

2020 Management's Discussion and Analysis

March 8, 2021

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

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

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

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

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

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE

Performance

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

Liquidity

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

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

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

Comparative figures

Segment Disclosures

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

Discontinued Operations

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

Forward-Looking Statements

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

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

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

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

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

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1 Our Business

1.1 OUR BUSINESS

Founded in 1911, SNC-Lavalin is a fully integrated professional services and project management company with offices around the world. SNC-Lavalin connects people, technology and data to help shape and deliver world-leading concepts and projects, while offering comprehensive innovative solutions across the asset lifecycle. Our expertise is wide-ranging - consulting & advisory, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, operations & maintenance (“O&M”), decommissioning and sustaining capital.

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

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

1.2 STRATEGIC DIRECTION FOR SNC-LAVALIN

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

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

Strategic Priorities

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

SNC-Lavalin’s Strategic Priorities:

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

Addressing disruptive trends

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

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

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

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



How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

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

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

PS&PM

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

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

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

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

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

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

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

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

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

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

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

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

⁽¹⁾ Nuclear includes certain legacy LSTK construction contracts.

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

CAPITAL

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

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

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

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

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

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

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

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

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

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

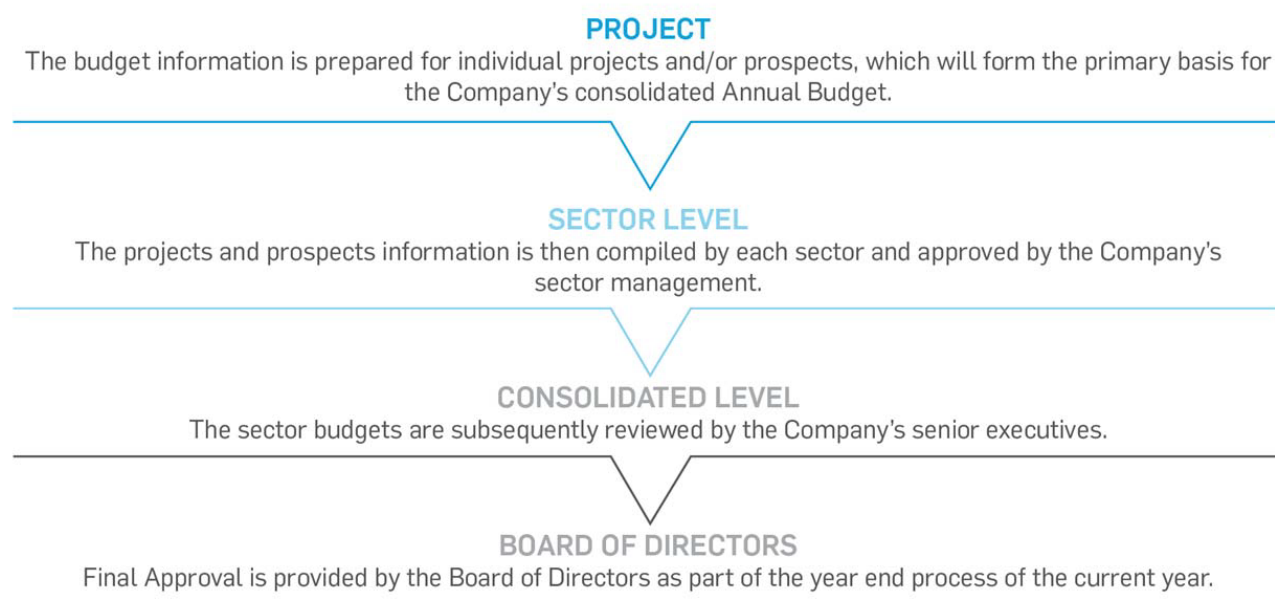
ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

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

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

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

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



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

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

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

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

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

Variations from plan may arise mainly from the following:

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

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

3 2020 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

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

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

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

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

2020

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

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

2019

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

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

COVID-19 PANDEMIC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHANGE TO THE COMPANY'S BOARD OF DIRECTORS

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

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

APPOINTMENT OF CHIEF TRANSFORMATION OFFICER

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

APPOINTMENT OF CHIEF FINANCIAL OFFICER

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

OTHER CHANGES TO THE MANAGEMENT TEAM

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

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

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



Financial Performance Analysis

4.1 SELECTED ANNUAL FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

4.2 STATEMENT OF INCOME

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

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

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

4.2.1 REVENUES AND SEGMENT ADJUSTED EBIT ANALYSIS

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

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

4.2.1.1 EDPM

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

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

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

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

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

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

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

Other Key Performance Indicator

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

As at December 31, 2020, EDPM segment's DSO stood at 64 days, compared to 73 days as at December 31, 2019. The improvement is mainly due to accelerated cash receipts from reduced government payment terms. The DSO is expected to increase in 2021, as the situation normalizes during that period.

4.2.1.2 NUCLEAR

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (%)
Revenues from Nuclear	\$ 928.6	\$ 929.8	(0.1%)
Segment Adjusted EBIT from Nuclear	\$ 140.1	\$ 127.6	9.8%
Segment Adjusted EBIT to revenues ratio from Nuclear (%)	15.1%	13.7%	
Additional information			
Segment Adjusted EBITDA from Nuclear	\$ 153.9	\$ 140.7	9.3%
Segment Adjusted EBITDA to revenues ratio from Nuclear (%)	16.6%	15.1%	
Backlog at year end	\$ 890.6	\$ 1,154.0	(22.8%)

Nuclear revenues amounted to \$928.6 million in 2020, in line with \$929.8 million in 2019, as the higher volume mainly in the United States and in Europe was offset by the lower volume in Canada, resulting mainly from a decreased level of activity on certain major projects, some of which achieved major delivery milestones in 2020.

The major revenue contributors in 2020 are services for decommissioning, waste management and environmental clean-up projects (40%), services for life extension projects (30%), services for operating plants and new build plants (30%).

In 2020, Segment Adjusted EBIT from Nuclear increased to \$140.1 million (Segment Adjusted EBITDA of \$153.9 million), compared with \$127.6 million (Segment Adjusted EBITDA of \$140.7 million) in 2019, mainly due to a higher contribution from the United States and from Europe due to a more favourable business mix, combined with lower overhead across all markets in 2020, partially offset by a lower volume in Canada as mentioned above.

4.2.1.3 INFRASTRUCTURE SERVICES

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (%)
Revenues from Infrastructure Services	\$ 1,325.3	\$ 1,178.6	12.4%
Segment Adjusted EBIT from Infrastructure Services	\$ 97.2	\$ 73.5	32.2%
Segment Adjusted EBIT to revenues ratio from Infrastructure Services (%)	7.3%	6.2%	
Additional information			
Segment Adjusted EBITDA from Infrastructure Services	\$ 108.3	\$ 89.5	21.0%
Segment Adjusted EBITDA to revenues ratio from Infrastructure Services (%)	8.2%	7.6%	
Backlog at year end	\$ 7,098.5	\$ 7,337.0	(3.3%)

Infrastructure Services revenues were \$1,325.3 million in 2020, compared with \$1,178.6 million in 2019, mainly attributable to the growth of Linxon, which expanded its geographic activity after the second quarter of 2019, as well as additional revenues on certain O&M contracts in operations phase and increased scope of work on certain contracts. Infrastructure Services revenues in 2020 compared with 2019 were also higher for Program Management and Construction Management services

The major revenue contributors in 2020 were O&M contracts, Power & Industrial services, Program Management, as well as power substation projects from Linxon.

In 2020, Segment Adjusted EBIT from Infrastructure Services increased to \$97.2 million (Segment Adjusted EBITDA of \$108.3 million), compared with \$73.5 million (Segment Adjusted EBITDA of \$89.5 million) in 2019 resulting mainly from a higher level of revenues, as described above, with a higher contribution from O&M contracts as well as Program Management & Construction Management services and Linxon.

4.2.1.4 RESOURCES

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019 ⁽¹⁾	CHANGE (%)
Revenues from Resources	\$ 162.9	\$ 273.1	(40.3%)
Segment Adjusted EBIT from Resources	\$ (171.1)	\$ (111.2)	53.9%
Segment Adjusted EBIT to revenues ratio from Resources (%)	(105.0%)	(40.7%)	
Additional information			
Segment Adjusted EBITDA from Resources	\$ (159.1)	\$ (100.7)	58.0%
Segment Adjusted EBITDA to revenues ratio from Resources (%)	(97.7%)	(36.9%)	
Backlog at year end	\$ 161.6	\$ 255.4	(36.7%)

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

Resources revenues were \$162.9 million in 2020, compared with \$273.1 million in 2019, mainly due to the run-off of LSTK construction contracts.

The major revenue contributors in 2020 included an LSTK project for the construction of an ammonia plant in the Middle East, the engineering, procurement and overall project management of mining projects in the United States and Latin America, as well as revenue derived from in-year service contracts in North America.

Segment Adjusted EBIT from Resources was negative \$171.1 million (Segment Adjusted EBITDA of negative \$159.1 million) in 2020, compared with negative \$111.2 million (Segment Adjusted EBITDA of negative \$100.7 million) in 2019. The negative Segment Adjusted EBIT in 2020 mainly resulted from charges for remaining LSTK projects and other historical claims and litigation matters. The negative Segment Adjusted EBIT in 2019 was mainly due to net unfavourable reforecasts totaling \$89.3 million on certain major LSTK projects.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring costs, of which \$0.3 million in 2020 (2019: \$6.0 million) and \$0.5 million in 2020 (2019 : \$16.4 million) were incurred in connection with the Resources Segment. Please refer to Section 4.2.4 for further details of such restructuring costs. The Segment Adjusted EBIT and Segment Adjusted EBITDA of Resources also excludes a loss on disposal of SNC-Lavalin SA (Belgium) completed in 2020. Please refer to Section 4.2.6 for further details.

4.2.1.5 INFRASTRUCTURE EPC PROJECTS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (%)
Revenues from Infrastructure EPC Projects	\$ 740.2	\$ 1,076.7	(31.3%)
Segment Adjusted EBIT from Infrastructure EPC Projects	\$ (359.7)	\$ (106.5)	237.8%
Segment Adjusted EBIT to revenues ratio from Infrastructure EPC Projects (%)	(48.6%)	(9.9%)	
Additional information			
Segment Adjusted EBITDA from Infrastructure EPC Projects	\$ (342.1)	\$ (85.0)	302.6%
Segment Adjusted EBITDA to revenues ratio from Infrastructure EPC Projects (%)	(46.2%)	(7.9%)	
Backlog at year end	\$ 2,014.0	\$ 2,584.5	(22.1%)

Infrastructure EPC Projects revenues were \$740.2 million in 2020, compared with \$1,076.7 million in 2019, as the higher revenues from certain major construction projects were more than offset by the lower level of activities as a result of the completion or near completion of certain major construction and clean power projects, coupled with the negative impact of COVID-19.

