



SNC • LAVALIN

Management's

Discussion and Analysis

First Quarter of 2023 versus
First Quarter of 2022

May 8, 2023

All financial information in Canadian dollars, unless otherwise indicated

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May 8, 2023

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of SNC-Lavalin Group Inc.'s business, the business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements of the first quarters ended March 31, 2023 and 2022 and accompanying notes, and should therefore **be read in conjunction with these documents, with the annual Management's Discussion and Analysis dated March 2, 2023 ("2022 Annual MD&A") and the annual financial statements and accompanying notes for the years ended December 31, 2022 and December 31, 2021 ("2022 Annual Financial Statements")**, and should also be read together with the text below on forward-looking statements. References in this MD&A to the "Company", "SNC-Lavalin", "we", "us" and "our" mean, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements or associates, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements or associates. Unless otherwise specified, references herein to "Sections" are to Sections of this MD&A.

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

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

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

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

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

Performance

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

Liquidity

- Days Sales Outstanding ("**DSO**") for the Engineering Services segment
- Free cash flow (usage)
- Free cash flow (usage) to adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio
- Net cash generated from (used for) operating activities on a line of business / segment basis
- Net limited recourse and recourse debt
- Net limited recourse and recourse debt to Adjusted EBITDA ratio
- Working capital
- Current ratio

Other

- Organic revenue
- Organic revenue growth (contraction)

Definitions of all non-IFRS financial measures and ratios, supplementary financial measures and non-financial information are provided in Section 9 to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a quantitative reconciliation of the non-IFRS financial measures and ratios to the most directly comparable measure calculated in accordance with IFRS. Refer to Section 9 for references to the sections of this MD&A where these reconciliations are provided.

Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on May 8, 2023. The assumptions are set out throughout the Company's 2022 Annual MD&A (particularly in the sections entitled "Critical Accounting Judgements and Key Sources of Estimation Uncertainty" and "How We Analyze and Report Our Results"). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to, matters relating to: (a) epidemics, pandemics, including COVID-19, and other global health crises; (b) execution of the Company's "Pivoting to Growth Strategy" unveiled in September 2021; (c) fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently; (d) backlog and contracts with termination for convenience provisions; (e) contract awards and timing; (f) being a provider of services to government agencies; (g) international operations; (h) nuclear liability; (i) ownership interests in investments; (j) dependence on third parties; (k) supply chain disruptions; (l) joint ventures and partnerships; (m) information systems and data and compliance with privacy legislation; (n) qualified personnel; (o) competition; (p) professional liability or liability for faulty services; (q) monetary damages and penalties in connection with professional and engineering reports and opinions; (r) gaps in insurance coverage; (s) health and safety; (t) work stoppages, union negotiations and other labour matters; (u) global climate change, extreme weather conditions and the impact of natural or other disasters; (v) divestitures and the sale of significant assets; (w) intellectual property; (x) liquidity and financial position; (y) indebtedness; (z) impact of operating results and level of indebtedness on financial situation; (aa) security under the CDPQ Loan Agreement (as hereinafter defined); (bb) dependence on subsidiaries to help repay indebtedness; (cc) dividends; (dd) post-employment benefit obligations, including pension-related obligations; (ee) working capital requirements; (ff) collection from customers; (gg) impairment of goodwill and other assets; (hh) the impact on the Company of legal and regulatory proceedings, investigations and dispute settlements; (ii) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations; (jj) reputation of the Company; (kk) inherent limitations to the Company's control framework; (ll) environmental laws and regulations; (mm) global economic conditions; (nn) inflation; (oo) fluctuations in commodity prices; and (pp) income taxes.

The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgements and Key Sources of Estimation Uncertainty" in the 2022 Annual MD&A and, when applicable, information updated in this MD&A.

The Company may, from time to time, make oral forward-looking statements. The Company advises that the above paragraphs and the risk factors described in this MD&A should be read for a description of certain factors that could cause the actual results of the Company to differ materially from those in the oral forward-looking statements. The forward-looking statements herein reflect the Company's expectations as at May 8, 2023, the date on which the Company's Board of Directors approved this document, and they are subject to change after this date. The Company does not undertake to update publicly or to revise any written or oral forward-looking information or statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

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1 Our Business

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

In certain parts of this MD&A, activities from Professional Services & Project Management are collectively referred to as “PS&PM” to distinguish them from “Capital” activities. PS&PM groups together five of the Company’s segments, namely Engineering Services, Nuclear, O&M, Linxon and LSTK Projects, while Capital is its own reportable segment and separate from PS&PM.

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

2 How We Analyze and Report Our Results

HOW WE REPORT OUR RESULTS

The Company presents its financial information consistent with the manner in which management evaluates performance by grouping its activities in six reportable segments, namely: (i) Engineering Services; (ii) Nuclear; (iii) O&M; (iv) Linxon; (v) LSTK Projects; and (vi) Capital.

In addition, the Company further reports certain results and provides certain financial information separately for (i) PS&PM activities, which is comprised of five of its six segments, namely Engineering Services, Nuclear, O&M, Linxon, LSTK Projects, and (ii) Capital.

PS&PM

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

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. The Engineering Services segment derives its revenues primarily from reimbursable and engineering services contracts.

Nuclear supports clients across the entire nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and decommissioning and waste management. As stewards of the CANDU[®] technology, it also provides new-build and full refurbishment services of CANDU[®] reactors. The Nuclear segment derives its revenues primarily from reimbursable and engineering services contracts.

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. The O&M segment derived all its revenues from reimbursable and engineering services contracts.

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. The Linxon segment derives its revenues mainly from standardized EPC contracts.

Combined, the four segments described above are presented under the **SNCL Services** line of business.

LSTK Projects is comprised of the remaining 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. The LSTK Projects segment derives all its revenues from LSTK construction contracts.

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While our contracts are negotiated using a variety of contracting options, PS&M revenues are derived primarily from three major types of contracts: reimbursable and engineering services contracts, LSTK construction contracts, and standardized EPC contracts, all of which are defined in Section 5. PS&M contracts can be found in the following segments and lines of business:

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

⁽¹⁾ Nuclear includes one legacy LSTK construction contract.

The Company derives its PS&M revenues from reimbursable and engineering services contracts (first quarter of 2023: 84%; first quarter of 2022: 80%), standardized EPC contracts (first quarter of 2023: 7%; first quarter of 2022: 8%) and LSTK construction contracts (first quarter of 2023: 9%; first quarter of 2022: 12%).

CAPITAL

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

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

Revenues from Capital investments are generated mainly from dividends or distributions received by SNC-Lavalin from the investment concession entities or from all or a portion of an investment concession entity's revenues or net results, depending on the accounting method required by IFRS.

It is the Company's view that the aggregate fair value of its Capital investments is significantly higher than their net book value of \$635.9 million as at March 31, 2023. The Company's remaining stake of 6.76% in 407 International Inc. ("Highway 407 ETR") represents the most significant portion of the total fair value of the Company's Capital investments portfolio.

As at March 31, 2023 and December 31, 2022, the net book value of Capital investments can be summarized as follows:

(IN MILLIONS \$)	MARCH 31 2023	DECEMBER 31 2022
Highway 407 ETR ⁽¹⁾	\$ —	\$ —
Others	635.9	591.8
Total	\$ 635.9	\$ 591.8

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

3 Executive Summary – First Quarter of 2023

EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	FIRST QUARTERS	
	2023	2022
Income Statements		
Revenues	\$ 2,023.1	\$ 1,888.1
Earnings before interest and taxes (“EBIT”)	87.5	51.5
EBITDA ⁽¹⁾	146.0	115.5
Net income from continuing operations	28.5	21.9
Diluted earnings per share from continuing operations (“Diluted EPS”) (in \$)	0.16	0.14
Revenues from PS&PM from continuing operations	2,006.7	1,871.7
Net income attributable to SNC-Lavalin shareholders from continuing operations from PS&PM	26.0	16.6
Adjusted net income attributable to SNC-Lavalin shareholders from PS&PM ⁽¹⁾	55.4	39.4
Diluted EPS from PS&PM (in \$)	0.15	0.09
Adjusted diluted EPS from PS&PM (in \$) ⁽¹⁾	0.32	0.22
Financial Position & Cash Flows		
Cash and cash equivalents (2022 at December 31)	\$ 561.3	\$ 570.3
Limited recourse debt (2022 at December 31)	400.0	400.0
Recourse debt (2022 at December 31)	1,609.6	1,470.6
Net limited recourse and recourse debt to Adjusted EBITDA ratio ⁽¹⁾ (2022 December 31)	2.9	2.9
Net cash used for operating activities	(57.3)	(134.0)
Free cash flow (usage) ⁽¹⁾	(92.7)	(170.4)
Additional Indicator		
Revenue backlog (at March 31)	12,626.5	\$ 12,173.7

⁽¹⁾ Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 9 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

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

- Revenues for the first quarter of 2023 increased to \$2,023.1 million compared to \$1,888.1 million for the first quarter of 2022, reflecting higher revenues from Engineering Services and Nuclear, partially offset by lower revenues mainly from LSTK Projects, Linxon and O&M.
- Net income from continuing operations totaled \$28.5 million for the first quarter of 2023 compared to \$21.9 million for the first quarter of 2022. The main reasons for this variance were:
 - a higher contribution from Engineering Services, a lower loss from LSTK Projects and a positive contribution from Linxon in the first quarter of 2023 compared to a loss from this segment in the first quarter of 2022, partially offset by a lower net income from Capital mainly due to a \$4.4 million gain after income taxes from the disposal of InPower BC General Partnership and its related holding companies (“InPower BC G.P.”) in the first quarter of 2022; partially offset by:
 - higher net financial expenses, restructuring and transformation costs and corporate selling, general and administrative expenses in the first quarter of 2023; and
 - a higher income tax expense in the first quarter of 2023.
- Cash and cash equivalents of \$561.3 million as at March 31, 2023, compared to \$570.3 million as at December 31, 2022, mainly due to net cash used for operating and investing activities, partially offset by net cash generated from financing activities.
- Revenue backlog of \$12.6 billion as at March 31, 2023, in line with December 31, 2022 and higher than the revenue backlog of \$12.2 billion as at March 31, 2022.

