	—	16,059	—	—	—	75
Repayment	(3,815)	—	(5,377)	(63,611)	(10,533)	(100)	(70)
Total – changes arising from cash flows	474,300	—	10,682	(63,611)	(10,533)	(100)	5
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	10,533	—	—
Effect of foreign currency exchange differences	10,368	—	1,028	(20,532)	—	(587)	—
Amortization of deferred financing costs and discounts and increase from the passage of time	2,517	—	1,117	—	—	4,913	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	13,268	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	(972)	—
Net increase of lease liabilities	—	—	—	22,951	—	—	—
Reclassification of payable related to federal charges settlement (PPSC) to "Other current financial liabilities"	—	—	—	—	—	(53,447)	—
Payable related to DPCP Remediation Agreement	—	—	—	—	—	13,902	—
Balance at September 30, 2022	**$ 1,581,287**	**$ 400,000**	**$ 182,896**	**$ 435,866**	**$ —**	**$ 114,496**	**$ 42**

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

10. STATEMENTS OF CASH FLOWS (CONTINUED)

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

NINE MONTHS ENDED SEPTEMBER 30	2022		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	$ 462,712	$ —	$ (3,010)
Term Loan	—	—	(805)
Bank overdraft	15,403	—	—
Total – Recourse debt	**478,115**	**—**	**(3,815)**
Non-recourse debt:			
Credit facility – TransitNEXT General Partnership	16,059	—	—
Senior Secured Notes of a PS&PM investment	—	(5,377)	—
Total – Non-recourse debt	**16,059**	**(5,377)**	**—**
Total	**$ 494,174**	**$ (5,377)**	**$ (3,815)**

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

	SEPTEMBER 30 2022	JANUARY 1 2022
Recourse short-term debt	$ 783,770	$ 96,853
Recourse long-term debt	797,517	997,249
Total	**$ 1,581,287**	**$ 1,094,102**

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

	SEPTEMBER 30 2022	JANUARY 1 2022
Non-recourse short-term debt	$ 25,943	$ 14,021
Non-recourse long-term debt	156,953	156,048
Total	**$ 182,896**	**$ 170,069**

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

	SEPTEMBER 30 2022	JANUARY 1 2022
Current portion of lease liabilities	$ 89,601	$ 91,317
Non-current portion of lease liabilities	346,265	405,741
Total	**$ 435,866**	**$ 497,058**

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

NINE MONTHS ENDED SEPTEMBER 30	2022
Other non-current financial liabilities	$ (100)
Other non-current non-financial liabilities	5
Other	143
Total	**$ 48**

10. STATEMENTS OF CASH FLOWS (CONTINUED)

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the nine-month period ended September 30, 2021:

	Recourse [(1)] debt	Limited recourse debt	Non-[(2)] recourse debt	Lease [(3)] liabilities	Dividends declared to SNC-Lavalin shareholders	Other non-[(4)] current financial liabilities	Other non-[(4)] current non-financial liabilities
Balance at January 1, 2021	$ 1,170,965	$ 400,000	$ 431,545	$ 496,610	$ —	$ 193,861	$ 219
Changes arising from cash flows:							
Increase	56,238	—	13,810	—	—	62	50
Repayment	(177,214)	—	(22,522)	(76,560)	(10,533)	(1,679)	(262)
Total – changes arising from cash flows	(120,976)	—	(8,712)	(76,560)	(10,533)	(1,617)	(212)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	10,533	—	—
Effect of foreign currency exchange differences	45	—	(1,099)	(963)	—	(272)	8
Amortization of deferred financing costs and discounts and increase from the passage of time	970	—	1,756	—	—	5,967	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	(6,241)	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	(1,885)	—
Reclassification of payable related to federal charges settlement (PPSC) to "Other current financial liabilities"	—	—	—	—	—	(54,042)	—
Reclassification of deferred financing costs to "Other non-current non-financial assets"	(1,319)	—	—	—	—	—	—
Reclassification to liabilities of disposal groups classified as held for sale	—	—	—	—	—	—	—
Net increase of lease liabilities	—	—	—	75,544	—	—	—
Balance at September 30, 2021	**$ 1,049,685**	**$ 400,000**	**$ 423,490**	**$ 494,631**	**$ —**	**$ 135,771**	**$ 15**