The major revenue contributors in 2020 included multiple projects for mass transit systems and general infrastructure projects in Central and Eastern Canada.

In 2020, Infrastructure EPC Projects Segment Adjusted EBIT amounted to negative \$359.7 million (Segment Adjusted EBITDA of negative \$342.1 million), compared with negative \$106.5 million (Segment Adjusted EBITDA of negative \$85.0 million) in 2019. The negative Segment Adjusted EBIT in 2020 was mainly due to unfavourable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

The corresponding period of 2019 was impacted by net unfavourable reforecasts totaling approximately \$130 million on certain major projects resulting from higher forecasted costs or increased warranty costs, primarily on two LSTK construction projects nearing completion and on smaller clean power projects.

4.2.1.6 REVENUES AND SEGMENT ADJUSTED EBIT FROM CAPITAL

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Revenues from Capital	\$ 129.4	\$ 262.7
Segment Adjusted EBIT from Capital investments:		
From Highway 407 ETR	\$ 38.0	\$ 146.1
From other Capital investments ⁽¹⁾	78.6	97.1
Segment Adjusted EBIT from Capital	\$ 116.6	\$ 243.2

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

Revenues from Capital in 2020 amounted to \$129.4 million, compared with \$262.7 million in 2019. The decrease in revenues for 2020 was mainly due to the decrease in contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019 combined with the absence of dividends received from this investment in the second and fourth quarters of 2020.

Segment Adjusted EBIT from Capital decreased to \$116.6 million in 2020, compared with \$243.2 million in 2019. The decrease in Segment Adjusted EBIT was due to the reduction in revenues outlined above.

It should be noted that **Segment Adjusted EBIT** and **Segment Adjusted EBITDA** exclude the release in full of a provision for contingent indemnification of **\$25.0 million in 2020** related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period (refer to Section 4.2.6). It also excludes the gain of \$3.0 billion from the sale of 10.01% of the shares of Highway 407 ETR in 2019 (refer to Section 4.2.6), as well as the **\$57.2 million loss in 2020** arising from the negative fair value revaluation of the associated consideration receivable (refer to Section 4.2.3).

CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2020:

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP ("407 EDGDP")	50%	Equity	Yes	2012	2045	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
INPOWER BC GENERAL PARTNERSHIP ("INPOWER BC")	100%	Consolidation	Yes	2014	2033	In operation	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility in Canada.
RIDEAU TRANSIT GROUP PARTNERSHIP ("RIDEAU")	40%	Equity	Yes	2013	2043	In operation	Designs, builds, finances and maintains the Confederation Line, City of Ottawa's light rail transit system.
CARLYLE GLOBAL INFRASTRUCTURE OPPORTUNITY FUND L.P.	4.5%	At fair value through other comprehensive income	N/A	2018	N/A	N/A	Holding investments in infrastructure projects related to energy, power and natural resources.
HIGHWAY 407 ETR	6.76%	Equity	No	1999	2098	In operation	Operates, maintains and manages highway 407, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
TRANSITNEXT GENERAL PARTNERSHIP ("TransitNEXT")	100%	Consolidation	Yes	2019	2049	Under construction	Designs, builds, finances and maintains the new Trillium Line extension, and also assumes responsibility for the long-term maintenance of the existing Trillium Line, under a 30-year contract.
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m ³ /day seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
SHARIKET KAHRABA HADJRET EN NOUSS S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227 - MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
TC DÔME S.A.S. ("TC DÔME")	51%	Equity	Yes	2008	2043	In operation	Operates a 5.3-km electric cog railway in France.
HIGHWAY CONCESSIONS ONE PRIVATE LIMITED	10%	At fair value through other comprehensive income	N/A	2012	N/A	N/A	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India.
SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")	50%	Equity	Yes	2015	2049	In operation	Designs, builds, finances, operates and maintains the New Champlain Bridge Corridor project.
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINTON CROSSTOWN")	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.
SNC-LAVALIN INFRASTRUCTURE PARTNERS LP ("PARTNERSHIP")	20%	Equity	No	2017	N/A	N/A	Holds the participations in Rainbow Hospital Partnership, Chinook Roads Partnership, InTransit BC Limited Partnership, Okanagan Lake Concession Limited Partnership and McGill Healthcare Infrastructure Group.

N/A: not applicable

4.2.2 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	\$ 147.7	\$ 28.2	\$ 175.9	\$ 45.8	\$ 28.2	\$ 73.9

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

Corporate selling, general and administrative expenses totaled \$175.9 million in 2020, compared with \$73.9 million in 2019, mainly reflecting the higher reversal of some corporate incentives and revision of certain estimates in the first quarter of 2019 combined with a \$58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation (as described in Section 14 of this MD&A and in Note 33 to the 2020 Annual Financial Statements), the cost related to a new digital transformation project representing approximately \$10.0 million in 2020 and a \$4.0 million revision to the GMP equalization provision recognized in 2020.

4.2.3 LOSS ARISING ON FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020		2019 ⁽¹⁾	
Loss arising on financial assets (liabilities) at fair value through profit or loss	\$	61.9	\$	4.7

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

The loss arising on financial assets (liabilities) at fair value through profit or loss of \$61.9 million in 2020 (2019: \$4.7 million) is mainly due to a \$57.2 million negative fair value revaluation for the Highway 407 ETR contingent consideration receivable. Such contingent consideration is payable over a period of 10 years by the acquirer of the 10.01% ownership interest in Highway 407 ETR sold by the Company in August 2019. The fair value of this financial asset was negatively impacted mainly by the actual and expected performance of Highway 407 ETR in 2020 due to lower traffic as a result of COVID-19 impacts, as the underlying payments are conditioned on the attainment of certain cumulative financial thresholds related to the performance of Highway 407 ETR.

4.2.4 RESTRUCTURING COSTS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020		2019 ⁽¹⁾	
Restructuring costs	\$	63.3	\$	79.7

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

The Company incurred \$63.3 million of restructuring costs in 2020 (2019: \$79.7 million). Restructuring actions were taken during the year to adjust the cost base of the Company's segments, notably in the Middle East and the U.K. regions of the EDPM segment, for which an amount of \$40.3 million of restructuring costs was recognized in 2020. The restructuring costs of \$63.3 million were mainly for severance obligations, but also included \$16.4 million of non-cash charges, notably \$13.5 million related to impairment of right-of-use assets and \$2.9 million of impairment of property and equipment.

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

4.2.5 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Acquisition-related costs and integration costs	\$ —	\$ 8.3

In 2020, the amount of acquisition-related costs and integration costs was \$nil, compared with \$8.3 million in 2019, related to Atkins and Linxon.

4.2.6 LOSS ON DISPOSALS OF PS&PM BUSINESSES AND GAIN OR ADJUSTMENT ON GAIN FROM DISPOSAL OF A CAPITAL INVESTMENT

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Gain or adjustment on gain from disposal of a Capital investment	\$ (25.0)	\$ (2,970.8)
Loss on disposals of PS&PM businesses	\$ 7.5	\$ 0.3

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

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

In 2019, the Company completed the sale of 10.01% of the shares of Highway 407 ETR to a company controlled by Canada Pension Plan Investment Board. At closing and in accordance with the terms and conditions of the agreement, SNC-Lavalin received the base purchase price proceeds of \$3.0 billion, with up to an additional \$250 million contingently payable over a period of 10 years, conditional on the attainment of certain financial thresholds related to the ongoing performance of Highway 407 ETR and recognized a gain before taxes of \$3.0 billion on this transaction.

4.2.7 AMORTIZATION OF INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019 ⁽¹⁾
Amortization of intangible assets related to business combinations	\$ 126.8	\$ 162.1

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

Amortization of intangible assets related to business combinations amounted to \$126.8 million in 2020, and to \$162.1 million in 2019, both mainly attributable to the amortization expense of intangible assets related to Atkins. The variance from the prior year was mainly due to the end of the amortization period in the third quarter of 2020 of intangible assets related to the revenue backlog of the Atkins acquisition.

4.2.8 IMPAIRMENT LOSS ON REMEASUREMENT OF ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE TO FAIR VALUE LESS COST TO SALE

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019 ⁽¹⁾
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	\$ 6.1	\$ —

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

In 2020, the amount of impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell was \$6.1 million compared with \$nil in 2019, due to the remeasurement of assets related to Atkins Consulting Engineers Limited, in Kenya, a subsidiary part of the EDPM segment and presented as a disposal group classified as held for sale as at December 31, 2020.

4.2.9 FEDERAL CHARGES SETTLEMENT (PPSC)

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Federal charges settlement (PPSC)	\$ —	\$ 257.3

As part of a settlement reached on December 18, 2019, with the Public Prosecution Service of Canada ("PPSC") on federal charges arising from legacy activities in Libya between 2001 and 2011, a subsidiary of the Company agreed to pay a fine in the amount of \$280 million, payable in installments over 5 years starting in 2020. The \$257.3 million expense recognized in 2019 represents the net present value of these installments at the time of the agreement.

4.2.10 EBIT AND EBITDA ANALYSIS

EBIT and EBITDA are non-IFRS financial measures. Definitions and reconciliations of these financial measures to net income are presented in Section 13.

In 2020, **EBIT from PS&PM was negative \$348.2 million**, compared with negative \$214.7 million in 2019, a variance mainly due to a decrease in the Segment Adjusted EBIT of the Infrastructure EPC Projects of \$253.2 million in 2020 compared with 2019, as well as higher corporate selling, general and administrative expenses. This was partially offset by lower amortization of intangible assets related to business combinations and by \$257.3 million of Federal charges settlement (PPSC) recorded in 2019.

EBITDA from PS&PM was negative \$27.8 million in 2020, compared with \$143.7 million in 2019, mainly due to the factors described above for the EBIT from PS&PM other than the decrease in amortization of intangible assets related to business combinations. When adjusting for the charges related to restructuring, the acquisition-related costs and integration costs, the loss on disposals of PS&PM businesses, the adjustment to the provision for the Pyrrhotite Case litigation, the GMP equalization and the federal charges settlement (PPSC) (as described in Section 14 of this MD&A and in Note 33 to the 2020 Annual Financial Statements), **Adjusted EBITDA from PS&PM amounted to \$111.4 million in 2020**, compared with \$485.7 million in 2019.