4 Financial Performance Analysis

4.1 INCOME STATEMENT

The financial information presented in the table below has been derived from the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022 prepared in accordance with IAS 34, *Interim Financial Reporting*, with the exception of the "Additional financial indicators from continuing operations" section below, which includes certain non-IFRS financial measures.

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	FIRST QUARTERS	
	2023	2022
Revenues	\$ 2,023.1	\$ 1,888.1
Segment Adjusted EBIT – Total	\$ 158.8	\$ 108.6
Corporate selling, general and administrative expenses	\$ 36.3	\$ 32.4
Restructuring and transformation costs	14.5	6.7
Amortization of intangible assets related to business combinations	20.6	22.3
Gain on disposal of a Capital investment	—	(4.3)
EBIT	\$ 87.5	\$ 51.5
Net financial expenses	\$ 47.4	\$ 25.6
Earnings before income taxes from continuing operations	\$ 40.1	\$ 25.8
Income tax expense	\$ 11.6	\$ 4.0
Net income from continuing operations	\$ 28.5	\$ 21.9
Net income from discontinued operations	—	—
Net income	\$ 28.5	\$ 21.9
Net income (loss) attributable to:		
SNC-Lavalin shareholders	\$ 28.4	\$ 24.8
Non-controlling interests	—	(2.9)
Net income	\$ 28.5	\$ 21.9
Earnings per share (in \$):		
Basic	\$ 0.16	\$ 0.14
Diluted	\$ 0.16	\$ 0.14
Net income attributable to SNC-Lavalin shareholders from continuing operations:		
From PS&PM	\$ 26.0	\$ 16.6
From Capital	2.4	8.2
Net income attributable to SNC-Lavalin shareholders from continuing operations	\$ 28.4	\$ 24.8
Earnings per share from continuing operations (in \$):		
Basic	\$ 0.16	\$ 0.14
Diluted:		
From PS&PM	\$ 0.15	\$ 0.09
From Capital	0.01	0.05
Diluted earnings per share from continuing operations	\$ 0.16	\$ 0.14
Additional financial indicators from continuing operations:		
Adjusted EBITDA from PS&PM ⁽¹⁾	\$ 155.9	\$ 112.6
Adjusted diluted EPS from PS&PM (in \$) ⁽¹⁾	\$ 0.32	\$ 0.22

⁽¹⁾ Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 9 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

4.1.1 ANALYSIS OF REVENUES

(IN MILLIONS \$)	FIRST QUARTERS	
	2023	2022
Engineering Services	\$ 1,344.2	\$ 1,138.2
Nuclear	244.3	232.1
O&M	125.9	136.5
Linxon	121.5	150.5
SNCL Services – Total	\$ 1,835.9	\$ 1,657.3
LSTK Projects	\$ 170.8	\$ 214.4
PS&PM – Total	\$ 2,006.7	\$ 1,871.7
Capital	\$ 16.3	\$ 16.4
Total	\$ 2,023.1	\$ 1,888.1

Revenues for the first quarter of 2023 increased compared to the first quarter of 2022, reflecting higher revenues from Engineering Services and Nuclear, partially offset by lower revenues mainly from LSTK Projects, Linxon and O&M.

Further explanations on revenues are provided for each segment in Section 4.1.4.

In addition, information on revenues by geographic area and by type of contracts is provided in Note 3 to the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022.

4.1.2 ANALYSIS OF CONSOLIDATED NET INCOME, EBIT AND EBITDA

4.1.2.1 NET INCOME (LOSS) FROM CONTINUING OPERATIONS ANALYSIS

(IN MILLIONS \$)	FIRST QUARTERS	
	2023	2022
Net income attributable to SNC-Lavalin shareholders from continuing operations:		
From PS&PM	\$ 26.0	\$ 16.6
From Capital	2.4	8.2
Net income attributable to SNC-Lavalin shareholders from continuing operations	\$ 28.4	\$ 24.8
Non-controlling interests	—	(2.9)
Net income from continuing operations	\$ 28.5	\$ 21.9

NET INCOME ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS FROM CONTINUING OPERATIONS FROM PS&PM

Net income attributable to SNC-Lavalin shareholders from continuing operations from PS&PM was \$26.0 million for the first quarter of 2023, compared to \$16.6 million for the first quarter of 2022. The variance was mainly due to a higher contribution from Engineering Services, a lower loss from LSTK Projects and a positive contribution from Linxon in the first quarter of 2023 compared to a loss from this segment in the first quarter of 2022, partially offset by higher net financial expenses, higher restructuring and transformation costs, higher corporate selling, general and administrative expenses and a higher income tax expense in the first quarter of 2023.

NET INCOME ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS FROM CONTINUING OPERATIONS FROM CAPITAL

Net income attributable to SNC-Lavalin shareholders from continuing operations from Capital amounted to \$2.4 million for the first quarter of 2023, compared to \$8.2 million for the first quarter of 2022. The decrease was mainly due to a \$4.4 million gain after income taxes from the disposal of InPower BC G.P. in the first quarter of 2022.

4.1.2.2 CONSOLIDATED EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

EBITDA is a non-IFRS financial measure. EBITDA is defined and reconciled to net income from continuing operations in Section 9.

For the first quarter of 2023, EBIT was \$87.5 million, compared to \$51.5 million for the first quarter of 2022. The increase in EBIT was primarily due to a higher contribution from Engineering Services, a lower loss from LSTK Projects and a positive contribution from Linxon in the first quarter of 2023 compared to a loss from this segment in the first quarter of 2022, partially offset by higher restructuring and transformation costs and higher corporate selling, general and administrative expenses.

EBITDA was \$146.0 million for the first quarter of 2023, compared to \$115.5 million for the first quarter of 2022, with the increase being mainly explained by the same factors described above for EBIT.

Adjusted EBITDA, a non-IFRS measure described in Section 9.1, **amounted to \$160.5 million for the first quarter of 2023**, compared to \$117.9 million for the first quarter of 2022. When excluding results from Capital, **Adjusted EBITDA from PS&PM**, also a non-IFRS measure described in Section 9.1 (within the definition of Adjusted EBITDA), **amounted to \$155.9 million for the first quarter of 2023**, compared to \$112.6 million for the first quarter of 2022.

4.1.3 ANALYSIS OF OTHER LINE ITEMS IN THE INCOME STATEMENT

4.1.3.1 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(IN MILLIONS \$)	FIRST QUARTERS					
	2023			2022		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses before loss (gain) arising on financial instruments at fair value through profit or loss	\$ 33.3	\$ 7.0	\$ 40.4	\$ 25.0	\$ 7.0	\$ 32.1
Loss (gain) arising on financial instruments at fair value through profit or loss	(4.1)	—	(4.1)	0.3	—	0.3
Corporate selling, general and administrative expenses	\$ 29.2	\$ 7.0	\$ 36.3	\$ 25.3	\$ 7.0	\$ 32.4

Corporate selling, general and administrative expenses before loss (gain) arising on financial instruments at fair value through profit or loss totaled \$40.4 million for the first quarter of 2023, compared to \$32.1 million for the first quarter of 2022, mainly reflecting revised estimates on long-term employee incentives in the first quarter of 2023.

The gain arising on financial instruments at fair value through profit or loss amounted to \$4.1 million for the first quarter of 2023 (first quarter of 2022: a loss of \$0.3 million).

4.1.3.2 RESTRUCTURING AND TRANSFORMATION COSTS

(IN MILLIONS \$)	FIRST QUARTERS	
	2023	2022
Restructuring costs	\$ 7.7	\$ 0.4
Transformation costs	6.9	6.3
Restructuring and transformation costs	\$ 14.5	\$ 6.7

The Company incurred \$14.5 million of restructuring and transformation costs for the first quarter of 2023 (first quarter of 2022: \$6.7 million) reflecting mainly higher restructuring costs. The restructuring costs incurred in the first quarter of 2023 were related to the Engineering Services segment and were mainly for severance obligations.

4.1.3.3 AMORTIZATION OF INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

(IN MILLIONS \$)	FIRST QUARTERS	
	2023	2022
Amortization of intangible assets related to business combinations	\$ 20.6	\$ 22.3

Amortization of intangible assets related to business combinations amounted to \$20.6 million for the first quarter of 2023 (first quarter of 2022: \$22.3 million) mainly attributable to the amortization expense of intangible assets related to Atkins, which was acquired in 2017.