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

10. STATEMENTS OF CASH FLOWS (CONTINUED)

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

NINE MONTHS ENDED SEPTEMBER 30	2021		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	$ 56,238	$ —	$ (2,198)
Series 3 Debentures	—	(175,000)	—
Series 6 Debentures	—	—	(16)
Total – Recourse debt	**56,238**	**(175,000)**	**(2,214)**
Non-recourse debt:			
Senior Bonds – InPower BC General Partnership	—	(17,239)	—
Credit facility – TransitNEXT General Partnership	13,810	—	—
Senior Secured Notes of a PS&PM investment	—	(5,283)	—
Total – Non-recourse debt	**13,810**	**(22,522)**	**—**
Total	**$ 70,048**	**$ (197,522)**	**$ (2,214)**

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

	SEPTEMBER 30 2021	JANUARY 1 2021
Recourse short-term debt	$ 52,750	$ 174,960
Recourse long-term debt	996,935	996,005
Total	**$ 1,049,685**	**$ 1,170,965**

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

	SEPTEMBER 30 2021	JANUARY 1 2021
Non-recourse short-term debt	$ 31,689	$ 31,262
Non-recourse long-term debt	391,801	400,283
Total	**$ 423,490**	**$ 431,545**

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

	SEPTEMBER 30 2021	JANUARY 1 2021
Current portion of lease liabilities	$ 92,484	$ 97,409
Non-current portion of lease liabilities	402,147	399,201
Total	**$ 494,631**	**$ 496,610**

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

NINE MONTHS ENDED SEPTEMBER 30	2021
Other non-current financial liabilities	$ (1,617)
Other non-current non-financial liabilities	(212)
Other	154
Total	**$ (1,675)**

11. RELATED PARTY TRANSACTIONS

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

For the third quarters and nine-month periods ended September 30, 2022 and 2021, SNC-Lavalin recognized the following transactions with its related parties:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
PS&PM revenue from contracts with investments accounted for by the equity method	**$ 112,529**	$ 122,569	**$ 369,853**	$ 448,289
Income from Capital investments accounted for by the equity method	**18,576**	14,827	**33,713**	31,967
Dividends and distributions received from Capital investments accounted for by the equity method	**16,700**	15,145	**25,089**	28,226
Income from PS&PM investments accounted for by the equity method	**14,224**	25,898	**37,636**	46,852
Dividends and distributions received from PS&PM investments accounted for by the equity method	**$ 3,137**	$ 10,688	**$ 28,668**	$ 26,588

As at September 30, 2022 and December 31, 2021, SNC-Lavalin has the following balances with its related parties:

	SEPTEMBER 30 2022	DECEMBER 31 2021
Trade receivables from investments accounted for by the equity method	**$ 129,389**	$ 114,435
Retentions on client contracts from investments accounted for by the equity method (1)	**115,795**	116,190
Remaining commitment to invest in Capital investments accounted for by the equity method (2)	**24,921**	24,921
Dividends and distributions receivable from Capital investments accounted for by the equity method (3)	**$ 534**	$ 290

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

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

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

In the nine-month period ended September 30, 2022, SNC-Lavalin transferred its investment in InPower BC General Partnership and its holding companies to an investment accounted for by the equity method, namely the SNCL IP Partnership, which resulted in a gain on disposal of $4.4 million after income taxes (see Note 5A).

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

12. FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying value of SNC-Lavalin's financial assets as at September 30, 2022 and December 31, 2021 by category and classification, with the corresponding fair value, when available. Financial assets classified as held for sale as at December 31, 2021 are not included in the table below (see Note 16).

AT SEPTEMBER 30	2022					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL (1)	FVTOCI (2)	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 482,575**	**$ —**	**$ —**	**$ —**	**$ 482,575**	**$ 482,575**
Restricted cash	**28,319**	**—**	**—**	**—**	**28,319**	**28,319**
Trade receivables	**—**	**—**	**1,101,503**	**—**	**1,101,503**	**1,101,503**
Other current financial assets	**6,637**	**—**	**135,692**	**75,280**	**217,609**	**217,609**
Capital investments at fair value through other comprehensive income	**—**	**94,689**	**—**	**—**	**94,689**	**94,689**
Non-current portion of receivables under service concession arrangements (3)	**—**	**—**	**355,907**	**—**	**355,907**	**306,964**
Other non-current financial assets (3)	**—**	**—**	**20,501**	**17,845**	**38,346**	**38,346**
Total	**$ 517,531**	**$ 94,689**	**$ 1,613,603**	**$ 93,125**	**$ 2,318,948**	