In 2020, **EBIT from Capital decreased to \$56.2 million**, compared with \$3,183.3 million in 2019, as the latter included a gain on the disposal of a 10.01% stake of Highway 407 ETR of \$2,970.8 million. **EBIT and EBITDA from Capital were negatively impacted in 2020** by a negative fair value revaluation of \$57.2 million of the Highway 407 ETR contingent consideration receivable, as well as a lower contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019, combined with the absence of dividends received from this investment in the second and fourth quarters of 2020, partially offset by the release in full of a provision for contingent indemnification of \$25.0 million in 2020.

4.2.11 NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Interest revenues	\$ (10.9)	\$ (0.4)	\$ (11.3)	\$ (7.6)	\$ (0.2)	\$ (7.8)
Interest on debt:						
Recourse	46.0	—	46.0	85.0	—	85.0
Limited recourse	17.2	—	17.2	45.1	—	45.1
Non-recourse	4.6	16.0	20.6	5.7	18.1	23.8
Net foreign exchange losses (gains)	—	0.6	0.6	0.2	(0.2)	—
Interest on lease liabilities	21.2	—	21.2	20.9	0.2	21.0
Other	19.7	0.1	19.8	47.9	—	47.9
Net financial expenses	\$ 97.7	\$ 16.3	\$ 114.0	\$ 197.3	\$ 17.8	\$ 215.1

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

Net financial expenses from PS&PM decreased to \$97.7 million in 2020 compared with \$197.3 million in 2019, a variance mainly due to a decrease in debt, combined with \$33.8 million of loss related to the amendments to the CDPQ Loan Agreement and \$3.7 million related to other PS&PM financing arrangements in connection with the sale by the Company of 10.01% of the shares of Highway 407 ETR, both included in “Other” for the year 2019 in the table above.

Net financial expenses from Capital were \$16.3 million in 2020, compared with \$17.8 million in 2019, mainly due to lower interest expense on non-recourse debt.

4.2.12 INCOME TAXES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Earnings (loss) from continuing operations before income taxes	\$ (445.9)	\$ 40.0	\$ (406.0)	\$ (411.9)	\$ 3,165.5	\$ 2,753.5
Income tax expense (recovery)	\$ (53.4)	\$ (5.6)	\$ (59.0)	\$ (82.3)	\$ 392.7	\$ 310.3
Effective income tax rate (%)	12.0 %	(14.0)%	14.5 %	20.0 %	12.4 %	11.3 %

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

In 2020, the Company reported an income tax recovery of \$59.0 million, compared to an income tax expense of \$310.3 million in 2019.

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

In 2019, the effective income tax recovery rate from PS&PM was lower than the Canadian statutory income tax rate of 26.5%, mainly due to the non-tax deductible Federal Charges Settlement and \$64.7 million of write-down of previously recognized deferred income tax assets partially offset by the recognition of income tax recoveries on capital losses and earnings not affected by tax.

The effective income tax rate from Capital Investments was lower than the Canadian statutory income tax rate of 26.3% in 2020, mainly due to the non-taxable portion of investment income, including dividends from Highway 407 ETR and the adjustment on the gain from a disposal of a Capital investment. These impacts were partially offset with the non-deductible portion of the capital loss on the negative fair value revaluation for the Highway 407 ETR contingent consideration receivable.

The effective income tax rate from Capital investments was higher in 2019 but was lower than the Canadian statutory income tax rate of 26.5%, mainly due to the non-taxable portion of the gain on the disposal of a 10.01% stake in Highway 407 ETR.

4.2.13 NET INCOME (LOSS) ANALYSIS FROM CONTINUING OPERATIONS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019 ⁽¹⁾
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:		
From PS&PM	\$ (401.7)	\$ (332.0)
From Capital	45.6	2,772.8
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	\$ (356.1)	\$ 2,440.8
Non-controlling interests	9.2	2.4
Net income (loss) from continuing operations	\$ (346.9)	\$ 2,443.2

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

NET LOSS FROM PS&PM

Net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM was \$401.7 million in 2020, compared with a net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM of \$332.0 million in 2019. The net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM in 2020 includes a negative Segment Adjusted EBIT of \$359.7 million in the Infrastructure EPC Projects segment and of \$171.1 million in the Resources segment. In addition, restructuring costs of \$63.3 million before taxes (\$49.4 million after taxes) mainly related to the EDPM segment were incurred in 2020 and \$58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation, as well as a \$53.3 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of tax loss carryforwards in the United States. The net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM in 2019 included a negative Segment Adjusted EBIT of \$111.2 million in the Resources segment and of \$106.5 million in the Infrastructure EPC Projects segment, as well as a \$257.3 million charge related to the Federal Charges Settlement and \$76.1 million (\$59.8 million after taxes) of restructuring costs.

NET INCOME FROM CAPITAL

Net income attributable to SNC-Lavalin shareholders from continuing operations from Capital amounted to \$45.6 million in 2020, compared with a net income attributable to SNC-Lavalin shareholders from continuing operations from Capital of \$2,772.8 million in 2019, as the latter included a gain on the disposal of a 10.01% stake of Highway 407 ETR of \$2,586.0 million. The remaining variance was mainly due to a negative fair value revaluation in 2020 of \$57.2 million of the Highway 407 ETR contingent consideration receivable, as well as the decrease in contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019 combined with the absence of dividends received from this investment in the second and fourth quarters of 2020, partially offset by the release in full of a \$25.0 million provision for contingent indemnification in 2020.

4.2.14 NET LOSS FROM DISCONTINUED OPERATIONS

Net loss from discontinued operations was \$609.3 million in 2020, compared to a net loss from discontinued operations of \$2,112.6 million in 2019.

The table below presents the main components of the net loss from discontinued operations for both 2020 and 2019:

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Restructuring costs	\$ (57.8)	\$ (103.1)
Amortization of intangible assets related to business combinations	—	(19.9)
Gain on disposal of a PS&PM business	6.2	—
Impairment of goodwill	—	(1,801.0)
Impairment of intangible assets related to business combinations	—	(72.8)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(271.6)	—
Income taxes	(63.0)	111.6
Other contribution from discontinued operations	(223.2)	(227.3)
Net loss from discontinued operations	\$ (609.3)	\$ (2,112.6)

Restructuring costs related to discontinued operations were \$57.8 million in 2020, compared to \$103.1 million in 2019. The restructuring costs recognized in 2020 were mainly related to the closure of the Valerus operations. The restructuring costs recognized in 2019 included approximately \$72 million related to Valerus, of which \$52.5 million related to non-cash charges, notably \$31.2 million of inventory write-down, \$11.3 million of impairment of right-of-use assets and \$10.0 million of impairment of property and equipment.

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

The impairment of goodwill and of intangible assets related to business combinations in 2019 was largely attributable to the Company's decision to cease bidding on LSTK construction projects, as well as lower than expected performance in Resources in the first half of 2019 and challenges in replenishing the backlog.

The **impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell** results from the presentation of the Company's Oil & Gas business as held for sale as at December 31, 2020 and its related remeasurement. Upon closing, the transaction is expected to generate a gain on disposal due to the reclassification of the foreign exchange cumulative translation adjustments balance from equity to the income statement at that time. As at December 31, 2020, such cumulative balance of the disposal groups classified as held for sale amounted to \$594.1 million and primarily related to the Oil & Gas business (see Note 39 to the 2020 Annual Financial Statements).

The **income tax expense of \$63.0 million in 2020** was mainly a result of net losses not affected by tax, combined with the anticipated tax impact related to the expected disposition of the Oil & Gas business. The income tax benefit of \$111.6 million in 2019 was mainly due to the reversal of a deferred tax liability previously recognized on the Oil & Gas business prior to its impairment, combined with the recognition of a deferred tax benefit on certain operating losses.

The overall contribution of the Oil & Gas business, which was previously presented as part of the Resources segment, was negatively impacted in both 2020 and 2019 by unfavourable reforecasts on certain LSTK construction projects. Furthermore, in the third quarter of 2020, the Company recognized a \$57.9 million loss from an unfavorable ruling on a completed LSTK legacy project.

5 Backlog (Remaining Performance Obligations)

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

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

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

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

AT DECEMBER 31 (IN MILLIONS \$) BY SEGMENT AND GEOGRAPHIC AREA	2020	2019 ⁽¹⁾
EDPM	\$ 2,864.4	\$ 2,630.0
Nuclear	890.6	1,154.0
Infrastructure Services	7,098.5	7,337.0
SNCL Engineering Services - Total	\$ 10,853.5	\$ 11,121.0
Resources	\$ 161.6	\$ 255.4
Infrastructure EPC Projects	2,014.0	2,584.5
SNCL Projects - Total	\$ 2,175.6	\$ 2,839.9
PS&PM - Total	\$ 13,029.1	\$ 13,960.8
Capital ⁽²⁾	\$ 158.7	\$ 176.9
Total from continuing operations	\$ 13,187.8	\$ 14,137.7
From Canada	\$ 8,155.7	\$ 9,032.9
Outside Canada	5,032.1	5,104.8
Total from continuing operations ⁽³⁾	\$ 13,187.8	\$ 14,137.7

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

⁽²⁾ Backlog from Capital represents the amount that will be recognized as revenue from contracts with customers in the Capital segment from a concession agreement.

⁽³⁾ Revenue backlog excluding backlog related to discontinued operations of \$0.8 billion as at December 31, 2020 (December 31, 2019: \$1.1 billion).

The Company's revenue backlog decreased to \$13.2 billion as at December 31, 2020 compared with \$14.1 billion as at December 31, 2019, mainly reflecting a decrease in Infrastructure EPC Projects, Nuclear and Infrastructure Services, partially offset by an increase in EDPM.

BACKLOG RECONCILIATION

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

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019 ⁽¹⁾
Opening backlog	\$ 14,137.7	\$ 13,381.2
Plus: Contract bookings during the year	5,906.0	8,122.6
Less: Revenues from contracts with customers recognized during the year	6,855.1	7,366.1
Backlog of business sold during the year	0.8	—
Ending backlog	\$ 13,187.8	\$ 14,137.7
Booking-to-revenue ratio ⁽²⁾	0.86	1.10

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

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

BACKLOG BY TYPES OF CONTRACTS

The following tables show the amounts and proportions of reimbursable and engineering services contracts, standardized EPC contracts and LSTK construction contracts included in each segment's backlog as at December 31, 2020 and 2019:

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

⁽¹⁾ In 2020, the Husky White Rose project was reclassified from the LSTK construction contracts to the reimbursable and engineering services contracts to reflect changes made to the contractual terms of this project.