4.1.3.4 GAIN ON DISPOSAL OF A CAPITAL INVESTMENT

(IN MILLIONS \$)	FIRST QUARTERS	
	2023	2022
Gain on disposal of a Capital investment	\$ —	\$ 4.3

The \$4.3 million gain on disposal of a Capital investment in the first quarter of 2022 related to the disposal of InPower BC G.P. (refer to Note 5A to the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022).

4.1.3.5 NET FINANCIAL EXPENSES

(IN MILLIONS \$)	FIRST QUARTERS					
	2023			2022		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Financial income	\$ (3.4)	\$ (0.1)	\$ (3.5)	\$ (1.4)	\$ —	\$ (1.4)
Interest on debt:						
Recourse	23.2	—	23.2	9.5	—	9.5
Limited recourse	7.8	—	7.8	3.8	—	3.8
Non-recourse	1.5	1.8	3.3	0.9	1.0	1.8
Net foreign exchange losses	4.1	—	4.1	2.2	—	2.2
Interest on lease liabilities	6.1	—	6.1	4.4	—	4.4
Other	6.4	—	6.4	5.2	—	5.2
Net financial expenses	\$ 45.7	\$ 1.7	\$ 47.4	\$ 24.6	\$ 1.0	\$ 25.6

Net financial expenses from PS&PM amounted to \$45.7 million for the first quarter of 2023, compared to \$24.6 million for the first quarter of 2022, mainly due to a higher level of interest expense on debt in the first quarter of 2023, reflecting mainly a higher debt level and higher interest rates on variable rate debt, partially offset by a higher financial income for the first quarter of 2023 compared to the first quarter of 2022.

Net financial expenses from Capital were \$1.7 million for the first quarter of 2023, compared to \$1.0 million for the first quarter of 2022, mainly due to a higher level of interest expense on non-recourse debt.

4.1.3.6 INCOME TAXES

(IN MILLIONS \$)	FIRST QUARTERS					
	2023			2022		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Earnings from continuing operations before income taxes	\$ 37.1	\$ 2.9	\$ 40.1	\$ 17.2	\$ 8.7	\$ 25.8
Income tax expense	\$ 11.1	\$ 0.5	\$ 11.6	\$ 3.5	\$ 0.5	\$ 4.0
Effective income tax rate (%)	29.8%	17.4%	28.9%	20.3%	5.5%	15.3%

For the first quarter of 2023, the Company reported an income tax expense of \$11.6 million, compared to an income tax expense of \$4.0 million for the first quarter of 2022.

For the first quarter of 2023, the effective income tax rate from PS&PM was higher than the Canadian statutory income tax rate of 26.3%, mainly due to non-deductible expenses and other permanent items, partially offset by the geographic mix of earnings.

For the first quarter of 2022, the effective income tax rate from PS&PM was lower than the Canadian statutory income tax rate of 26.2%, mainly due to the geographic mix of earnings and net income not affected by tax, partially offset by non-deductible expenses and other permanent items.

The effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.3% for the first quarter of 2023, mainly due to the non-taxable portion of investment income.

For the first quarter of 2022, the effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.2%, mainly due to the non-taxable portion of the gain on disposal of InPower BC G.P.

4.1.4 ANALYSIS OF SEGMENT RESULTS AND PERFORMANCE

4.1.4.1 ENGINEERING SERVICES

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	FIRST QUARTERS	
	2023	2022
Revenues from Engineering Services	\$ 1,344.2	\$ 1,138.2
Segment Adjusted EBIT from Engineering Services	\$ 113.5	\$ 85.2
Segment Adjusted EBIT to revenues ratio from Engineering Services (%)	8.4%	7.5%
Additional information		
Segment Adjusted EBITDA from Engineering Services ⁽¹⁾	\$ 141.7	\$ 114.9
Segment Adjusted EBITDA to segment net revenue from Engineering Services ratio (%) ⁽¹⁾	14.0%	13.0%
Backlog (as at March 31)	\$ 4,837.0	\$ 3,861.1
Booking-to-revenue ratio (%) ⁽¹⁾	113%	108%

⁽¹⁾ Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 9 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

Engineering Services revenues were \$1,344.2 million for the first quarter of 2023, compared to \$1,138.2 million for the first quarter of 2022, a 18.1% increase. This increase was driven primarily by strong volume growth year-over-year in the United States, the United Kingdom, and the Middle East as well as an increased volume in Mining & Metallurgy. Excluding the effect of foreign currency changes, Engineering Services organic revenue growth (a non-IFRS financial measure described in Section 9) was 17.5% when compared to the same period in 2022. Backlog was \$4,837.0 million as at March 31, 2023, compared to \$3,861.1 million as at March 31, 2022, a 25.3% increase, with a strong increase in the same geographic regions stated above.

Segment Adjusted EBIT from Engineering Services was \$113.5 million (Segment Adjusted EBITDA of \$141.7 million) for the first quarter of 2023, compared to a Segment Adjusted EBIT of \$85.2 million (Segment Adjusted EBITDA of \$114.9 million) for the first quarter of 2022. The variance is mainly driven by continued strong year-over-year performance in the same geographic regions stated above.

Segment Adjusted EBITDA to segment net revenue from Engineering Services ratio was 14.0% for the first quarter of 2023, compared to 13.0% for the first quarter of 2022, due to a higher Segment Adjusted EBITDA in the first quarter of 2023, partially offset by a higher level of segment net revenue. Refer to Section 9.4.6 for the calculation of this ratio.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring costs, which are disclosed in Section 4.1.3.2.

OTHER KEY PERFORMANCE INDICATOR

AS AT (IN NUMBER OF DAYS)	MARCH 31 2023	MARCH 31 2022
DSO for the Engineering Services segment ⁽¹⁾	62 days	61 days

⁽¹⁾ DSO is a supplementary financial measure. Please refer to Section 9 for further information on this measure.

DSO for the Engineering Services segment stood at 62 days as at March 31, 2023 as compared to 61 days as at March 31, 2022.

4.1.4.2 NUCLEAR

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	FIRST QUARTERS	
	2023	2022
Revenues from Nuclear	\$ 244.3	\$ 232.1
Segment Adjusted EBIT from Nuclear	\$ 32.7	\$ 34.3
Segment Adjusted EBIT to revenues ratio from Nuclear (%)	13.4%	14.8%
Additional information		
Segment Adjusted EBITDA from Nuclear ⁽¹⁾	\$ 36.0	\$ 38.0
Backlog (as at March 31)	\$ 985.8	\$ 802.2
Booking-to-revenue ratio (%) ⁽¹⁾	121%	86%

⁽¹⁾ Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 9 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

Nuclear revenues amounted to \$244.3 million for the first quarter of 2023, compared to \$232.1 million for the first quarter of 2022, a 5.3% increase. This was primarily due to higher volumes from Europe which were offset mainly by lower volumes in Canada and the United States resulting mainly from a decreased level of activity on certain major projects. Excluding the effect of foreign currency changes, Nuclear organic revenue growth (a non-IFRS financial measure described in Section 9) was 4.6% when compared to the same period in 2022.

For the first quarter of 2023, Segment Adjusted EBIT from Nuclear decreased to \$32.7 million (Segment Adjusted EBITDA of \$36.0 million), compared to \$34.3 million (Segment Adjusted EBITDA of \$38.0 million) for the first quarter of 2022, mainly due to lower contributions from Canada and the United States mainly from lower volume, partially offset by a higher contribution from Europe.

4.1.4.3 O&M

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	FIRST QUARTERS	
	2023	2022
Revenues from O&M	\$ 125.9	\$ 136.5
Segment Adjusted EBIT from O&M	\$ 9.4	\$ 11.7
Segment Adjusted EBIT to revenues ratio from O&M (%)	7.5%	8.6%
Additional information		
Segment Adjusted EBITDA from O&M ⁽¹⁾	\$ 10.1	\$ 12.3
Backlog (as at March 31)	\$ 5,262.2	\$ 5,598.4
Booking-to-revenue ratio (%) ⁽¹⁾	27%	22%

⁽¹⁾ Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 9 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

O&M revenues were \$125.9 million for the first quarter of 2023, compared to \$136.5 million for the first quarter of 2022, a 7.8% decrease. This was mainly due to a lower level of additional services on existing contracts in the first quarter of 2023 compared to the first quarter of 2022. Excluding the effect of foreign currency changes, O&M organic revenue contraction (a non-IFRS financial measure described in Section 9) was 9.3% when compared to the same period in 2022.

For the first quarter of 2023, Segment Adjusted EBIT from O&M was \$9.4 million (Segment Adjusted EBITDA of \$10.1 million), compared to a Segment Adjusted EBIT of \$11.7 million (Segment Adjusted EBITDA of \$12.3 million) for the first quarter of 2022, mainly due to the reason stated above as well as increased bidding expenses.

4.1.4.4 LINXON

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	FIRST QUARTERS	
	2023	2022
Revenues from Linxon	\$ 121.5	\$ 150.5
Segment Adjusted EBIT from Linxon	\$ 0.8	\$ (4.5)
Segment Adjusted EBIT to revenues ratio from Linxon (%)	0.7%	(3.0)%
Additional information		
Segment Adjusted EBITDA from Linxon ⁽¹⁾	\$ 1.7	\$ (3.1)
Segment Adjusted EBITDA to segment net revenue from Linxon ratio (%) ⁽¹⁾	1.8%	(2.5)%
Backlog (as at March 31)	\$ 994.4	\$ 920.4
Booking-to-revenue ratio (%) ⁽¹⁾	193%	64%

⁽¹⁾ Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 9 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

Linxon revenues were \$121.5 million for the first quarter of 2023, compared to \$150.5 million for the first quarter of 2022, a 19.2% decrease, mainly due to a lower level of activity primarily due to projects in the United States, Asia Pacific and Europe nearing completion, as well as delays in delivery of equipment, partially offset by an increase in the level of activity in the Middle East. Excluding the effect of foreign currency changes, Linxon organic revenue contraction (a non-IFRS financial measure described in Section 9) was 19.6% when compared to the same period in 2022.