AT DECEMBER 31	2021					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL (1)	FVTOCI (2)	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 608,446	$ —	$ —	$ —	$ 608,446	$ 608,446
Restricted cash	13,398	—	—	—	13,398	13,398
Trade receivables	—	—	1,145,932	—	1,145,932	1,145,932
Other current financial assets	6,201	—	114,409	17,761	138,371	138,371
Capital investments at fair value through other comprehensive income	—	41,327	—	—	41,327	41,327
Non-current portion of receivables under service concession arrangements (3)	—	—	304,189	—	304,189	315,409
Other non-current financial assets (3)	—	—	20,779	4,630	25,409	25,409
Total	$ 628,045	$ 41,327	$ 1,585,309	$ 22,391	$ 2,277,072	

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

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

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

12. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities as at September 30, 2022 and December 31, 2021 by category and classification, with the corresponding fair value, when available. Financial liabilities classified as held for sale as at December 31, 2021 are not included in the table below (see Note 16).

AT SEPTEMBER 30	2022				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL [1]	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	**$ —**	**$ —**	**$ 1,691,337**	**$ 1,691,337**	**$ 1,691,337**
Other current financial liabilities	**35,699**	**—**	**229,170**	**264,869**	**264,869**
Provisions	**—**	**—**	**42,121**	**42,121**	**42,121**
Lease liabilities	**—**	**—**	**435,866**	**435,866**	**N/A** [2]
Short-term debt and long-term debt [3]	**—**	**—**	**2,164,183**	**2,164,183**	**2,151,645**
Other non-current financial liabilities	**18,598**	**15,018**	**80,880**	**114,496**	**114,496**
Total	**$ 54,297**	**$ 15,018**	**$ 4,643,557**	**$ 4,712,872**	

AT DECEMBER 31	2021				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL [1]	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	$ —	$ —	$ 1,652,514	$ 1,652,514	$ 1,652,514
Other current financial liabilities	16,496	—	189,274	205,770	205,770
Provisions	—	—	58,542	58,542	58,542
Lease liabilities	—	—	497,058	497,058	N/A [2]
Short-term debt and long-term debt [3]	—	—	1,664,171	1,664,171	1,674,928
Other non-current financial liabilities	1,179	15,020	121,320	137,519	137,519
Total	$ 17,675	$ 15,020	$ 4,182,879	$ 4,215,574	

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

(2) N/A: not applicable

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

For the nine-month periods ended September 30, 2022 and 2021, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents changes in fair value of Level 3 financial instruments for the nine-month period ended September 30, 2022:

	CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO SELLER RELATED TO LINXON ACQUISITION
Balance as at January 1, 2022	**$ —**	**$ 15,020**
Unrealized net gains [4]	**—**	**(972)**
Effect of foreign currency exchange differences	**—**	**970**
Balance as at September 30, 2022	**$ —**	**$ 15,018**

(4) Included in "Corporate selling, general and administrative expenses" in the consolidated income statement

Assumptions

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

12. FINANCIAL INSTRUMENTS (CONTINUED)

The principal assumptions used in measuring fair value of Level 3 financial instruments as at September 30, 2022 were as follows: i) the discount rate, which was 8.00% for contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR and 11.42% for contingent consideration payable to the seller related to the Linxon acquisition; and ii) the expected future cash flows of Highway 407 ETR and Linxon.

Sensitivity analysis

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

The following impact on net income has been calculated changing one of these assumptions to another reasonably possible alternative assumption for the nine-month period ended September 30, 2022:

		IMPACT ON NET INCOME	
		CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO THE SELLER RELATED TO THE LINXON ACQUISITION
Increase (decrease)	If the discount rate is 100 basis points lower [1]	$ —	$ **(929)**
Increase (decrease)	If the discount rate is 100 basis points higher [1]	$ —	$ **848**
Increase (decrease)	If the expected future cash flows are 1% lower [1]	$ —	$ —
Increase (decrease)	If the expected future cash flows are 1% higher [1]	$ —	$ —

(1) Assuming all other variables remain the same

INTEREST RATE SWAPS

In the third quarter of 2022, the Company entered into interest rate swap agreements with financial institutions related to its unsecured non-revolving variable interest bearing term loan in the aggregate principal amount of $500 million. Under the interest rate swap agreements, the Company pays interest at a fixed rate and receives interest at a variable rate on a total nominal amount of $250 million. The interest rate swap agreements will expire in April 2025. This hedge is classified as a cash flow hedge.