AT DECEMBER 31, 2019 ⁽¹⁾ (IN MILLIONS \$)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
EDPM	\$ 2,630.0	100 %	\$ —	— %	\$ —	— %
Nuclear	1,079.0	94 %	—	— %	75.0	6 %
Infrastructure Services	6,444.5	88 %	892.5	12 %	—	— %
SNCL Engineering Services - Total	\$ 10,153.5	91 %	\$ 892.5	8 %	\$ 75.0	1 %
Resources	\$ 82.7	32 %	\$ —	— %	\$ 172.7	68 %
Infrastructure EPC Projects	—	— %	—	— %	2,584.5	100 %
SNCL Projects - Total	\$ 82.7	3 %	\$ —	— %	\$ 2,757.2	97 %
PS&PM - Total	\$ 10,236.2	74 %	\$ 892.5	6 %	\$ 2,832.2	20 %
Capital	\$ 176.9	100 %	\$ —	— %	\$ —	— %
Total from continuing operations	\$ 10,413.1	74 %	\$ 892.5	6 %	\$ 2,832.2	20 %

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

BACKLOG PHASING

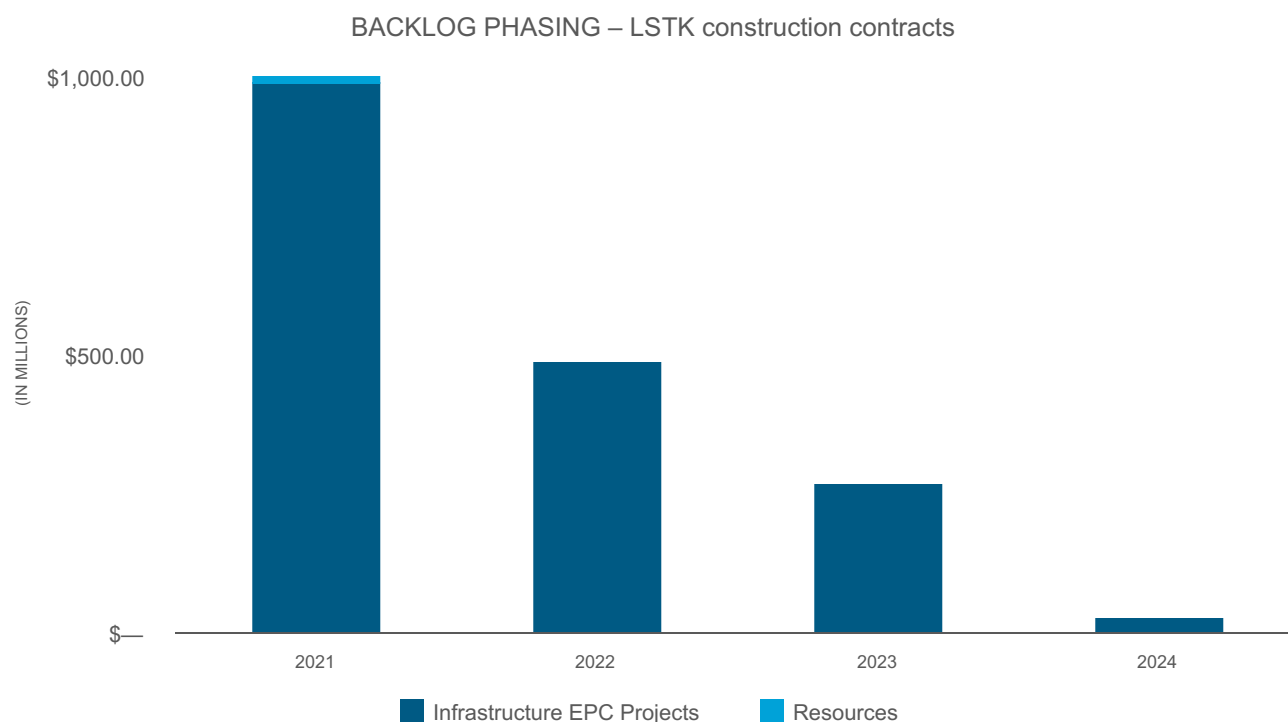
Backlog as at December 31, 2020, is expected to be recognized in revenues as follows: 2021 – \$4.4 billion, 2022 – \$2.0 billion, 2023 – \$1.2 billion, and thereafter – \$5.6 billion (2019: 2020 – \$4.8 billion, 2021 – \$2.2 billion, 2022 – \$1.1 billion, and thereafter – \$6.0 billion). It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

The LSTK construction contracts included in the backlog of the Resources and Infrastructure EPC Projects segments have expected completions varying between 2021 and 2024. The Company will fulfill the contractual obligations of its current LSTK construction projects. It may be necessary for the Company to accept change orders under existing LSTK construction contracts, which may temporarily extend the performance timeframe of such contracts.

In addition, a number of project contracts, particularly in the Resources and Infrastructure EPC Projects segments, have warranty periods and/or outstanding claims, that may result in legal proceedings that extend beyond the actual performance and completion of the projects. See Note 33 - “Contingent Liabilities” to the 2020 Annual Financial Statements.

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

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



6

Geographic Breakdown of Revenues

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020		2019 ⁽¹⁾	
	TOTAL	%	TOTAL	%
Americas:				
Canada	\$ 2,102.4	30 %	\$ 2,618.7	34 %
United States	1,383.6	20 %	1,382.0	18 %
Latin America	81.0	1 %	146.2	2 %
Middle East and Africa:				
Saudi Arabia	167.4	2 %	276.0	4 %
Other Middle East countries	385.7	6 %	585.9	8 %
Africa	203.4	3 %	153.9	2 %
Asia Pacific:				
Australia	38.5	1 %	96.3	1 %
Other	342.2	5 %	319.6	4 %
Europe:				
United Kingdom	1,893.6	27 %	1,759.0	23 %
Other	409.8	6 %	292.3	4 %
Total	\$ 7,007.5	100 %	\$ 7,629.8	100 %

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

AMERICAS:

- **Revenues in Canada in 2020 decreased** compared with 2019, mainly due to a decrease in Infrastructure EPC Projects and Infrastructure Services.
- **Revenues in the United States in 2020 are in line** with 2019, reflecting an increase in Resources, EDPM and Nuclear, mostly offset by a decrease in Infrastructure EPC Projects, due to the completion or near completion of certain major projects.
- **Revenues in Latin America decreased in 2020** compared with the previous year, principally reflecting a decrease in Resources.

MIDDLE EAST AND AFRICA:

- **Revenues in Saudi Arabia decreased in 2020** compared with 2019, primarily due to Resources.
- **Revenues in other Middle East countries decreased in 2020** compared with 2019, mainly due to Resources, partially offset by activities from the Linxon business in Infrastructure Services.
- **Revenues in Africa in 2020 increased** compared with 2019, primarily due to an increase in Resources.

ASIA PACIFIC:

- **Revenues in Australia decreased in 2020** compared with the previous year, mainly attributable to a decrease in Resources due to completion or near completion of certain major projects in 2019, partially offset by an increase in Infrastructure EPC Projects.
- **Revenues in other countries in Asia Pacific, increased in 2020** compared with the previous year, mainly reflecting incremental activities of the Linxon business in Infrastructure Services as well as those in EDPM.

EUROPE:

- **Revenues in the United Kingdom, increased in 2020** compared with the previous year, mainly due to EDPM and Infrastructure Services.
- **Revenues in other countries in Europe increased in 2020** compared with 2019, mainly due to incremental activities of the Linxon business in Infrastructure Services.

7 Fourth Quarter Results

FOURTH QUARTERS ENDED DECEMBER 31
(IN MILLIONS \$)

	2020	2019 ⁽¹⁾	CHANGE (%)
Income Statements			
Revenues	\$ 1,697.9	\$ 1,967.6	(13.7%)
Net income (loss) attributable to SNC-Lavalin shareholders:			
From PS&PM	\$ (736.2)	\$ (310.4)	137.2%
From Capital	33.5	17.5	91.4%
Net loss attributable to SNC-Lavalin shareholders	\$ (702.7)	\$ (292.9)	139.9%
Earnings (loss) per share attributable to SNC-Lavalin shareholders (in \$) :			
Basic	\$ (4.00)	\$ (1.67)	139.9%
Diluted	\$ (4.00)	\$ (1.67)	139.9%
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:			
From PS&PM	\$ (356.4)	\$ (197.7)	80.3%
From Capital	33.5	17.5	91.4%
Net loss attributable to SNC-Lavalin shareholders from continuing operations	\$ (322.9)	\$ (180.2)	79.2%
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM ⁽²⁾	\$ (268.7)	\$ 109.6	N/A
Diluted loss per share from continuing operations ("Diluted EPS") (in \$)	\$ (1.84)	\$ (1.03)	79.3%
Adjusted diluted EPS from PS&PM (in \$) ⁽²⁾	\$ (1.53)	\$ 0.62	N/A
EBIT ⁽²⁾	\$ (372.7)	\$ (132.9)	180.4%
EBITDA ⁽²⁾	\$ (300.7)	\$ (40.1)	650.0%
Adjusted PS&PM EBITDA (% of PS&PM revenues) ⁽²⁾	(14.8%)	10.6%	N/A

⁽¹⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).⁽²⁾ Non-IFRS financial measure. Please refer to Section 13 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

- Revenues totaled \$1,697.9 million in the fourth quarter of 2020, compared with \$1,967.6 million in the corresponding quarter of 2019, mainly reflecting lower revenues in Infrastructure EPC Projects, principally due to the completion or near completion of certain major projects, as well as the impact of the commercial claims receivable reduction in the fourth quarter of 2020, as described below.
- For the fourth quarter of 2020, the net loss attributable to SNC-Lavalin shareholders was \$702.7 million (\$4.00 per diluted share), compared with a net loss attributable to SNC-Lavalin shareholders of \$292.9 million (\$1.67 per diluted share) for the fourth quarter of 2019. The loss in the fourth quarter of 2020 was mainly attributable to the following factors :
 - approximately \$140 million of provisions recognized on certain legacy litigation matters;
 - commercial claims receivable reduction of approximately \$155 million on certain LSTK projects;
 - approximately \$90 million of charges recognized on remaining Canadian LSTK infrastructure projects affected by unprecedented COVID-19 challenges;
 - approximately \$95 million of charges related to historical legacy positions and one remaining LSTK mining project in Resources, of which approximately \$78 million relate to continuing operations and \$17 million relate to discontinued operations; and
 - a write down of \$277.7 million in the value of disposal groups presented as held for sale, of which \$6.1 million relate to continuing operations and \$271.6 million relate to discontinued operations.