For the first quarter of 2023, Segment Adjusted EBIT from Linxon increased to \$0.8 million (Segment Adjusted EBITDA \$1.7 million), compared to a negative Segment Adjusted EBIT of \$4.5 million (negative Segment Adjusted EBITDA of \$3.1 million) for the first quarter of 2022. The Segment Adjusted EBIT in the first quarter of 2023 was negatively impacted by the lower level of activities mentioned above, while the negative Segment Adjusted EBIT in the first quarter of 2022 reflected mainly project delays and higher costs on a European project installation.

Segment Adjusted EBITDA to segment net revenue from Linxon ratio was 1.8% for the first quarter of 2023, compared to negative 2.5% for the first quarter of 2022, mainly due to a higher level of Segment Adjusted EBITDA in the first quarter of 2023. Refer to Section 9.4.6 for the calculation of this ratio.

4.1.4.5 LSTK PROJECTS

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	FIRST QUARTERS	
	2023	2022
Revenues from LSTK Projects	\$ 170.8	\$ 214.4
Segment Adjusted EBIT from LSTK Projects	\$ (9.2)	\$ (30.5)
Segment Adjusted EBIT to revenues ratio from LSTK Projects (%)	(5.4)%	(14.2)%
Additional information		
Segment Adjusted EBITDA from LSTK Projects ⁽¹⁾	\$ (5.6)	\$ (25.5)
Backlog (as at March 31)	\$ 517.9	\$ 956.6

⁽¹⁾ Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 9 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

LSTK Projects revenues were \$170.8 million for the first quarter of 2023, compared to \$214.4 million for the first quarter of 2022, as the LSTK projects backlog continued to reduce as part of the Company's exit strategy.

For the first quarter of 2023, Segment Adjusted EBIT from LSTK Projects was negative \$9.2 million (negative Segment Adjusted EBITDA of \$5.6 million), compared to a negative Segment Adjusted EBIT of \$30.5 million (negative Segment Adjusted EBITDA of \$25.5 million) for the first quarter of 2022. The negative Segment Adjusted EBIT in the first quarter of 2023 was mainly due to segment overhead costs from the ongoing efforts to bring the remaining projects to completion.

The Segment Adjusted EBIT from LSTK Projects for the first quarter of 2022 was impacted by an unfavourable cost reforecast on a major project and segment overhead costs, as well as the continued effect of COVID-19, impacting the supply chain and inflation causing project productivity losses, delays and cost increases on certain LSTK projects.

4.1.4.6 CAPITAL

(IN MILLIONS \$)	FIRST QUARTERS	
	2023	2022
Revenues from Capital	\$ 16.3	\$ 16.4
Segment Adjusted EBIT from Capital investments:		
From Highway 407 ETR	—	—
From other Capital investments ⁽¹⁾	11.6	12.4
Segment Adjusted EBIT from Capital	\$ 11.6	\$ 12.4

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

Revenues from Capital for the first quarter of 2023 were in line with revenues for the first quarter of 2022.

Segment Adjusted EBIT from Capital decreased to \$11.6 million for the first quarter of 2023, compared to \$12.4 million for the first quarter of 2022. The decrease in Segment Adjusted EBIT was mainly due to lower contributions from certain investments in the first quarter of 2023 compared to the first quarter of 2022.

It should be noted that Segment Adjusted EBIT for the first quarter of 2022 excludes \$4.3 million of gain before income taxes from the disposal of InPower BC G.P. (refer to Note 5A to the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022).

5

Backlog (Remaining Obligations) Performance

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

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

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

REVENUE BACKLOG BY SEGMENT

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

(IN MILLIONS \$) BY SEGMENT	MARCH 31 2023	DECEMBER 31 2022	MARCH 31 2022
Engineering Services	\$ 4,837.0	\$ 4,662.1	\$ 3,861.1
Nuclear	985.8	936.6	802.2
O&M	5,262.2	5,353.9	5,598.4
Linxon	994.4	881.8	920.4
SNCL Services - Total	\$ 12,079.3	\$ 11,834.4	\$ 11,182.1
LSTK Projects	\$ 517.9	\$ 685.5	\$ 956.6
PS&PM - Total	\$ 12,597.2	\$ 12,519.9	\$ 12,138.7
Capital ⁽¹⁾	\$ 29.3	\$ 31.6	\$ 35.0
Total	\$ 12,626.5	\$ 12,551.4	\$ 12,173.7

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

The Company's revenue backlog was \$12.6 billion as at March 31, 2023, substantially unchanged from the backlog level as at December 31, 2022, mainly reflecting a decrease in LSTK Projects and O&M, offset by an increase in Engineering Services, Linxon and Nuclear.

BACKLOG BY TYPES OF CONTRACTS

The following tables show the amounts and proportions of reimbursable and engineering services contracts, standardized EPC contracts and LSTK construction contracts included in each segment's backlog as at March 31, 2023, December 31, 2022 and March 31, 2022:

AT MARCH 31, 2023 (IN MILLIONS \$)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
Engineering Services	\$ 4,742.0	98%	\$ 94.9	2%	\$ —	—%
Nuclear	983.1	100%	—	—%	2.7	—%
O&M	5,262.2	100%	—	—%	—	—%
Linxon	6.2	1%	988.2	99%	—	—%
SNCL Services - Total	\$ 10,993.4	91%	\$ 1,083.1	9%	\$ 2.7	—%
LSTK Projects	\$ —	—%	\$ —	—%	\$ 517.9	100%
PS&PM - Total	\$ 10,993.4	87%	\$ 1,083.1	9%	\$ 520.6	4%
Capital	\$ 29.3	100%	\$ —	—%	\$ —	—%
Total	\$ 11,022.7	87%	\$ 1,083.1	9%	\$ 520.6	4%

AT DECEMBER 31, 2022 (IN MILLIONS \$)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
Engineering Services	\$ 4,610.5	99%	\$ 51.6	1%	\$ —	—%
Nuclear	932.3	100%	—	—%	4.2	—%
O&M	5,353.9	100%	—	—%	—	—%
Linxon	6.4	1%	875.5	99%	—	—%
SNCL Services - Total	\$ 10,903.1	92%	\$ 927.0	8%	\$ 4.2	—%
LSTK Projects	\$ —	—%	\$ —	—%	\$ 685.5	100%
PS&PM - Total	\$ 10,903.1	87%	\$ 927.0	7%	\$ 689.7	6%
Capital	\$ 31.6	100%	\$ —	—%	\$ —	—%
Total	\$ 10,934.7	87%	\$ 927.0	7%	\$ 689.7	5%

AT MARCH 31, 2022 (IN MILLIONS \$)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
Engineering Services	\$ 3,810.1	99%	\$ 51.0	1%	\$ —	—%
Nuclear	775.0	97%	—	—%	27.2	3%
O&M	5,598.4	100%	—	—%	—	—%
Linxon	36.7	4%	883.7	96%	—	—%
SNCL Services - Total	\$ 10,220.2	91%	\$ 934.7	8%	\$ 27.2	—%
LSTK Projects	\$ —	—%	\$ —	—%	\$ 956.6	100%
PS&PM - Total	\$ 10,220.2	84%	\$ 934.7	8%	\$ 983.8	8%
Capital	\$ 35.0	100%	\$ —	—%	\$ —	—%
Total	\$ 10,255.2	84%	\$ 934.7	8%	\$ 983.8	8%

6 Liquidity and Capital Resources

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

- A **cash flow analysis**, providing details on how the Company generated and used its cash and cash equivalents;
- A presentation of the Company's **capital resources**;
- An update on the Company's **debt and financing agreements** and a presentation of its **capital management indicators**;
- An update on the Company's **credit ratings**;
- A presentation of the Company's **dividends declared** and **normal course issuer bid**;
- A review of the Company's **contractual obligations** and **financial instruments**, which provides additional information for a better understanding of the Company's financial situation; and
- A review of the Company's **financial position** as at March 31, 2023, compared to its financial position as at December 31, 2022.

6.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

THREE MONTHS ENDED MARCH 31 (IN MILLIONS \$)	2023	2022
Cash flows generated from (used for):		
Operating activities	\$ (57.3)	\$ (134.0)
Investing activities	(41.8)	(24.4)
Financing activities	88.5	54.4
Increase (decrease) from exchange differences on translating cash and cash equivalents	1.7	(0.6)
Net decrease in cash and cash equivalents	\$ (9.0)	\$ (104.6)
Cash and cash equivalents at beginning of period ⁽¹⁾	570.3	610.6
Cash and cash equivalents at end of period	\$ 561.3	\$ 506.0

⁽¹⁾ 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".

Cash and cash equivalents decreased by \$9.0 million for the first quarter of 2023, compared to a decrease of \$104.6 million for the first quarter of 2022, as discussed further below.