13. CONTINGENT LIABILITIES

Class actions

Ruediger Class Action

On February 6, 2019, a Motion for authorization of a class action and for authorization to bring an action against SNC-Lavalin and certain of its directors and officers (collectively, the “Ruediger Defendants”) pursuant to section 225.4 of the *Securities Act* (Québec) (the “Ruediger Class Action Motion”) was filed with the Superior Court of Québec (the “Ruediger Class Action”), on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through January 27, 2019 (the “Ruediger Class Period”) and held some or all of such securities as of the commencement of trading on January 28, 2019.

The Ruediger Class Action Motion alleges that certain documents filed by SNC-Lavalin and oral statements made by its then Chief Executive Officer during the Ruediger Class Period contained misrepresentations related to SNC-Lavalin’s revenue forecasts and to the financial performance of the former Mining & Metallurgy segment and the former Oil & Gas segment, which misrepresentations would have been corrected by way of SNC-Lavalin’s January 28, 2019 press release.

The Ruediger Class Action Motion seeks leave from the Quebec Superior Court to bring a statutory misrepresentation claim under the *Securities Act* (Québec). The plaintiff in the proposed action claims damages and seeks the condemnation of the Ruediger Defendants to pay the class members an unspecified amount for compensatory damages with interest and additional indemnity as well as full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution.

On October 15, 2019, the plaintiffs in the Ruediger Class Action Motion delivered an amended “Motion for authorization of a class action and for authorization to bring an action pursuant to section 225.4 of Quebec’s Securities Act”. The amendments extend the class period for the Ruediger Class Action Motion to July 22, 2019 and broaden the scope of the claim to include, among other things, disclosure alleged to have been made regarding the Company’s ability to execute certain fixed price contracts.

13. CONTINGENT LIABILITIES (CONTINUED)

On October 20, 2021, a class action in the Ontario Superior Court of Justice pertaining to facts similar to those in the Ruediger Class Action (the "Drywall Class Action") was dismissed and the claimants in the Drywall Class Action were consequently entitled to have their claims included in the Ruediger Class Action Motion.

The authorization hearing on the amended Ruediger Class Action Motion occurred in April 2022 and, on October 11, 2022, the Quebec Superior Court ruled dismissing the Ruediger Class Action Motion, as amended, on all grounds. The plaintiffs have 30 days from the date of judgment to appeal the ruling.

Peters Class Action

On February 25, 2019, a Notice of action was issued with the Ontario Superior Court of Justice by a proposed representative plaintiff, Mr. John Peters, on behalf of persons who acquired SNC-Lavalin securities from September 4, 2018 through October 10, 2018. On March 25, 2019, a Statement of Claim was filed with the Ontario Superior Court of Justice with respect to the claims set out in the Notice of Action (together, the Notice of Action and the Statement of Claim are referred to as the "Peters Class Action").

The Peters Class Action alleges that the defendants, including the Company, its Chairman and certain of its then officers, failed to make timely disclosure of a material change in the business, operations or capital of SNC-Lavalin, by failing to disclose that on September 4, 2018, the Director of the Public Prosecution Service of Canada ("PPSC") communicated her decision to SNC-Lavalin not to award an opportunity to negotiate a remediation agreement.

The Peters Class Action seeks leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under the *Securities Act* (Ontario) and the comparable securities legislation in other provinces and also asserts a claim for common law negligent misrepresentation. The Peters Class Action claims damages in the sum of $75 million or such other amount as the Superior Court may determine plus interest and costs.

On March 5, 2020, the plaintiff in the Peters Class Action brought a motion for leave and certification of the Peters Class Action. The leave and certification hearing was held between June 1 and June 3, 2021 and, on July 16, 2021, the court ruled dismissing the Peters Class Action. The Plaintiff has appealed the ruling and the appeal hearing is scheduled for November 8, 2022.

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

<u>Pyrrhotite case</u>

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin was one of numerous defendants. The Quebec Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately $168 million in damages apportioned amongst the then-known defendants, on a solidary (in solidum) basis (the "Wave 1 claims"). The Quebec Superior Court ruled that SNC-Lavalin's share of the damages award was approximately 70%. The Company's external insurers disputed the extent of the insurance coverage available to the Company and this dispute was included in the Pyrrhotite Case. The Company, among other parties, appealed the Quebec Superior Court's ruling and, on April 6, 2020, the Quebec Court of Appeal rendered its decision dismissing most of the appeals filed by all parties and upheld: (i) the Quebec Superior Court's ruling regarding SNC-Lavalin's approximate 70% share of liability; and (ii) the solidary nature of the defendants' liability. In a further ruling, on June 12, 2020, the Quebec Court of Appeal confirmed SNC-Lavalin's allocated share of the damages, inclusive of interest and costs at approximately $200 million, and the Company paid this amount of damages awarded to the plaintiffs on August 3, 2020. The Company filed a notice seeking leave to appeal to the Supreme Court of Canada.