- In the fourth quarter of 2019, the Company recognized a \$257.3 million expense related to the federal charges settlement (PPSC).
- **For the fourth quarter of 2020, Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM was \$268.7 million (\$1.53 per diluted share),** compared with an adjusted net income attributable to SNC-Lavalin shareholders from PS&PM of \$109.6 million (\$0.62 per diluted share) for the comparable quarter in 2019, mainly due to the negative Segment Adjusted EBIT from Infrastructure EPC Projects and Resources in the fourth quarter of 2020.
- **EBIT, EBITDA and Adjusted PS&PM EBITDA (% of PS&PM revenues) decreased in the fourth quarter of 2020** compared to the fourth quarter of 2019, mainly due to the factors described above.

AS AT (IN MILLIONS \$)	DECEMBER 31, 2020	SEPTEMBER 30, 2020	CHANGE (%)
Additional Indicator			
Cash and cash equivalents	\$ 932.9	\$ 1,150.5	(18.9%)
Revenue backlog	\$ 13,187.8	\$ 13,209.0	(0.2%)

- **At the end of December 31, 2020, the Company's cash and cash equivalents amounted to \$0.9 billion,** compared with \$1.2 billion at the end of September 30, 2020. The decrease is mainly attributable to cash used for financing activities, mainly for a \$260 million repayment of debentures maturing in November 2020.
- **Revenue backlog was \$13.2 billion as at December 31, 2020,** in line with \$13.2 billion as at September 30, 2020, mainly reflecting a decrease in Infrastructure EPC Projects and Nuclear, offset by an increase in EDPM and in Infrastructure Services.

The following table summarizes the Company's revenues and Segment Adjusted EBIT and reconciles the Segment Adjusted EBIT to the Company's net income (loss) for the fourth quarters ended December 31, 2020 and 2019.

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS \$)		2020			2019 ^{(1) (2)}			
BY SEGMENT		SEGMENT ADJUSTED EBIT FROM PS&PM	SEGMENT ADJUSTED EBIT FROM CAPITAL	TOTAL SEGMENT ADJUSTED EBIT		SEGMENT ADJUSTED EBIT FROM PS&PM	SEGMENT ADJUSTED EBIT FROM CAPITAL	TOTAL SEGMENT ADJUSTED EBIT
	REVENUES				REVENUES			
EDPM	\$ 943.3	\$ 84.9	\$ —	\$ 84.9	\$ 984.0	\$ 93.4	\$ —	\$ 93.4
Nuclear	245.3	36.2	—	36.2	250.8	45.4	—	45.4
Infrastructure Services	334.4	32.0	—	32.0	338.7	20.3	—	20.3
Total SNCL Engineering Services	\$ 1,523.0	\$ 153.1	\$ —	\$ 153.1	\$ 1,573.6	\$ 159.0	\$ —	\$ 159.0
Resources	53.7	(93.4)	—	(93.4)	64.0	(5.9)	—	(5.9)
Infrastructure EPC Projects	98.6	(319.4)	—	(319.4)	293.8	23.4	—	23.4
Total SNCL Projects	\$ 152.3	\$ (412.8)	\$ —	\$ (412.8)	\$ 357.8	\$ 17.4	\$ —	\$ 17.4
Capital	22.6	—	19.1	19.1	36.2	—	31.5	31.5
Total revenues and Segment Adjusted EBIT	\$ 1,697.9	\$ (259.7)	\$ 19.1	\$ (240.6)	\$ 1,967.6	\$ 176.4	\$ 31.5	\$ 208.0
Corporate selling, general and administrative expenses not allocated to the segments		(88.7)	(7.1)	(95.7)		(21.4)	(6.7)	(28.0)
Reversal of impairment loss (Impairment loss) arising from expected credit losses		—	—	—		0.5	—	0.5
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(0.3)	—	(0.3)		6.0	1.1	7.1
Restructuring costs		(31.8)	—	(31.8)		(23.0)	—	(23.0)
Acquisition-related costs and integration costs		—	—	—		(0.1)	—	(0.1)
Amortization of intangible assets related to business combinations		(23.2)	—	(23.2)		(40.0)	—	(40.0)
Adjustment on gain from disposal of a Capital investments		—	25.0	25.0		—	—	—
Loss from disposals of PS&PM businesses		—	—	—		(0.1)	—	(0.1)
Federal charges settlement (PPSC)		—	—	—		(257.3)	—	(257.3)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		(6.1)	—	(6.1)		—	—	—
EBIT		\$ (409.7)	\$ 37.0	\$ (372.7)		\$ (158.8)	\$ 25.9	\$ (132.9)
Net financial expenses		23.6	3.9	27.5		24.0	4.4	28.4
Earnings (loss) before income taxes from continuing operations		\$ (433.3)	\$ 33.2	\$ (400.2)		\$ (182.8)	\$ 21.5	\$ (161.3)
Income taxes		(80.2)	(0.3)	(80.5)		11.0	4.0	15.0
Net income (loss) from continuing operations		\$ (353.1)	\$ 33.5	\$ (319.7)		\$ (193.8)	\$ 17.5	\$ (176.3)
Net loss from discontinued operations		(379.8)	—	(379.8)		(112.7)	—	(112.7)
Net income (loss)		\$ (732.9)	\$ 33.5	\$ (699.5)		\$ (306.5)	\$ 17.5	\$ (289.0)

⁽¹⁾ Comparative figures have been revised to reflect a change made to the measure of profit or loss for the Company's reportable segments and a change made to the Company's reporting structure. Please refer to Section 12 for further details.

⁽²⁾ Comparative figures have been re-presented as a result of an operation discontinued during the current year (see Section 12).

PS&PM total Segment Adjusted EBIT in the fourth quarter of 2020 was negative \$259.7 million, compared with a total Segment Adjusted EBIT from PS&PM of \$176.4 million in the fourth quarter of 2019. The variance is largely attributable to the negative Segment Adjusted EBIT from Infrastructure EPC Projects segment and Resources segment, while the contribution of segments included in SNCL Engineering Services in the fourth quarter of 2020 was in line with the contribution in the corresponding quarter of 2019.

The negative Segment Adjusted EBIT of Infrastructure EPC Projects in the fourth quarter of 2020 was mainly attributable to commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

The negative Segment Adjusted EBIT of Resources in the fourth quarter of 2020 was mainly due to charges for one remaining LSTK project and certain other historical legacy positions.

Segment Adjusted EBIT from Capital decreased to \$19.1 million in the fourth quarter of 2020, compared with \$31.5 million in the corresponding period of 2019, mainly due to lower contributions from certain Capital investments, notably from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019 and the absence of dividend from this investment in the fourth quarter of 2020.

Corporate selling, general and administrative expenses not allocated to segments amounted to \$95.7 million in the fourth quarter of 2020, compared to \$28.0 million in the corresponding period of 2019. The increase is mainly due to a \$48.3 million negative adjustment to the provision for the Pyrrhotite Case litigation, as well as a \$4.0 million revision to the Guaranteed Minimum Pension (“GMP”) equalization provision and \$5.6 million from the digital transformation project, all recognized in the fourth quarter of 2020.

In the fourth quarter of 2020, the Company released in full a provision for contingent indemnification related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period. Such non-cash **reversal of the provision in the amount of \$25.0 million** is included in “Adjustment on gain from disposal of a Capital investment”.

The \$257.3 million expense recognized in the fourth quarter of 2019 for Federal charges settlement represents the net present value of the agreement with Public Prosecution Service of Canada (“PPSC”) on federal charges arising from legacy activities in Libya between 2001 and 2011 (see Section 4.2.9).

The income tax benefit of \$80.5 million in the fourth quarter of 2020 was mainly a result of the loss for the period. The effective income tax recovery rate was lower than the Canadian statutory income tax rate mainly due to non-deductible expenses and other permanent items and the write-down of previously recognized deferred income tax assets. The income tax expense of \$15.0 million in the fourth quarter of 2019, despite a net loss for the period, was mainly a result of the non-deductible expense related to the Federal Charges Settlement.

The net loss from discontinued operations was \$379.8 million in the fourth quarter of 2020, compared to \$112.7 million in the fourth quarter of 2019. While both periods included negative reforecasts on certain major projects, the net loss from discontinued operations in the fourth quarter of 2020 also included a write down of \$271.6 million in the value of this disposal group presented as held for sale.

8 Liquidity and Capital Resources

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

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

8.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020	2019
Cash flows generated from (used for):		
Operating activities	\$ 121.5	\$ (355.3)
Investing activities	(185.1)	2,718.5
Financing activities	(190.4)	(1,802.1)
Decrease from exchange differences on translating cash and cash equivalents	(1.7)	(6.5)
Net increase (decrease) in cash and cash equivalents	\$ (255.7)	\$ 554.6
Cash and cash equivalents at beginning of year	1,188.6	634.1
Cash and cash equivalents at end of year	\$ 932.9	\$ 1,188.6

Cash and cash equivalents decreased by \$255.7 million in 2020, compared with an increase of \$554.6 million in 2019, as discussed further below.