OPERATING ACTIVITIES

Net cash used for operating activities totaled \$57.3 million for the first quarter of 2023, compared to net cash used for operating activities of \$134.0 million for the first quarter of 2022, a variance reconciled as follows:

(IN MILLIONS \$)	THREE-MONTH PERIOD
Net cash used for operating activities for the first three months of 2022	\$ (134.0)
Changes between the first three months of 2023 and the first three months of 2022:	
Increase in net income	6.6
Increase in income taxes paid	(12.2)
Increase in income tax expense recognized in net income	7.6
Increase in net financial expenses recognized in net income	21.8
Decrease in depreciation and amortization	(5.5)
Increase in interest paid	(13.6)
Increase in dividends and distributions received from Capital investments accounted for by the equity method	5.2
Increase in expense recognized in respect of cash-settled share-based payment arrangements	6.3
Decrease in income from PS&PM investments accounted for by the equity method	4.3
Increase in dividends and distributions received from PS&PM investments accounted for by the equity method	5.6
Gain on disposal of a Capital investment in the first quarter of 2022	4.3
Increase in restructuring and transformation costs recognized in net income	7.8
Increase in restructuring and transformation costs paid	(5.2)
Net change in loss (gain) arising on financial instruments at fair value through profit or loss	(4.4)
Decrease in net change in other provisions	3.8
Other items	10.1
Changes in net cash used for operating activities before net change in non-cash working capital items	\$ 42.7
Variance from net change in non-cash working capital items	34.0
Net cash used for operating activities for the first three months of 2023	\$ (57.3)

- **Net cash generated from operating activities before net change in non-cash working capital items totaled \$88.4 million for the first quarter of 2023**, compared to net cash generated from operating activities before net change in non-cash working capital items of \$45.7 million for the first quarter of 2022.
- As detailed in Note 9C to the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022, **net change in non-cash working capital items used net cash of \$145.7 million for the first quarter of 2023**, compared to net cash used of \$179.8 million for the first quarter of 2022. This difference reflected a favourable variance mainly in contract liabilities, trade receivables, trade payables and accrued liabilities and other current non-financial liabilities, partially offset by an unfavourable variance in contract assets, other current financial assets and other current non-financial assets.
- From a business line perspective, SNCL Services generated \$94.1 million of net cash from operating activities for the first quarter of 2023 compared to \$58.7 million generated for the first quarter of 2022, while LSTK Projects used \$103.1 million of net cash for operating activities for the first quarter of 2023 compared to \$165.2 million used for the first quarter of 2022. The remaining balance of cash flows used for operating activities relates to Capital, corporate activities and items not allocated to the Company's segments. Net cash generated from (used for) operating activities on a line of business/segment basis is a supplementary financial measure. An explanation of the composition of this supplementary financial measure is provided in Section 9.2.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to \$41.8 million for the first quarter of 2023, compared to net cash used for investing activities of \$24.4 million for the first quarter of 2022, a variance reconciled as follows:

(IN MILLIONS \$)	THREE-MONTH PERIOD
Net cash used for investing activities for the first three months of 2022	\$ (24.4)
Changes between the first three months of 2023 and the first three months of 2022:	
Decrease in payments for Capital investments	26.0
Higher increase in receivables under service concession arrangements, net of recovery	(13.8)
Net cash inflow on disposal of a Capital investment in the first quarter of 2022	(40.5)
Other items	10.8
Net cash used for investing activities for the first three months of 2023	\$ (41.8)

- For the first quarter of 2023, payments for Capital investments amounted to nil, compared to \$26.0 million for the first quarter of 2022. The payments made in the first quarter of 2022 included contributions made by the Company to Carlyle Global Infrastructure Opportunity Fund, L.P. prior to the sale by the Company of its ownership interest in such fund in the fourth quarter of 2022.
- The net cash inflow from disposal of a Capital investment of \$40.5 million in the first quarter of 2022 relates to the disposal of InPower BC G.P. during the same quarter.

FINANCING ACTIVITIES

Net cash generated from financing activities totaled \$88.5 million for the first quarter of 2023, compared to net cash generated from financing activities of \$54.4 million for the first quarter of 2022, a variance reconciled as follows:

(IN MILLIONS \$)	THREE-MONTH PERIOD
Net cash generated from financing activities for the first three months of 2022	\$ 54.4
Changes between the first three months of 2023 and the first three months of 2022:	
Higher repayment of recourse debt and payment for debt issue costs	(200.4)
Higher increase in recourse debt	258.7
Higher repayment of non-recourse debt	(21.2)
Lower payment of lease liabilities	1.6
Other items	(4.7)
Net cash generated from financing activities for the first three months of 2023	\$ 88.5

- The changes in cash flows related to financing activities between the first quarters of 2023 and 2022 were primarily explained by the elements in the table above. Notably, in the first quarter of 2023, SNC-Lavalin repaid in full at maturity the Series 4 Debentures for an aggregate principal amount of \$200.0 million.
- The Company also provides a reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the first quarters ended March 31, 2023 and 2022 in Note 9D to its unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022.
- The Company did not issue and did not repurchase any shares during either of the first quarters of 2023 or 2022. The number of common shares outstanding as at May 1, 2023 was 175,554,252, while 1,085,906 stock options were outstanding as at the same date.
- Dividends paid to SNC-Lavalin shareholders during the first quarter of 2023 amounted to \$3.5 million** as the dividends were declared on March 3, 2023 and paid on March 31, 2023. Dividends paid to SNC-Lavalin shareholders during the first quarter of 2022 amounted to \$3.5 million as the dividends were declared on March 3, 2022 and paid on March 31, 2022.

FREE CASH FLOW (USAGE)

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

THREE MONTHS ENDED MARCH 31 (IN MILLIONS \$)	2023	2022
Net cash used for operating activities	\$ (57.3)	\$ (134.0)
Acquisition of property and equipment	(15.4)	(14.8)
Payment of lease liabilities	(19.9)	(21.6)
Free cash flow (usage)⁽¹⁾	\$ (92.7)	\$ (170.4)

⁽¹⁾ Non-IFRS financial measure. Please refer to Section 9 for further information on this financial measure.

The Company's free cash flow usage was \$92.7 million for the first quarter of 2023, compared to free cash flow usage of \$170.4 million for the first quarter of 2022, mainly reflecting a lower level of net cash used for operating activities for the first quarter of 2023, compared to the level of net cash used for operating activities for the corresponding period of 2022.

6.2 CAPITAL RESOURCES

(IN MILLIONS \$)	MARCH 31 2023	DECEMBER 31 2022
Cash and cash equivalents	\$ 561.3	\$ 570.3
Unused portion of committed Revolving Credit Facility ^{(1), (2)}	\$ 1,309.5	\$ 1,633.3

⁽¹⁾ Including cash draws and letters of credit issued on a committed basis, but excluding bilateral letters of credit that can be issued on a non-committed basis.

⁽²⁾ Before considering potential limitations resulting from contractual covenants.

As at March 31, 2023, the Company had cash and cash equivalents totaling \$561.3 million, compared to \$570.3 million as at December 31, 2022.

Furthermore, as at March 31, 2023, the Company had a committed Revolving Credit Facility of \$2,000 million under its Credit Agreement (December 31, 2022: \$2,000 million), of which \$1,309.5 million was unused (December 31, 2022: \$1,633.3 million), and uncommitted credit facilities by way of bilateral letters of credit.

While liquidity remains subject to numerous risks, uncertainties and limitations, including but not limited to the risks described in Section 14 of the 2022 Annual MD&A and in this Section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations over the foreseeable future. See also Section 14, "Risks and Uncertainties" of the 2022 Annual MD&A, for a more specific overview of the risks and uncertainties relating to the Company.

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

6.3 DEBT AND FINANCING AGREEMENTS

FINANCIAL COVENANTS

The Company was required to maintain, as at March 31, 2023, a ratio of net recourse debt to EBITDA (as defined under the relevant agreements) not to exceed: (a) 3.75x under the Company's Credit Agreement; and (b) 3.50x under the loan agreement, dated as of April 20, 2017, between SNC-Lavalin Highway Holdings Inc. ("Highway Holdings"), an indirect wholly-owned subsidiary of the Company, and CDPQ Revenu fixe I Inc. ("CDPQ RF"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (as amended, restated or otherwise modified, from time to time, the "CDPQ Loan Agreement" and the limited recourse loan established thereunder, the "CDPQ Loan"). The Company was in compliance with these covenants as at March 31, 2023.

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and in the CDPQ Loan Agreement and do not correspond to the similarly labelled financial measures used in this MD&A. Furthermore, the covenant ratio is calculated using certain financial information not disclosed in the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022 or in this MD&A, or not considered recourse debt in these documents.

REPAYMENT OF SERIES 4 DEBENTURES

In the first quarter of 2023, SNC-Lavalin repaid in full at maturity the Series 4 Debentures for an aggregate principal amount of \$200.0 million.

HEDGING OF A PORTION OF THE TERM LOAN

In the first quarter of 2023, the Company entered into an interest rate swap agreement with a financial institution related to its unsecured non-revolving variable interest bearing term loan in the aggregate principal amount of \$500 million (the "Term Loan"). Under this interest rate swap agreement, the Company pays interest at a fixed rate and receives interest at a variable rate on a total notional amount of \$125 million. This interest rate swap agreement is similar to agreements related to the Term Loan entered into in the third quarter of 2022 for a notional amount of \$250 million. All these interest rate swap agreements will expire in April 2025 and are subject to hedge accounting as being part of cash flow hedges.