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

13. CONTINGENT LIABILITIES (CONTINUED)

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

Given that SNC-Lavalin's external insurers initially refused to comply with terms contained in the relevant policies of insurance and the orders of the Quebec Superior Court and the Quebec Court of Appeal requiring them to pay a substantial portion of the $200 million damages award, SNC-Lavalin filed an application with the Quebec Superior Court seeking an order requiring the Company's external insurers to comply with the Quebec Court of Appeal's order and facilitate execution of the $200 million damages award by way of the multiple towers of insurance. On October 16, 2020, the Quebec Superior Court ruled in favour of SNC-Lavalin ordering SNC-Lavalin's external insurers to pay the Company approximately $141 million, which was fully collected. An additional $33 million in insurance proceeds was also collected by the Company through a reinsurance policy which was not subject to this court ruling.

SNC-Lavalin filed a recourse in warranty claim against Lafarge Canada Inc. ("Lafarge") seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. The trial commenced in March 2019 and concluded in 2020. On February 4, 2021, the Quebec Superior Court dismissed SNC-Lavalin's claim and SNC-Lavalin has appealed the Quebec Superior Court's ruling to the Quebec Court of Appeal and the appeal hearing is scheduled for November 2022.

In parallel to the Wave 1 claims, notices of additional potential claims have been made and continue to be made against certain defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. In April 2022, the parties, including most of SNC-Lavalin's external insurers, reached a settlement concerning Wave 2 claims that relate to residential buildings. SNC-Lavalin's portion of the settlement totaled $63.5 million, of which the uninsured portion was $27 million. This settlement did not have an impact on the Company's financial results for the nine-month period ended September 30, 2022 as its outcome was covered by the amount previously provisioned for by the Company. The remaining Wave 2 claims will be dealt with separately and SNC-Lavalin expects some insurance coverage for these claims as well. SNC-Lavalin's liability exposure for the remaining Wave 2 claims remains subject to several uncertainties. In addition, SNC-Lavalin has filed a separate recourse in warranty claim against Lafarge with respect to the Wave 2 claims.

Dubai civil case

In November 2018, WS Atkins & Partners Overseas, a subsidiary of the Company, was named as respondent together with other parties by the subrogated insurers of a property developer in a civil case initiated before the courts of Dubai. The claimant is seeking damages jointly from the respondents on account of the alleged refurbishment costs and loss of income arising from a fire at the property developer's building. WS Atkins & Partners Overseas was a subcontractor in the hotel's design and construction supervision and the claim revolves around alleged negligence in the specification, testing and installation of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building. In a first instance court ruling in 2021, the claim was dismissed against all defendants including WS Atkins & Partners Overseas. The claimant filed an appeal and in September 2022 the court dismissed the claimant's appeal. The claimant has 60 days from the date of judgment to appeal the ruling.

Australian Arbitration

One of the Company's former subsidiaries, divested as part of the sale of the Company's Oil & Gas business, has a 35% interest in a joint operation for a project that has been completed. The construction joint operation is in a dispute with the project owner over labour rates. Pursuant to the agreement to sell the Oil & Gas business, the Company has retained the divested subsidiary's risk associated with, and conduct of, this dispute. Under the relevant project contract, the subsidiary is jointly and severally liable with the other joint operator vis-à-vis the project owner for performance and other liabilities. In December 2018, the joint operation received a split award of liability from an arbitration tribunal resulting in an adverse decision on certain aspects of the dispute. In August 2020, a hearing on residual legal issues occurred and, in September 2020, the tribunal ruled in favour of the joint operation. The ruling was challenged by the project owner and a court hearing occurred in June 2021 and on September 28, 2021, the court found in favor of the project owner effectively reversing the September 2020 tribunal ruling. The joint operation has appealed the September 2021 court ruling and the appeal hearing occurred in September 2022 with a ruling anticipated in the first quarter of 2023. A hearing by the arbitration tribunal on the quantum of damages to be awarded against the joint operation (if any) has been postponed and may occur in 2023 or 2024.

General litigation risk

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

13. CONTINGENT LIABILITIES (CONTINUED)

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.

Jacques Cartier Bridge Criminal Charges (Canada)

On September 23, 2021, the Royal Canadian Mounted Police (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 its indirect subsidiary, SNC-Lavalin International Inc. Each entity was 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 was also 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 followed 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.