OPERATING ACTIVITIES

Net cash generated from operating activities totaled \$121.5 million in 2020, compared with net cash used for operating activities of \$355.3 million in 2019, a variance reconciled as follows:

(IN MILLIONS \$)	
Net cash used for operating activities for the year ended December 31, 2019	\$ (355.3)
Changes between the years ended December 31, 2020 and 2019:	
Decrease in net income	(1,286.9)
Increase in income taxes paid	(12.6)
Decrease in income taxes recognized in net income	(194.8)
Decrease in net financial expenses recognized in net income	(97.8)
Lower depreciation of property and equipment and amortization of other non-current non-financial assets	(43.2)
Decrease in interest paid	112.5
Decrease in income from Capital investments accounted for by the equity method	123.2
Decrease in dividends and distributions received from Capital investments accounted for by the equity method	(66.9)
Impairment loss on remeasurement of assets held for sale to fair value less cost to sell	277.7
Lower net change in provisions related to forecasted losses on certain contracts	105.5
2019 gain on disposal of a 10.01% stake of Highway 407 ETR	2,945.8
Increase in restructuring costs paid	(31.6)
2019 impairment of intangible assets related to business combinations	(72.8)
2019 impairment of goodwill	(1,801.0)
2019 Federal Charges settlement (PPSC)	(257.3)
Change in loss (gain) arising on financial asset (liabilities) at fair value through profit or loss	57.1
Other items	156.1
Changes in the net cash used for operating activities before net change in non-cash working capital items	\$ (87.0)
Variance from net change in non-cash working capital items	563.8
Net cash generated from operating activities for the year ended December 31, 2020	\$ 121.5

- **Net cash used for operating activities before net change in non-cash working capital items totaled \$107.8 million in 2020**, compared with net cash used for operating activities before net change in working capital items of \$20.7 million in 2019.
- As detailed in Note 28B to the 2020 Annual Financial Statements, **changes in non-cash working capital items generated net cash of \$229.2 million in 2020**, compared with net cash used of \$334.5 million in 2019. This difference reflected mainly a favourable variance in contract assets, trade receivables, contract liabilities, other current non-financial liabilities and inventories, partially offset by an unfavourable variance mainly in trade payables and accrued liabilities and in other current financial liabilities.
 - The favourable variance in other current non-financial liabilities is due in part to the deferral of payments of certain taxes, such as sales taxes and income taxes, in some jurisdictions. Such deferrals resulted from temporary measures implemented as part of certain governmental initiatives related to the COVID-19 pandemic.
- From a business line perspective, SNCL Engineering Services generated \$800.4 million of cash from operating activities in 2020 compared to \$732.6 million in 2019, while SNCL Projects and the Oil & Gas business presented as discontinued operations used \$347.5 million of cash from operating activities in 2020 compared with \$731.7 million in 2019. The remaining amount relates to Capital, corporate activities and items not allocated to the Company's segments.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to \$185.1 million in 2020, compared with net cash generated from investing activities of \$2,718.5 million in 2019, a variance reconciled as follows:

(IN MILLIONS \$)

Net cash generated from investing activities for the year ended December 31, 2019	\$ 2,718.5
Changes between the years ended December 31, 2020 and 2019:	
Decrease in acquisition of property and equipment	46.6
Increase in payments for Capital investments	(15.9)
Favourable change in restricted cash position	29.0
Lower increase in receivables under service concession arrangements, net of recovery	(44.7)
2019 net cash inflow on disposal of a 10.01% stake of Highway 407 ETR	(3,012.3)
2019 net cash inflow on acquisition of Linxon	(14.9)
2019 payment for disposition-related costs on disposals of Capital investments	94.9
Other items	13.6
Net cash used for investing activities for the year ended December 31, 2020	\$ (185.1)

- In 2020, payments for Capital investments amounted to \$55.8 million, compared with \$40.0 million in 2019. The payments made in 2020 included mainly the contribution made by the Company to the Signature on the Saint-Laurent Group General Partnership and Carlyle Global Infrastructure Opportunity Fund, L.P. The payments made in 2019 included mainly the contribution made by the Company to the Rideau Transit Group General Partnership.
- In 2019, there was a cash inflow of \$3.0 billion on disposal by the Company of 10.01% of the shares of Highway 407 ETR. This transaction is described in Note 5A to the 2020 Annual Financial Statements.

FINANCING ACTIVITIES

Net cash used for financing activities totaled \$190.4 million in 2020, compared with net cash used for financing activities of \$1,802.1 million in 2019, a variance reconciled as follows:

(IN MILLIONS \$)

Net cash used for financing activities for the year ended December 31, 2019	\$ (1,802.1)
Changes between the years ended December 31, 2020 and 2019:	
Lower repayment of recourse debt	1,651.6
Lower repayment in limited recourse debt	600.0
Lower increase in recourse debt	(532.4)
Higher repayment of non-recourse debt	(76.4)
Lower increase in non-recourse debt	(64.6)
Decrease in payment of dividends to SNC-Lavalin shareholders	28.1
Higher increase in other non-current financial liabilities	6.7
Other items	(1.2)
Net cash used for financing activities for the year ended December 31, 2020	\$ (190.4)

- The changes in cash flows related to financing activities between 2020 and 2019 were primarily explained by the elements in the table above. Notably, the following transactions on recourse debt and non-recourse debt took place during 2020:
 - The increase in recourse debt of \$1.3 billion in 2020, compared with \$1.8 billion in 2019.
 - In the first quarter of 2020, the Company drew down \$1.0 billion under the second amended and restated credit agreement, dated as of April 30, 2018, among the Company, as borrower, Bank of Montreal, as agent, and the financial institutions from time to time party thereto (as amended, restated or otherwise modified, from time to time, the "Credit Agreement") in order to secure access to liquidity while financial markets were facing challenges. The Company subsequently repaid this draw-down in full.

- In the third quarter of 2020, the Company issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of \$300 million, as further described in Section 8.4.
- The following transactions on recourse debt, limited recourse and non-recourse debt took place during 2019:
 - The repayment of the balance then outstanding on the revolving facility under the Credit Agreement;
 - The repayment of \$600 million of limited recourse debt;
 - The repayment in full of certain debentures maturing in 2019; and
 - The borrowing and repayment in full of \$300 million on a bridge credit facility.
- The Company also provides a reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the years ended December 31, 2020 and 2019 in Note 28C to the 2020 Annual Financial Statements.
- The Company did not issue and did not repurchase any shares either in 2020 or in 2019. The number of common shares outstanding as at March 5, 2021 was 175,554,252.
- **The dividend paid decreased to \$14.0 million in 2020**, from \$42.1 million in 2019, as the Company further reduced, starting with the dividend declared on August 1, 2019, the amount of dividends per share in order to deleverage and strengthen its balance sheet.

8.2 CAPITAL STRUCTURE MANAGEMENT

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

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

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

8.3 CAPITAL RESOURCES

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019
Cash and cash equivalents	\$ 932.9	\$ 1,188.6
Unused portion of committed revolving credit facilities ^{(1), (2)}	2,394.7	2,411.9
Available short-term capital resources	\$ 3,327.6	\$ 3,600.5

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

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

As at December 31, 2020, the Company has a committed revolving facility of \$2,600 million under its Credit Agreement (December 31, 2019: \$2,600 million), of which \$2,394.7 million was unused (December 31, 2019: \$2,411.9 million), and uncommitted credit facilities by way of bilateral letters of credit.

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

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

8.4 DEBT AND FINANCING AGREEMENTS

NON-RECOURSE DEBT, LIMITED RECOURSE DEBT AND RECOURSE DEBT

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

The Company was required to maintain, as at December 31, 2020, a ratio of net recourse debt to EBITDA not to exceed: (a) 3.75x under the Company's Credit Agreement; and (b) 3.50x under the loan agreement, dated as of April 20, 2017, between SNC-Lavalin Highway Holdings Inc., an indirect wholly-owned subsidiary of the Company ("Highway Holdings"), and CDPQ Revenu Fixe Inc. ("CDPQ RF"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (as amended, restated or otherwise modified, from time to time, the "CDPQ Loan Agreement" and the limited recourse loan established thereunder, the "CDPQ Loan"). As at December 31, 2020, the ratio of the Company's net recourse debt to EBITDA, as calculated under both the Credit Agreement and the CDPQ Loan Agreement, was 2.1x and, as such, the Company was in compliance with its financial ratio covenants under such agreements.

In the second quarter of 2019, the Company and CDPQ RF renegotiated certain terms of the CDPQ Loan Agreement, which included, among others, the following material amendments:

- modification to the net recourse debt to EBITDA ratio covenant to align it with the Credit Agreement and extend the application of such covenant from March 31, 2019 to June 30, 2019;
- following the then expected disposal by the Company of 10.01% of the shares of Highway 407 ETR, the Company committed to repay an amount of \$600 million out of \$1 billion outstanding under tranche A of the CDPQ Loan; and
- decrease of the margin applicable to the base rate and payment by the Company of fees of \$15 million.

On October 15, 2019, the CDPQ Loan Agreement was, like the Credit Agreement, amended to extend the temporary increase in the net recourse debt to EBITDA ratio to 4x from June 30, 2019 to December 31, 2019.

As at December 31, 2019, the net recourse debt to EBITDA ratio in accordance with the terms of the Company's Credit Agreement was 2.1x.

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and in the CDPQ Loan Agreement and do not correspond to the specific terms used in this MD&A. Furthermore, such ratio is calculated using certain financial information not disclosed in the 2020 Annual Financial Statements or in this MD&A. For example, the ratio includes the amount of down-payments on contracts totaling \$226.1 million as at December 31, 2020 (December 31, 2019: \$322.4 million) and the amount of outstanding financial letters of credit totaling \$101.6 million as at December 31, 2020 (December 31, 2019: \$259.6 million) as part of the net recourse debt calculation.

ISSUANCE OF SERIES 6 DEBENTURES

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

8.5 CAPITAL MANAGEMENT INDICATORS

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

CASH NET OF RECOURSE DEBT (NET RECOURSE DEBT)

Cash net of recourse debt (Net recourse debt) is a non-IFRS financial measure. A definition of this financial measure is provided in Section 13.

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	2018
Cash and cash equivalents	\$ 932.9	\$ 1,188.6	\$ 634.1
Less:			
Cash and cash equivalents of Capital investments accounted for by the consolidation method	1.9	8.3	3.3
Recourse debt ⁽¹⁾ :			
Revolving facility	—	—	466.9
Term Loan	499.4	499.1	498.8
Series 2 Debentures	—	—	149.9
Series 3 Debentures	175.0	174.7	174.5
Series 4 Debentures	199.5	199.3	199.1
Series 5 Debentures	—	—	149.9
Series 6 Debentures	297.1	—	—
2019 Debentures	—	—	349.9
2020 Debentures	—	299.5	299.0
Cash net of recourse debt (Net recourse debt)	\$ (240.0)	\$ 7.7	\$ (1,657.2)

⁽¹⁾ Refer to Note 20 to the 2020 Annual Financial Statements for a description of each debt instrument.

- **Net recourse debt as at December 31, 2020 was \$240.0 million**, compared with Cash net of recourse debt of \$7.7 million as at December 31, 2019, mainly resulting from a decrease in cash and cash equivalents as explained in Section 8.1.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 13. **ROASE was -33.4% in 2020**, compared with 9.9% for 2019 and -28.2% for 2018.