6.4 CAPITAL MANAGEMENT INDICATORS

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

NET LIMITED RECOURSE AND RECOURSE DEBT TO ADJUSTED EBITDA RATIO

Net limited recourse and recourse debt to Adjusted EBITDA is a non-IFRS ratio used to analyze the Company's financial leverage. Such ratio does not correspond to the financial covenant ratio discussed in Section 6.3. It is calculated by comparing the net limited recourse and recourse debt at the end of a given period with Adjusted EBITDA of the corresponding trailing twelve-month period, as follows:

(IN MILLIONS \$, EXCEPT FOR RATIO)	MARCH 31 2023	DECEMBER 31 2022
Limited recourse debt	\$ 400.0	\$ 400.0
Recourse debt	1,609.6	1,470.6
Less:		
Cash and cash equivalents	561.3	570.3
Net limited recourse and recourse debt ⁽¹⁾	\$ 1,448.3	\$ 1,300.3
Adjusted EBITDA (trailing 12 months) ⁽¹⁾	\$ 495.7	\$ 453.0
Net limited recourse and recourse debt to Adjusted EBITDA ratio ⁽¹⁾	2.9	2.9

⁽¹⁾ Non-IFRS financial measure or ratio. Please refer to Section 9 for further information on these financial measures.

While the level of limited recourse debt remained unchanged as at March 31, 2023 compared to December 31, 2022, the increase in recourse debt for the first quarter of 2023 combined with the decrease in cash and cash equivalents during the same period resulted in a higher level of net limited recourse and recourse debt as at March 31, 2023 compared to December 31, 2022. When considering the higher level of Adjusted EBITDA for the 12-month period ended March 31, 2023 compared to the 12-month period ended December 31, 2022, the net limited recourse and recourse debt to Adjusted EBITDA ratio remained at 2.9 as at March 31, 2023.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a supplementary financial measure. A definition of this supplementary financial measure is provided in Section 9. **ROASE was 0.4% for the 12-month period ended March 31, 2023**, compared to 12.4% for the corresponding period of 2022.

6.5 CREDIT RATINGS

On April 12, 2023, S&P affirmed the Company's credit rating at BB+ and revised its outlook from stable to negative. Issue-level ratings have also been affirmed at BB+.

On April 17, 2023, DBRS Limited affirmed the Company's rating at BB (high) with stable trends. Issue-level ratings have also been affirmed at BB (high).

6.6 DIVIDENDS DECLARED

Quarterly cash dividends of \$0.02 per share were declared on March 3, 2023 and were paid on March 31, 2023, compared with quarterly cash dividends of \$0.02 per share declared on March 3, 2022 and paid on March 31, 2022.

6.7 NORMAL COURSE ISSUER BID

On March 3, 2023, the Company announced that it had received the required regulatory approval from the Toronto Stock Exchange ("TSX") for its normal course issuer bid ("NCIB") to purchase for cancellation up to 1,500,000 Common Shares over the twelve-month period commencing on March 8, 2023 and ending no later than March 7, 2024. The Company did not repurchase any shares under its NCIB in the first quarter of 2023.

6.8 CONTRACTUAL OBLIGATIONS

Details of the Company's various contractual obligations are provided in Section 8.8 of the Company's 2022 Annual MD&A. In the first quarter of 2023, there was no material change to the Company's contractual obligations.

6.9 FINANCIAL INSTRUMENTS

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 30 to the 2022 Annual Financial Statements and updated as needed in Note 11 to the unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022. In the first quarter of 2023, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments other than the hedging portion of the Term Loan described in Section 6.3 above. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

6.10 FINANCIAL POSITION

The following is an analysis of the changes to the Company's financial position between December 31, 2022 and March 31, 2023.

(IN MILLIONS \$)	MARCH 31 2023	DECEMBER 31 2022	CHANGE (\$)	EXPLANATIONS
Current assets	3,668.1	3,361.6	306.5	The increase in current assets was mainly due to an increase in contract assets.
Non-current assets	6,171.4	6,098.4	72.9	The increase in non-current assets was principally due to an increase in the non-current portion of receivables under service concession arrangements, in goodwill due to the impact of foreign currency fluctuations and in deferred income tax asset, partially offset by a decrease in intangible assets related to business combinations mainly due to amortization.
Total assets	\$ 9,839.4	\$ 9,460.0	\$ 379.5	
Current liabilities	\$ 4,315.9	\$ 3,934.7	\$ 381.2	The increase in current liabilities was mainly due to an increase in the short-term debt and current portion of long-term debt, trade payables and accrued liabilities, contract liabilities and other current financial liabilities, partially offset by a decrease in the current portion of provisions.
Non-current liabilities	2,539.3	2,646.2	(106.9)	The decrease in non-current liabilities was mainly due to a decrease in other non-current financial liabilities and non-current portion of provisions.
Total liabilities	\$ 6,855.2	\$ 6,580.9	274.3	
Equity attributable to SNC-Lavalin shareholders	\$ 2,974.2	\$ 2,869.5	104.7	The increase was mainly due to other comprehensive income and net income for the period.
Non-controlling interests	10.0	9.6	0.4	Not a significant change compared to December 31, 2022.
Total equity	\$ 2,984.2	\$ 2,879.1	\$ 105.1	
Total liabilities and equity	\$ 9,839.4	\$ 9,460.0	\$ 379.5	

WORKING CAPITAL

(IN MILLIONS \$, EXCEPT CURRENT RATIO)	MARCH 31 2023	DECEMBER 31 2022	CHANGE (\$)	EXPLANATIONS
Working Capital ⁽¹⁾	\$ (647.8)	\$ (573.1)	\$ (74.7)	The decrease in working capital was mainly due to an increase in the short-term debt and current portion of long-term debt, trade payables and accrued liabilities, contract liabilities and other current financial liabilities, partially offset by an increase in contract assets and a decrease in the current portion of provisions.
Current Ratio ⁽¹⁾	0.85	0.85	—	

⁽¹⁾ Supplementary IFRS financial measures. Please refer to Section 9 for further information on these financial measures.

7 Related Party Transactions

The Company discloses information on its related party transactions, as defined in IAS 24, *Related Party Disclosures*, in Note 10 to its unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022.

8 Accounting Policies and Changes

Please refer to Note 2 to the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022 for more information regarding the Company's disclosure on accounting policies and changes.

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

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

9.1 PERFORMANCE

Adjusted diluted earnings per share ("Adjusted diluted EPS") is defined as adjusted net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS is a non-IFRS ratio that is an indicator of the financial performance of the Company's activities and allows the Company to present adjusted net income (loss) attributable to SNC-Lavalin shareholders on a diluted share basis. Refer to [Section 9.4.1](#) for a reconciliation of Adjusted diluted EPS to diluted EPS (namely, net income (loss) per diluted share) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital, as the Company believes that such measures are useful since these activities are usually analyzed separately by the Company.

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts. Adjusted EBITDA is based on EBITDA from continuing operations and excludes, when applicable to any given period, charges related to restructuring and transformation costs, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals) and the DPCP Remediation Agreement expense. It should be noted that the reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell was removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current and prior year periods. The Company believes that Adjusted EBITDA is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted EBITDA is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. Refer to [Section 9.4.2](#) for a reconciliation of Adjusted EBITDA to net income (loss) from continuing operations as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except for the gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital), as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Adjusted net income (loss) attributable to SNC-Lavalin shareholders is a non-IFRS financial measure and is defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, adjusted for certain specific items that are significant but are not, based on management's judgement, reflective of the Company's underlying operations. These adjustments are, when applicable to any given period, restructuring and transformation costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals) and the DPCP Remediation Agreement expense, as well as income taxes and non-controlling interests on these adjustments. It should be noted that the reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell was removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current and prior year periods. The Company believes that Adjusted net income (loss) attributable to SNC-Lavalin shareholders is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted net income (loss) attributable to SNC-Lavalin shareholders is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. It is also used by management to evaluate the performance of the activities of the Company from period to period. Refer to [Section 9.4.1](#) for a reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) attributable to SNC-Lavalin shareholders from continuing operations as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital), as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Booking-to-revenue ratio is a non-IFRS ratio that corresponds to contract bookings divided by revenues for a given period. This measure provides a useful basis for assessing the renewal of business, as it compares the value of performance obligations added in a given period to the amount of revenue recognized upon satisfying performance obligations in the same period. It should be noted that the amount of revenue used to calculate this ratio includes only revenues that are under the scope of IFRS 15, *Revenue from contracts with customers* ("IFRS 15") and are disclosed in Note 3 to the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022. Refer to [Section 9.4.3](#) for the calculation of the booking-to-revenue ratio for selected segments in respect of which the Company believes to be the most meaningful.

EBITDA is a non-IFRS financial measure and is defined as earnings from continuing operations before net financial expenses (income), income taxes, depreciation and amortization. As such, this financial measure allows comparability of operating results from one period to another by excluding the effects of items that are usually associated with investing and financing activities. Refer to [Section 9.4.2](#) for a reconciliation of EBITDA to net income (loss) from continuing operations as determined under IFRS.