SNC-Lavalin Inc. and SNC-Lavalin International Inc. reached agreement on the terms of the remediation agreement and, on May 11, 2022, the Quebec Superior Court issued an order approving the remediation agreement. The term of the remediation agreement is three years, requires a total payment of $29.6 million payable over three years, and the appointment of a monitor for a three-year period amongst other obligations. The Company estimated the net present value of these installments at $27.4 million at May 11, 2022, which is included in "DPCP Remediation Agreement expense" in the consolidated income statement. The Criminal Charges are suspended during the term of the remediation agreement, and, upon its expiry, provided the terms were complied with by SNC-Lavalin Inc. and SNC-Lavalin International Inc., and subject to Court approval, the Criminal Charges will be dismissed. Also on May 11, 2022, the Company entered into an Administrative Agreement with Public Services and Procurement Canada which would allow the Company to continue to do business with the Canadian federal government and federal departments and agencies under the auspices of the federal Integrity Regime despite the remediation agreement.

The Company cannot predict what, 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 Criminal Charges.

Ongoing and potential investigations

The Company is subject to ongoing investigations that could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business.

13. CONTINGENT LIABILITIES (CONTINUED)

The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters in various jurisdictions, including, without limitation, Algeria, Brazil, and Angola.

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 above, 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.

Other legal proceedings

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

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

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

13. CONTINGENT LIABILITIES (CONTINUED)

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

14. SHORT-TERM DEBT AND LONG-TERM DEBT

AMENDMENTS TO THE CREDIT AGREEMENT

On May 13, 2022, the Company entered into a credit agreement with a group of lenders (the "2022 Credit Agreement") which amends and restates in its entirety the Company's 2018 Credit Agreement. The 2022 Credit Agreement provides for the following loans and facilities:

- an unsecured revolving credit facility, which is comprised of two tranches: (i) tranche A for an amount of $1,500 million from May 13, 2022 to April 30, 2023 and of $1,350 million from May 1, 2023 to May 13, 2025; and (ii) tranche B for an amount of $500 million from May 13, 2022 to April 30, 2023 and of $450 million from May 1, 2023 to May 13, 2025. Borrowings under tranche A may be obtained in the form of: (i) prime rate loans, (ii) acceptances; (iii) US base rate loans; (iv) SOFR loans, SONIA loans and EURIBOR loans; and (v) financial, non-financial and documentary letters of credit. Borrowings under Tranche B may be obtained only in the form of non-financial and documentary letters of credit;
- an unsecured non-revolving term loan, which is in the principal amount of $500 million and matures on May 13, 2025. Borrowings are being made available by way of prime rate loans or acceptances; and
- the issuance of up to a maximum aggregate of $2,000 million of financial, non-financial and documentary letters of credit by way of bilateral facilities.

15. DISPOSALS OF PS&PM BUSINESSES

A) DISPOSAL OF DISCONTINUED OPERATIONS — OIL & GAS BUSINESS

On February 9, 2021, the Company announced that it had entered into a binding agreement to sell its Oil & Gas business, which was previously included in the Resources segment. A substantial portion of the sale of the Oil & Gas business was completed on July 29, 2021 and the sale of the remaining Saudi Arabian portion of the business was completed on August 15, 2021. Financial information relating to the discontinued operations, up to the date of disposal, is disclosed below for the three-month and nine-month periods ended September 30, 2021, as well as the financial information relating to the adjustment on gain on disposal of the Oil & Gas business recognized in the third quarter and nine-month period ended September 30, 2022.

In the nine-month periods ended September 30, 2022 and 2021, the Company's Oil & Gas business, which was previously included in the Resources segment, was classified as a discontinued operation.

15. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

Financial performance

The results of the Oil & Gas business for the third quarters and nine-month periods ended September 30, 2022 and 2021 were as follows:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Revenues	**$ —**	$ 98,482	**$ —**	$ 509,765
Other expenses	**—**	(98,223)	**—**	(542,765)
Gain on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**—**	—	**—**	4,884
EBIT from discontinued operations	**—**	259	**—**	(28,116)
Net financial income (expenses)	**—**	(535)	**—**	2,060
Loss before income taxes from discontinued operations and gain or adjustment on gain on disposal of Oil & Gas business	**—**	(276)	**—**	(26,056)
Income taxes related to pre-tax loss from the ordinary activities of discontinued operations	**—**	4,629	**—**	59,569
Income taxes related to remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**—**	—	**—**	(7,335)
Net income from discontinued operations before gain or adjustment on gain on disposal of Oil & Gas business	**—**	4,353	**—**	$ 26,178
Gain or adjustment on gain on disposal of Oil & Gas business after income taxes (see below)	**(6,890)**	577,758	**(6,890)**	577,758
Net income (loss) from discontinued operations	**$ (6,890)**	$ 582,111	**$ (6,890)**	$ 603,936