8.6 CREDIT RATING

On April 7, 2020, DBRS issued a rating report confirming the Company's rating of BBB (low) and maintaining the trend to negative. This rating confirmation is supported by a relatively better performance, comfortable liquidity position with cash balances of \$1.2 billion as at December 31, 2019, and the Company's ongoing efforts to execute the new strategy focusing on engineering service offerings and exiting LSTK contracting. On August 14, 2020, DBRS assigned a BBB (low) negative trend rating on the Company's unsecured Series 6 Debentures in the principal amount of \$300 million due on August 19, 2024. On November 2, 2020, DBRS announced that it was downgrading the Company's rating to BB (high) from BBB (low). This downgrade was driven by recurrent losses in the "Projects" business and continued underperformance in the Company's earnings and credit metrics during 2020 when compared to other investment grade peers.

On February 10, 2021, DBRS placed the Company's Issuer Rating and Unsecured Debentures rating, both currently rated BB (high), Under Review with Negative Implications. The rating actions were taken following the Company's announcement of approximately \$295 million in additional provisions taken for legacy LSTK litigation matters and commercial claims. The Company is also taking approximately \$90 million in charges on its remaining LSTK projects that continue to be affected by the COVID-19 pandemic. As a result of this announcement, key credit metrics continue to face short-term deterioration, below that of the current rating. DBRS anticipates gradual improvement in the Company's business profile in the medium term; however, earnings recovery and stability remain key issues in the near term. DBRS stated that it expects to resolve the Under

Review with Negative Implications status once the Company releases its 2020 financial results and upon further discussions with management about risk control processes and restructuring strategies as the Company continues to navigate the challenges surrounding its legacy business.

On May 15, 2020, S&P affirmed its BB+ rating and maintained its negative outlook. The negative outlook primarily reflects uncertainty in the Company's ability to improve earnings and cash flow so that the adjusted debt-to-EBITDA ratio, as per S&P's methodology, returns below 3x by 2020. On August 17, 2020, S&P assigned a BB+ issued-level rating on the Company's unsecured Series 6 Debentures in the principal amount of \$300 million due on August 19, 2024.

8.7 DIVIDENDS DECLARED

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

YEARS ENDED DECEMBER 31 (IN \$)	2020	2019	2018
Dividends per share declared to SNC-Lavalin shareholders ⁽¹⁾	\$ 0.080	\$ 0.240	\$ 1.148
Dividend decrease (%)	(67%)	(79%)	(13%)

⁽¹⁾ The dividends declared are classified in the period based on the declaration date.

Total cash dividends paid in 2020 were \$14.0 million, compared with \$42.1 million in 2019. The Company has paid quarterly dividends for 31 consecutive years. The Board of Directors of the Company determines the dividend policy.

8.8 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

CONTRACTUAL OBLIGATIONS

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

(IN MILLIONS \$)	2021	2022-2023	2024-2025	THEREAFTER	TOTAL
Short-term debt, long-term debt repayments, commitments to invest and lease liabilities:					
Recourse	\$ 175.0	\$ 700.0	\$ 300.0	\$ —	\$ 1,175.0
Limited recourse	—	—	400.0	—	400.0
Non-recourse	33.3	166.6	54.6	187.2	441.8
Commitments to invest in Capital investments	24.9	—	—	—	24.9
Lease liabilities	124.1	176.9	104.2	218.8	624.0
Total	\$ 357.3	\$ 1,043.5	\$ 858.8	\$ 406.0	\$ 2,665.7

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 20D to the 2020 Annual Financial Statements. The commitments to invest in Capital investments result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to the 2020 Annual Financial Statements. At December 31, 2020, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2019: SSL, Eglinton Crosstown and Carlyle Global Infrastructure Opportunity Fund, L.P.) and were presented as "Other current financial liabilities" (see Note 18 to the 2020 Annual Financial Statements) since they are either expected to be paid in the following year or are callable on demand. Information regarding the Company's lease liabilities can be obtained in Note 34 to the 2020 Annual Financial Statements.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US\$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group (“Carlyle”), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects. Such commitment to invest amounted to US\$82.5 million (approximately CA\$105.7 million) as at December 31, 2020 (2019: US\$89.3 million [approximately CA\$117.2 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 30 to the 2020 Annual Financial Statements.

Derivative financial instruments
<p>SNC-Lavalin enters or may enter into derivative financial instruments, namely:</p> <ul style="list-style-type: none">◦ Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates;◦ Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements;◦ Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company’s share price; and◦ Commodity swap agreements for certain contracts to hedge the variability of commodity prices. <p>Refer to Note 30 to the 2020 Annual Financial Statements for further details.</p> <p>All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.</p>

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



Financial Position

9.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	CHANGE (\$)	EXPLANATIONS
Current Assets				
Cash and cash equivalents	\$ 932.9	\$ 1,188.6	\$ (255.7)	See discussion in Section 8.1.
Restricted cash	29.3	34.1	(4.8)	Decrease in restricted cash is mainly from a certain Capital investment.
Trade receivables	1,199.2	1,533.4	(334.3)	Decrease is mainly due to variation on multiple projects, as well as trade receivables included in the disposal group classified as held for sale as at December 31, 2020.
Contract assets	1,090.1	1,755.3	(665.2)	Decrease is mainly due to variation on multiple projects, as well as contract assets included in the disposal group classified as held for sale as at December 31, 2020.
Inventories	16.1	84.9	(68.8)	Decrease is mainly due to the closure of Valerus in the first quarter of 2020.
Other current financial assets	257.4	222.3	35.1	Increase is mainly due to an increase in fair value of favourable derivative financial instruments, partly offset by a decrease in recovery of costs expected from suppliers and subcontractors and an increase in advances to suppliers, subcontractors and employees and deposits on contracts.
Other current non-financial assets	253.3	331.4	(78.1)	Decrease is mainly due to a decrease in taxes receivable.
Assets of disposal group classified as held for sale	273.2	—	273.2	Increase mainly reflects the classification of the Oil & Gas business as a disposal group held for sale as at December 31, 2020.
Total current assets	\$ 4,051.6	\$ 5,150.1	\$ (1,098.5)	
Property and equipment	\$ 375.9	\$ 470.6	\$ (94.8)	Decrease is mainly due to disposals/retirements/salvage as well as a reclassification of property and equipment to assets of disposal group classified as held for sale as at December 31, 2020..
Right-of-use-assets	346.8	438.8	(92.0)	Decrease mainly reflecting depreciation expense, partially offset by additions in the year.
Capital investments accounted for by the equity method	378.7	399.5	(20.8)	Decrease is due to foreign exchange currency translation and dividends received in 2020 exceeding the Company's share of income.
Capital investments at fair value through other comprehensive income	9.7	8.1	1.6	Not a significant change compared with prior year.
Goodwill	3,429.5	3,429.1	0.4	Not a significant change compared with prior year.
Intangible assets related to business combinations	544.1	665.6	(121.5)	Decrease is mainly due to the amortization expense of 2020.
Deferred income tax asset	655.8	520.5	135.4	Increase is mainly due to an increase in unused tax losses.
Non-current portion of receivables under service concession arrangements	433.9	353.0	80.9	Increase is mainly due to progress of the construction phase of a service concession arrangement.
Other non-current financial assets	31.4	115.9	(84.5)	Decrease is mainly due to the fair value revaluation in 2020 of the contingent consideration receivable related to the sale of 10.01% of the shares of Highway 407 ETR.
Other non-current non-financial assets	83.0	93.5	(10.5)	Not a significant change compared with prior year
Total assets	\$ 10,340.3	\$11,644.7	\$ (1,304.4)	

LIABILITIES

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	CHANGE (\$)	EXPLANATIONS
Current Liabilities				
Trade payables	\$ 1,730.4	\$ 2,153.5	\$ (423.1)	Variation is principally attributable to multiple projects, as well as trade payables included in the disposal group classified as held for sale as at December 31, 2020.
Contract liabilities	837.0	890.0	(53.0)	Variation is mainly due to contract liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Other current financial liabilities	187.8	287.7	(100.0)	Variation is due to a decrease in commitments to invest in certain Capital investments, as well as other current financial liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Other current non-financial liabilities	473.8	383.2	90.6	Increase mainly reflects an increase in taxes payable.
Current portion of provisions	401.6	289.2	112.4	Refer to Note 22 to the 2020 Annual Financial Statements for details.
Current portion of lease liabilities	97.4	131.1	(33.7)	Decrease is mainly due to certain leases which matured or are close to maturity at the end of 2020, as well as lease liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Short-term debt and current portion of long-term debt:				
Recourse	175.0	299.5	(124.6)	Decrease is mainly due to the 2020 Debentures that were repaid in full at maturity in 2020, partly offset by certain debentures maturing in 2021.
Non-recourse	31.3	93.7	(62.4)	Decrease is mainly due to the credit facility of InPower BC.
Liabilities of disposal group classified as held for sale	340.3	—	340.3	Increase mainly reflects the classification of the Oil & Gas business as a disposal group held for sale as at December 31, 2020.
Total current liabilities	\$ 4,274.4	\$ 4,527.9	\$ (253.4)	
Long-term debt:				
Recourse	\$ 996.0	\$ 873.1	\$ 122.9	Increase is mainly due to the issuance of the Series 6 Debentures in 2020, partly offset by the maturity of certain debentures in 2021 now presented in the current portion of recourse debt.
Limited recourse	400.0	400.0	—	No variance compared to prior year.
Non-recourse	400.3	391.5	8.8	Not a significant variance compared to prior year.
Other non-current financial liabilities	193.9	232.6	(38.7)	Decrease is mainly due to the non-current portion of the Federal Charges Settlement (PPSC) liability recognized in 2019.
Non-current portion of provisions	753.2	672.1	81.1	Refer to Note 22 to the 2020 Annual Financial Statements for details.
Non-current portion of lease liabilities	399.2	480.7	(81.5)	Decrease is mainly due to passage of time as well as certain lease liabilities included in the disposal group classified as held for sale as at December 31, 2020.
Other non-current non-financial liabilities	0.2	0.6	(0.3)	Not a significant balance.
Deferred income tax liability	354.3	348.9	5.4	Deferred income tax liabilities in line with prior year.
Total liabilities	\$ 7,771.6	\$ 7,927.3	\$ (155.7)	

EQUITY

AT DECEMBER 31 (IN MILLIONS \$)	2020	2019	CHANGE (\$)	EXPLANATIONS
Share capital	\$ 1,805.1	\$ 1,805.1	\$ —	Share capital in line with prior year.
Retained earnings	478.4	1,555.9	(1,077.5)	The decrease was mainly attributable to the 2020 results.
Other components of equity	(320.1)	354.1	(674.1)	The decrease was largely due to other components of equity included in the disposal group classified as held for sale as at December 31, 2020.
Other components of equity of disposal group classified as held for sale	594.1	—	594.1	Increase mainly reflects the classification of the Oil & Gas business as a disposal group held for sale as at December 31, 2020.
Equity attributable to SNC-Lavalin shareholders	\$ 2,557.5	\$ 3,715.0	\$(1,157.5)	
Non-controlling interests	11.2	2.4	8.8	Not a significant balance.
Total Equity	\$ 2,568.7	\$ 3,717.4	\$(1,148.7)	

WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020	2019	CHANGE (\$)	EXPLANATIONS
Working Capital ⁽¹⁾	\$ (222.9)	\$ 622.2	\$ (845.1)	Decrease is mainly due to the impairment loss on remeasurement of assets of disposal group classified as held for sale, as well as the impact on current assets and current liabilities of certain unfavorable reforecasts,
Current Ratio ⁽¹⁾	0.95	1.14	(0.19)	additional provision on legacy litigation matters and commercial claims receivable reductions in 2020.