Return on Average Shareholders' Equity ("ROASE") is a supplementary financial measure and corresponds to the trailing 12-month net income (loss) attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity". The Company excludes "other components of equity" because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income (loss) of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest rate risk. The Company believes that this financial measure is useful to compare its profitability to a measure of equity that excludes certain elements prone to volatility. See [Section 6.4](#).

Segment Adjusted EBITDA is a non-IFRS financial measure derived from Segment Adjusted EBIT (defined in Note 4 to the 2022 Annual Financial Statements) and is used by management to evaluate the performance of the Company's segments but excluding certain items related to investing activities, through the exclusion of depreciation and amortization from direct costs of activities. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance to that of its peers. See a reconciliation of Segment Adjusted EBITDA to Segment Adjusted EBIT and consolidated EBIT in [Section 9.4.4](#).

Segment Adjusted EBITDA to segment net revenue ratio for the Engineering Services and Linxon segments is a non-IFRS ratio used to analyze the profitability of the Company's segments and management believes that it facilitates period-to-period comparisons, as well as comparison with peers. This ratio is calculated by dividing the amount of Segment Adjusted EBITDA of a given period by the amount of segment net revenue for the same period. Refer to [Section 9.4.6](#) of this MD&A for the calculation of this ratio.

Segment net revenue is a non-IFRS financial measure that consists of 1) segment revenue less direct costs for sub-contractors and other direct expenses that are recoverable directly from clients for Engineering Services and 2) segment revenue less costs of equipment provided by the minority shareholder of Linxon. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance against competitors and peer companies. Refer to [Section 9.4.6](#) of this MD&A for a quantitative reconciliation of this measure to segment revenue.

9.2 LIQUIDITY

Days Sales Outstanding ("DSO") for the Engineering Services segment is a supplementary financial measure that corresponds to the average number of days needed to convert the trade receivables and contract assets of the Engineering Services segment, all using a 12-month average balance; the result is then divided by the 12-month average revenue of the segment and multiplied by 365 days, in order to calculate a number of days. The Company tracks this metric closely to ensure timely collection and healthy liquidity from the Engineering Services segment. The Company believes this measure is useful to investors as it demonstrates this segment's ability to timely convert its earned revenue into cash. See the DSO for the Engineering Services segment in [Section 4.1.4.1](#).

Free cash flow (usage) is a non-IFRS financial measure and is defined as net cash generated from (used for) operating activities less acquisition of property and equipment, payment of lease liabilities, the federal charges settlement (PPSC) and the DPCP Remediation Agreement included in operating activities. SNC-Lavalin believes that free cash flow (usage) provides a meaningful measure of discretionary cash generated (used) by and available to the Company to service debt, meet other payment obligations and make strategic investments, among other things. This non-IFRS measure excludes the impact of the federal charges settlement (PPSC) (refer to Note 18 to the 2022 Annual Financial Statements and to Section 14 of the 2022 Annual MD&A) and the DPCP Remediation Agreement expense (refer to Note 33 to the 2022 Annual Financial Statements) included in operating activities as the Company believes that such elements are not representative of its capacity to generate cash flow from its ongoing operations. Refer to [Section 6.1](#) for a reconciliation of free cash flow (usage) to net cash generated from (used for) operating activities.

Free cash flow (usage) to adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio is a non-IFRS ratio calculated by dividing free cash flow (usage) by adjusted net income (loss) attributable to SNC-Lavalin shareholders, both non-IFRS measures. The Company believes that such ratio is useful when analyzing the ability of the Company to convert its profitability into cash. Refer to [Section 9.4.7](#) of this MD&A for the calculation of this ratio.

Net cash generated from (used for) operating activities on a line of business/segment basis is a supplementary financial measure and is identical in composition to net cash generated from (used for) operating activities as reported in the financial statements, except that it is provided on a line of business/segment basis as opposed to on a consolidated basis. As described elsewhere in this MD&A, the SNCL Services line of business is comprised of the Engineering Services, Nuclear, O&M and Linxon segments. The Company believes that it is useful to investors to provide this supplementary financial measure on a business line/segment basis due to the importance of the SNCL Services line of business to the Company and that it is also relevant and useful for

investors to be presented this measure for the Company's core engineering services without including items from either LSTK Projects, Capital, corporate activities, as well as items not allocated to the Company's segments or to discontinued operations. The Company also believes that it is relevant and useful to disclose this supplementary financial measure for LSTK Projects as the Company is completing the projects in this segment. These measures are presented in [Section 6.1](#).

Net limited recourse and recourse debt is a non-IFRS financial measure corresponding to the total amount of limited recourse and recourse debt, minus the amount of cash and cash equivalents at the end of a given period. This measure is used by management to analyze the indebtedness of the Company, excluding lease liabilities as well as indebtedness related to non-recourse financing. Refer to [Section 6.4](#) for a calculation of this non-IFRS measure.

Net limited recourse and recourse debt to Adjusted EBITDA ratio is a non-IFRS ratio used to analyze the Company's financial leverage. It is calculated by comparing the Net limited recourse and recourse debt at the end of a given period with Adjusted EBITDA of the corresponding trailing twelve-month period. Management believes that this measure is useful in evaluating the Company's ability to service its limited recourse and recourse debt from its continuing operations. Refer to [Section 6.4](#) for a calculation of this non-IFRS ratio.

Working capital corresponds to the amount of the Company's total current assets minus its total current liabilities and the **Current ratio** corresponds to the Company's total current assets divided by its total current liabilities. This measure and ratio are supplementary financial measures used to compare the Company's current assets with its current liabilities and are believed to be useful metrics in analyzing the Company's liquidity. These measures are presented in [Section 6.10](#).

9.3 OTHER

Organic revenue is a non-IFRS financial measure corresponding to the amount of revenue of a given period, excluding the effect of acquisitions, disposals and foreign currency changes of the same period. This non-IFRS measure is used to analyze the level of activity of the Company excluding the effect of certain transactions and the impact of foreign exchange fluctuations in order to facilitate period-to-period comparisons, as well as comparison with peers. As such, **organic revenue growth (contraction)** is a non-IFRS ratio calculated by comparing the amount of organic revenue of a given period with the amount of organic revenue of the comparative period. Both organic revenue and organic revenue growth (contraction) do not have a standardized definition within IFRS and other issuers may define these measures differently and, accordingly, these measures may not be comparable to similar measures used by other issuers. Refer to [Section 9.4.5](#) for calculations of the organic revenue growth (contraction) ratio.

9.4 RECONCILIATIONS

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

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

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2023				2022			
	Before taxes	Taxes	After taxes	Diluted EPS in \$	Before taxes	Taxes	After taxes	Diluted EPS in \$
Net income attributable to SNC-Lavalin shareholders from continuing operations			\$ 28.4	\$ 0.16			\$ 24.8	\$ 0.14
Restructuring and transformation costs	\$ 14.5	\$ (1.7)	\$ 12.8		\$ 6.7	\$ (1.6)	\$ 5.1	
Amortization of intangible assets related to business combinations	20.6	(4.0)	16.5		22.3	(4.7)	17.7	
Gain on disposal of a Capital investment	—	—	—		(4.3)	(0.1)	(4.4)	
Total adjustments	\$ 35.1	\$ (5.7)	\$ 29.4	\$ 0.17	\$ 24.7	\$ (6.4)	\$ 18.4	\$ 0.10
Adjusted net income attributable to SNC-Lavalin shareholders			\$ 57.8	\$ 0.33			\$ 43.1	\$ 0.25
Net income attributable to SNC-Lavalin shareholders from Capital			\$ 2.4	\$ 0.01			\$ 8.2	\$ 0.05
Gain on disposal of a Capital investment already considered above	\$ —	\$ —	\$ —		\$ (4.3)	\$ (0.1)	\$ (4.4)	
Total adjustments	\$ —	\$ —	\$ —	\$ —	\$ (4.3)	\$ (0.1)	\$ (4.4)	\$ (0.03)
Adjusted net income attributable to SNC-Lavalin shareholders from Capital			\$ 2.4	\$ 0.01			\$ 3.8	\$ 0.02
Adjusted net income attributable to SNC-Lavalin shareholders from PS&PM			\$ 55.4	\$ 0.32			\$ 39.4	\$ 0.22

9.4.2 CONSOLIDATED EBITDA AND ADJUSTED EBITDA

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$)	2023			2022		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income from continuing operations	\$ 26.1	\$ 2.4	\$ 28.5	\$ 13.7	\$ 8.2	\$ 21.9
Net financial expenses	45.7	1.7	47.4	24.6	1.0	25.6
Income tax expense	11.1	0.5	11.6	3.5	0.5	4.0
EBIT	\$ 82.9	\$ 4.6	\$ 87.5	\$ 41.8	\$ 9.7	\$ 51.5
Depreciation and amortization	\$ 58.6	\$ —	\$ 58.6	\$ 64.0	\$ —	\$ 64.0
EBITDA	\$ 141.4	\$ 4.6	\$ 146.0	\$ 105.8	\$ 9.7	\$ 115.5
Restructuring and transformation costs	\$ 14.5	\$ —	\$ 14.5	\$ 6.7	\$ —	\$ 6.7
Gain on disposal of a Capital investment	—	—	—	—	(4.3)	(4.3)
Adjusted EBITDA	\$ 155.9	\$ 4.6	\$ 160.5	\$ 112.6	\$ 5.3	\$ 117.9