<u>*Earnings (loss) per share from discontinued operations*</u>

The earnings (loss) per share from discontinued operations for the third quarters and nine-month periods ended September 30, 2022 and 2021 were as follows:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Earnings (loss) per share from discontinued operations – Basic (in $)	**$ (0.04)**	$ 3.32	**$ (0.04)**	$ 3.44
Earnings (loss) per share from discontinued operations – Diluted (in $)	**$ (0.04)**	$ 3.32	**$ (0.04)**	$ 3.44

<u>*Cash flows from discontinued operations*</u>

The net cash flows related to the Oil & Gas business for the third quarters and nine-month periods ended September 30, 2022 and 2021 were as follows:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Operating activities	**$ —**	$ (10,865)	**$ —**	$ 21,041
Investing activities	**(713)**	(3)	**(713)**	(199)
Financing activities	**—**	(761)	**—**	(6,379)
Net cash generated from (used for) discontinued operations	**$ (713)**	$ (11,629)	**$ (713)**	$ 14,463

15. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

Details of the sale of the Oil & Gas business

I) NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

Net gain on disposal of Oil & Gas business

Consideration paid in cash	$	(1,802)
Consideration receivable (1)		11,920
Total consideration		10,118
Net assets disposed of (2)		(4,388)
Cumulative exchange gain on translating foreign operations reclassified from equity on disposal		573,042
Disposition-related costs and other		(5,730)
Gain on disposal of Oil & Gas business		573,042
Income taxes		(4,716)
Net gain on disposal of Oil & Gas business	$	577,758

(1) The consideration receivable in cash from the purchaser was subject to changes for potential purchase price adjustments with the purchaser.

(2) The amount of "Net assets disposed of" includes all assets and liabilities that have been disposed of as part of the transaction and incorporates an estimate for the value related to agreed representations and warranties, and indemnities related to certain projects which were complete or nearing-completion at the time the transaction closed. Any differences in value between the original estimates and revised estimates or actual outcomes is recognized in the income statement.

Net assets disposed of

As part of the transaction, the major classes of assets and liabilities of the Oil & Gas business disposed of were as follows:

Cash and cash equivalents	$	17,876
Other current financial assets		96,196
Current non-financial assets		186,500
Deferred income tax asset		12,314
Assets disposed of		312,886
Current financial liabilities		210,161
Current non-financial liabilities		61,920
Deferred income tax liability		1,861
Non-current financial liabilities		4,918
Other non-current non-financial liabilities		29,638
Liabilities disposed of		308,498
Net assets disposed of	$	4,388

Cash outflow on disposal of Oil & Gas business

Consideration paid in cash	$	(1,802)
Less: cash and cash equivalents balances disposed of		17,876
Cash outflow on disposal of Oil & Gas business	$	(19,678)

15. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

II) NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

Adjustment on net gain on disposal of Oil & Gas business

In the third quarter of 2022, SNC-Lavalin concluded with the purchaser on purchase price adjustments related to the consideration receivable, which resulted in a reduction of the gain on disposal of Oil & Gas business of $7.5 million before income taxes ($6.9 million after income taxes) included in "Net income (loss) from discontinued operations" in the consolidated income statement. In the same quarter, there was a cash outflow of $0.7 million related to the settlement of the consideration receivable, which is included in "Cash outflow on disposals of PS&PM businesses" in the consolidated statement of cash flows.

B) DISPOSAL OF A SUBSIDIARY IN KENYA

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 before and after income taxes and is included in "Loss on disposal of a PS&PM business" in the Company's consolidated income statement.