9.4.3 BOOKING-TO-REVENUE RATIO

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2023				
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services – Total
Opening backlog	\$ 4,662.1	\$ 936.6	\$ 5,353.9	\$ 881.8	\$ 11,834.4
Plus: Contract bookings during the period	1,517.8	287.7	34.1	234.1	2,073.8
Less: Revenues from contracts with customers recognized during the period ⁽¹⁾	1,342.9	238.5	125.9	121.5	1,828.9
Ending backlog	\$ 4,837.0	\$ 985.8	\$ 5,262.2	\$ 994.4	\$ 12,079.3
Booking-to-revenue ratio (in %)	113%	121%	27%	193%	113%

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2022				
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services – Total
Opening backlog	\$ 3,769.0	\$ 834.9	\$ 5,705.4	\$ 974.2	\$ 11,283.5
Plus: Contract bookings during the period	1,219.1	199.3	29.5	96.7	1,544.6
Less: Revenues from contracts with customers recognized during the period ⁽¹⁾	1,127.0	232.0	136.5	150.5	1,646.0
Ending backlog	\$ 3,861.1	\$ 802.2	\$ 5,598.4	\$ 920.4	\$ 11,182.1
Booking-to-revenue ratio (in %)	108%	86%	22%	64%	94%

⁽¹⁾ Revenues under the scope of IFRS 15, as disclosed in Note 3 to the Company's unaudited interim condensed consolidated financial statements for the first quarters ended March 31, 2023 and 2022.

9.4.4 SEGMENT ADJUSTED EBITDA

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS \$)	2023								
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services – Total	LSTK Projects	Capital	Less: Corporate and other ⁽¹⁾	Consolidated
Segment Adjusted EBIT (EBIT for consolidated figure)	\$ 113.5	\$ 32.7	\$ 9.4	\$ 0.8	\$ 156.3	\$ (9.2)	\$ 11.6	\$ (71.4)	\$ 87.5
Depreciation and amortization	28.2	3.3	0.7	0.9	33.1	3.6	—		
Segment Adjusted EBITDA	\$ 141.7	\$ 36.0	\$ 10.1	\$ 1.7	\$ 189.5	\$ (5.6)	\$ 11.7		

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS \$)	2022								
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services – Total	LSTK Projects	Capital	Less: Corporate and other ⁽¹⁾	Consolidated
Segment Adjusted EBIT (EBIT for consolidated figure)	\$ 85.2	\$ 34.3	\$ 11.7	\$ (4.5)	\$ 126.7	\$ (30.5)	\$ 12.4	\$ (57.1)	\$ 51.5
Depreciation and amortization	29.7	3.7	0.6	1.4	35.4	5.0	—		
Segment Adjusted EBITDA	\$ 114.9	\$ 38.0	\$ 12.3	\$ (3.1)	\$ 162.1	\$ (25.5)	\$ 12.4		

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

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

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$)	2023		2022	
Corporate selling, general and administrative expenses not allocated to the segments	\$	36.3	\$	32.4
Restructuring and transformation costs		14.5		6.7
Amortization of intangible assets related to business combinations		20.6		22.3
Gain on disposal of a Capital investment		—		(4.3)
Corporate and other – Total	\$	71.4	\$	57.1

9.4.5 ORGANIC REVENUE GROWTH (CONTRACTION)

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$)	2023 Revenue	2022 Revenue	Variance	Foreign exchange impact	Acquisition and disposal impact	Organic revenue growth (contraction)
Engineering Services	\$ 1,344.2	\$ 1,138.2	\$ 206.0	\$ 5.9	\$ —	\$ 200.0
Nuclear	244.3	232.1	12.2	0.8	0.7	10.8
O&M	125.9	136.5	(10.6)	2.3	—	(12.9)
Linxon	121.5	150.5	(29.0)	0.7	—	(29.7)
Total – SNCL Services	\$ 1,835.9	\$ 1,657.3	\$ 178.6	\$ 9.7	\$ 0.7	\$ 168.2

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2023 Revenue	2022 Revenue	Variance (%)	Foreign exchange impact (%)	Acquisition and disposal impact (%)	Organic revenue growth (contraction) (%)
Engineering Services	\$ 1,344.2	\$ 1,138.2	18.1%	0.6%	—%	17.5%
Nuclear	244.3	232.1	5.3%	0.4%	0.3%	4.6%
O&M	125.9	136.5	(7.8)%	1.5%	—%	(9.3)%
Linxon	121.5	150.5	(19.2)%	0.4%	—%	(19.6)%
Total – SNCL Services	\$ 1,835.9	\$ 1,657.3	10.8%	0.6%	—%	10.1%

9.4.6 SEGMENT NET REVENUE AND SEGMENT ADJUSTED EBITDA TO SEGMENT NET REVENUE RATIO FOR ENGINEERING SERVICES AND LINXON SEGMENTS

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2023		2022	
Revenue – Engineering Services	\$	1,344.2	\$	1,138.2
Less: Direct costs for sub-contractors and other direct expenses that are recoverable directly from clients – Engineering Services		331.3		255.4
Segment net revenue – Engineering Services	\$	1,012.9	\$	882.9
Segment Adjusted EBITDA – Engineering Services	\$	141.7	\$	114.9
Segment Adjusted EBITDA to segment net revenue ratio – Engineering Services (in %)		14.0%		13.0%

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2023		2022	
Revenue – Linxon	\$	121.5	\$	150.5
Less: Costs of equipment provided by the minority shareholder of Linxon		24.2		26.9
Segment net revenue – Linxon	\$	97.4	\$	123.6
Segment Adjusted EBITDA – Linxon	\$	1.7	\$	(3.1)
Segment Adjusted EBITDA to segment net revenue ratio – Linxon (in %)		1.8%		(2.5)%

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

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2023	2022
Free cash flow (usage) ⁽¹⁾	\$ (92.7)	\$ (170.4)
Adjusted net income attributable to SNC-Lavalin shareholders ⁽²⁾	\$ 57.8	\$ 43.1
Free cash flow (usage) to Adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio (in %)	(160.3)%	(394.9)%

⁽¹⁾ Please refer to Section 6.1 for a quantitative reconciliation of Free cash flow (usage) to net cash generated from (used for) operating activities.

⁽²⁾ Please refer to Section 9.4.1 for a quantitative reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) attributable to SNC-Lavalin shareholders.

10 Risks and Uncertainties

The risks and uncertainties and risk management practices of the Company described in Section 14 of the 2022 Annual MD&A have not materially changed in the first quarter of 2023. See also Note 12, Contingent Liabilities, to the unaudited interim condensed consolidated financial statements of the Company for the first quarters ended March 31, 2023 and 2022.

11 Controls and Procedures

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

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

- Material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and
- Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and CFO have also designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2023 and ended on March 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

12 Quarterly Information

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2023	2022				2021		
	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER
Continuing operations								
Revenues:								
PS&PM	2,006.7	1,850.7	1,859.9	1,857.6	1,871.7	1,879.7	1,781.4	1,778.0
Capital	16.3	49.4	29.5	13.9	16.4	65.2	27.4	19.8
Total revenues	2,023.1	1,900.1	1,889.4	1,871.5	1,888.1	1,944.9	1,808.8	1,797.8
EBIT	87.5	(56.5)	72.9	27.1	51.5	(35.9)	46.1	80.4
Net financial expenses	47.4	46.9	23.0	20.2	25.6	27.0	26.3	25.9
Earnings (loss) before income taxes from continuing operations	40.1	(103.4)	49.9	7.0	25.8	(62.9)	19.8	54.5
Income tax expense (recovery)	11.6	(38.5)	3.3	3.5	4.0	(47.8)	—	22.2
Net income (loss) from continuing operations	28.5	(64.9)	46.6	3.5	21.9	(15.1)	19.8	32.3
Net income (loss) from discontinued operations	—	—	(6.9)	—	—	(37.6)	582.1	16.5
Net income (loss)	28.5	(64.9)	39.7	3.5	21.9	(52.7)	601.9	48.9
Net income (loss) attributable to:								
SNC-Lavalin shareholders	28.4	(54.4)	37.8	1.6	24.8	(52.9)	600.7	45.7
Non-controlling interests	—	(10.6)	1.9	1.9	(2.9)	0.2	1.2	3.1
Net income (loss)	28.5	(64.9)	39.7	3.5	21.9	(52.7)	601.9	48.9
Basic earnings (loss) per share (in \$)	0.16	(0.31)	0.22	0.01	0.14	(0.30)	3.42	0.26
Diluted earnings (loss) per share (in \$)	0.16	(0.31)	0.22	0.01	0.14	(0.30)	3.42	0.26
Net income (loss) from continuing operations attributable to:								
SNC-Lavalin shareholders	28.4	(54.4)	44.7	1.6	24.8	(15.3)	18.6	29.2
Non-controlling interests	—	(10.6)	1.9	1.9	(2.9)	0.2	1.2	3.1
Net income (loss) from continuing operations	28.5	(64.9)	46.6	3.5	21.9	(15.1)	19.8	32.3
Basic earnings (loss) per share from continuing operations (in \$)	0.16	(0.31)	0.25	0.01	0.14	(0.09)	0.11	0.17
Diluted earnings (loss) per share from continuing operations (in \$)	0.16	(0.31)	0.25	0.01	0.14	(0.09)	0.11	0.17
Dividend declared per share (in \$)	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02