C) PRESENTATION OF DISPOSALS OF PS&PM BUSINESSES IN THE STATEMENTS OF CASH FLOWS

Statements of cash flows

In the third quarters and nine-month periods ended September 30, 2022 and 2021, cash outflows on disposals of the Oil & Gas business and a subsidiary in Kenya included in the Company's consolidated statements of cash flows were as follows:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Cash outflow on disposal of Oil & Gas business	**$ (713)**	$ (19,678)	**$ (713)**	$ (19,678)
Consideration paid in cash on disposal of Atkins Consulting Engineers Limited	**—**	(1,398)	**—**	(1,398)
Cash outflow on disposals of PS&PM businesses	**$ (713)**	$ (21,076)	**$ (713)**	$ (21,076)

Note 10 — Statements of cash flows

The following table presents the amount of net gain or adjustment on net gain on disposals of PS&PM businesses before income taxes included in Note 10B — Statements of cash flows — Other reconciling items for the third quarters and nine-month periods ended September 30, 2022 and 2021:

	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Gain or adjustment on gain on disposal of Oil & Gas business before income taxes (Note 15A)	**$ (7,481)**	$ 573,042	**$ (7,481)**	$ 573,042
Loss on disposal of Atkins Consulting Engineers Limited before income taxes (Note 15B)	**—**	(613)	**—**	(613)
Net gain or adjustment on net gain on disposals of PS&PM businesses before income taxes	**$ (7,481)**	$ 572,429	**$ (7,481)**	$ 572,429

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at December 31, 2021, the disposal group classified as held for sale included all assets and liabilities of InPower BC General Partnership and its related holding companies (see Note 5A).

The major classes of assets and liabilities of the disposal group classified as held for sale as at December 31, 2021 were as follows:

		DECEMBER 31 2021
Cash and cash equivalents	$	2,164
Restricted cash		22,454
Other current assets		23,240
Non-current assets		296,055
Assets of disposal group classified as held for sale		343,913
Current liabilities		22,952
Non-current liabilities		275,936
Liabilities of disposal group classified as held for sale		298,888
Net assets of disposal group classified as held for sale	$	45,025

17. RESTRUCTURING AND TRANSFORMATION COSTS

	THIRD QUARTERS				NINE MONTHS ENDED SEPTEMBER 30			
		2022		2021		**2022**		2021
Restructuring costs [(1)]	**$**	**1,247**	$	13,001	**$**	**5,481**	$	25,250
Transformation costs		**7,598**		6,208		**23,472**		14,016
Restructuring and transformation costs	**$**	**8,845**	$	19,209	**$**	**28,953**	$	39,266

(1) In the three-month and nine-month periods ended September 30, 2022, SNC-Lavalin recognized impairment losses on right-of-use assets of $0.1 million and a reversal of impairment losses of $0.8 million, respectively (three-month and nine-month periods ended September 30, 2021: impairment losses of $4.9 million and $16.3 million, respectively) and impairment losses on property and equipment of $0.2 million and nil, respectively (three-month and nine-month periods ended September 30, 2021: $2.7 million for both periods).

The restructuring costs recognized in the three-month and nine-month periods ended September 30, 2022 were mainly for severance and occupancy obligations.

18. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES AND STOCK OPTION COMPENSATION

The weighted average number of outstanding shares for the third quarters and nine-month periods ended September 30, 2022 and 2021 used to calculate the basic and diluted earnings (loss) per share were as follows:

(IN THOUSANDS)	THIRD QUARTERS		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Weighted average number of outstanding shares – basic	**175,554**	175,554	**175,554**	175,554
Weighted average number of outstanding shares – diluted	**175,554**	175,554	**175,554**	175,554

In the third quarter and nine-month period ended September 30, 2022, 364,098 outstanding stock options were not included in the computation of diluted earnings per share because they were anti-dilutive. No dilutive effect of stock options has been calculated in the third quarter and nine-month period ended September 30, 2021 as no stock options were outstanding during these periods.

18. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES AND STOCK OPTIONS COMPENSATION (CONTINUED)

During the third quarters ended September 30, 2022 and 2021, no stock options were granted to employees. In the nine-month period ended September 30, 2022, 378,511 stock options under the Company's 2013 Stock Option Plan were granted to employees (nine-month period ended September 30, 2021: none) with a weighted average fair value of $10.31 per stock option and a weighted average exercise price of $31.12 per stock option. The stock option compensation cost recorded as an expense in the third quarter and in the nine-month period ended September 30, 2022 was $0.2 million (third quarter of 2021: nil) and $1.4 million (nine-month period ended September 30, 2021: nil), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

NINE MONTHS ENDED SEPTEMBER 30	2022
Risk-free interest rate	**1.96%**
Expected stock price volatility	**37.02%**
Expected option life	**4.5 years**
Expected dividend yield	**0.25%**

The underlying expected volatility was determined by reference to historical data.

As at September 30, 2022, 364,098 stock options were outstanding (December 31, 2021: none), while 2,423,765 stock options remained available for future grants under the Company's 2013 Stock Option Plan (December 31, 2021: 2,787,863 stock options).

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