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

10 Related Party Transactions

The Company discloses information on its related party transactions, as defined in IAS 24, *Related Party Disclosures*, in Note 36 to the 2020 Annual Financial Statements.

11 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the 2020 Annual Financial Statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the 2020 Annual Financial Statements.

12 Accounting Policies and Changes

Please refer to Note 2 to the 2020 Annual Financial Statements for more information regarding the Company's significant accounting policies and changes, including the changes made to comparative figures as described below.

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

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

13

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

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

13.1 Performance

Adjusted diluted earnings per share ("Adjusted diluted EPS") is defined as adjusted net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS is a non-IFRS financial measure that is an indicator of the financial performance of the Company's activities and allows the Company to present the adjusted net income (loss) attributable to SNC-Lavalin shareholders on a diluted share basis. Refer to [Section 13.3](#) for the reconciliation of Adjusted diluted EPS to diluted EPS (namely, net income (loss) per diluted share) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for each of PS&PM and Capital, as the Company believes that such measures are useful since these activities are also analyzed separately by the Company.

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate operating performance comparison from period to period and to prepare annual operating budgets and forecasts. Adjusted EBITDA is based on EBITDA from continuing operations and excludes charges related to restructuring costs, acquisition-related costs and integration costs, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the adjustment to provision for the Pyrrhotite Case litigation (as described in Section 14 this MD&A and in Note 33 to the 2020 Annual Financial Statements), the Federal charges settlement (PPSC) expense, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the GMP equalization expenses and the impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell. It should be noted that, in 2020, management has added as components to Adjusted EBITDA the amounts of the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the adjustment to provision for the Pyrrhotite Case litigation and the impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell as it believes that such items are not reflective of the Company's underlying operations. Such additions did not result in any change to comparative figures as there were no significant adjustments of this nature in the comparative periods being presented. Also, it should be noted that the following adjustment was removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current periods and the previous year: the net expense for the 2012 class action lawsuit settlement and related legal costs. The Company believes that Adjusted EBITDA is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted EBITDA

is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. Refer to [Section 13.3](#) for a reconciliation of Adjusted EBITDA to net income (loss) from continuing operations as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for each of PS&PM and Capital, as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Adjusted net income (loss) attributable to SNC-Lavalin shareholders is defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, adjusted for certain specific items that are significant but are not, based on management's judgement, reflective of the Company's underlying operations. These adjustments are restructuring costs, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), financing costs related to the agreement to sell shares of Highway 407 ETR, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the federal charges settlement (PPSC) expense, the adjustment to provision for the Pyrrhotite Case litigation, impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell and the GMP equalization expense. It should be noted that, in 2020, management has added as components of Adjusted net income (loss) attributable to SNC-Lavalin shareholders the amounts of the fair value revaluation of Highway 407 ETR contingent consideration receivable, the adjustment to provision for the Pyrrhotite Case litigation and impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell as it believes that such items are not reflective of the Company's underlying operations. Such additions did not result in any change to comparative figures as there were no significant adjustments of this nature in the comparative periods being presented. Also, it should be noted that the following adjustments were removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current periods and the previous year: the net expense for the 2012 class action lawsuit settlement and related legal costs, and the impact of U.S. corporate tax reform. Furthermore, impairment of goodwill and impairment of intangible assets related to business combinations were removed in 2020 from the list of adjustments disclosed in prior periods as the impact of these elements for 2019 were related to discontinued operations. The Company believes that Adjusted net income (loss) attributable to SNC-Lavalin shareholders is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted net income (loss) attributable to SNC-Lavalin shareholders is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. It is also used by management to evaluate the performance of the activities of the Company from period to period. Refer to [Section 13.3](#) for a reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for each of PS&PM and Capital, as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Booking-to-revenue ratio corresponds to contract bookings divided by revenues for a given period. This measure provides a useful basis for assessing the renewal of business, as it compares the value of performance obligations added in a given period to the amount of revenue recognized upon satisfying performance obligations in the same given period.

EBIT is an indicator of the entity's capacity to generate earnings from continuing operations before income taxes and before taking into account management's financing decisions. Accordingly, EBIT is defined as earnings from continuing operations before net financial expenses (income) and income taxes. Refer to [Section 13.3](#) for a reconciliation of EBIT to net income (loss) from continuing operations as determined under IFRS.

EBITDA is defined as earnings from continuing operations before net financial expenses (income), income taxes, depreciation and amortization. As such, this financial measure allows comparability of operating results from one period to another by excluding the effects of items that are usually associated with investing and financing activities. Refer to [Section 13.3](#) for a reconciliation of EBITDA to net income (loss) from continuing operations as determined under IFRS.

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

Segment Adjusted EBIT consists of revenues allocated to the applicable segment less i) direct costs of activities, ii) directly related selling, general and administrative expenses, and iii) corporate selling, general and administrative expenses that are allocated to segments. Segment Adjusted EBIT is the measure used by management to evaluate the performance of the Company's segments, and gives investors an indication of the profitability of each segment, as it excludes certain items that the Company believes are not reflective of the segment's underlying operations. Such financial measure also facilitates period-to-period comparisons of the underlying segment's performance. Expenses that are not allocated to the Company's segments are: certain corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, gain (loss) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, the federal charges settlement (PPSC) expense and gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell, net financial expenses and income taxes. Also, it should be noted that the following adjustment was removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current periods and the previous year: the net expense for the 2012 class action lawsuit settlement and related legal costs. Furthermore, impairment of goodwill and impairment of intangible assets related to business combinations were removed in 2020 from the list of adjustments disclosed in prior periods as the impact of these elements for 2019 were related to discontinued operations. See the reconciliation of total Segment Adjusted EBIT to net income (loss) in [Section 4](#). A reconciliation of Segment Adjusted EBIT from PS&PM and from Capital to net income (loss) as determined under IFRS is also presented in Note 4 to the 2020 Annual Financial Statements.

Segment Adjusted EBITDA is a supplemental measure derived from Segment Adjusted EBIT and used by management to evaluate the performance of the Company's segments but excluding certain items related to investing activities, through the exclusion of depreciation and amortization from direct costs of activities. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance against competitors. See the reconciliation of Segment Adjusted EBITDA to Segment Adjusted EBIT in [Section 13.3](#), whereas the Segment Adjusted EBIT is reconciled to net income (loss) in [Section 4](#).

Segment Adjusted EBIT to revenue ratio and **Segment Adjusted EBITDA to revenue ratio** are two measures used to analyze the profitability of the Company's segments and facilitate period-to-period comparisons, as well as comparison with peers. These financial measures are calculated by dividing the amount of Segment Adjusted EBIT (Segment Adjusted EBITDA) of a given period to the amount of revenue for the same period.

13.2 Liquidity

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

Net recourse debt (or Cash net of recourse debt) corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company’s recourse debt. It provides a view of the Company’s liquidity compared to its indebtedness, excluding the liquidity and debt of non-recourse financing. As such, it is believed to be helpful when analyzing the Company’s liquidity. Refer to [Section 8.5](#) for a reconciliation of Cash net of recourse debt (or Net recourse debt) to cash and cash equivalents as determined under IFRS.

Working capital corresponds to the amount of the Company’s total current assets minus its total current liabilities and the **Current ratio** corresponds to the Company’s total current assets divided by its total current liabilities. Both measures are used to compare the Company’s current assets with its current liabilities and are believed to be useful metrics in analyzing the Company’s liquidity.

13.3 Reconciliations

The tables below provide a quantitative reconciliation between certain non-IFRS measures to the most comparable measure specified under IFRS:

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss)	\$ (732.9)	\$ 33.5	\$ (699.5)	\$ (306.5)	\$ 17.5	\$ (289.0)
Less:						
Discontinued operations	(379.8)	—	(379.8)	(112.7)	—	(112.7)
Non-controlling interests	3.3	—	3.3	3.9	—	3.9
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	\$ (356.4)	\$ 33.5	\$ (322.9)	\$ (197.7)	\$ 17.5	\$ (180.2)
Adjustments (net of income taxes):						
Restructuring costs	\$ 23.0	\$ —	\$ 23.0	\$ 17.4	\$ —	\$ 17.4
Amortization of intangible assets related to business combination	18.9	—	18.9	32.4	—	32.4
Adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	1.8	1.8
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
GMP Equalization	3.2	—	3.2	—	—	—
Loss from adjustment on disposals of PS&PM businesses	—	—	—	0.1	—	0.1
Adjustment to provision for the Pyrrhotite Case litigation	36.6	—	36.6	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted net income (loss) attributable to SNC-Lavalin shareholders	\$ (268.7)	\$ 8.5	\$ (260.2)	\$ 109.6	\$ 19.3	\$ 128.9
Diluted EPS from continuing operations (in \$)	\$ (2.03)	\$ 0.19	\$ (1.84)	\$ (1.13)	\$ 0.10	\$ (1.03)
Adjustments (net of income taxes):						
Restructuring costs	\$ 0.13	\$ —	\$ 0.13	\$ 0.10	\$ —	\$ 0.10
Amortization of intangible assets related to business combinations	0.11	—	0.11	0.18	—	0.18
Adjustment on gain from disposal of a Capital investment	—	(0.14)	(0.14)	—	0.01	0.01
Federal charges settlement (PPSC)	—	—	—	1.47	—	1.47
GMP Equalization	0.02	—	0.02	—	—	—
Loss from adjustment on disposals of PS&PM businesses	—	—	—	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	0.21	—	0.21	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	0.03	—	0.03	—	—	—
Adjusted diluted EPS	\$ (1.53)	\$ 0.05	\$ (1.48)	\$ 0.62	\$ 0.11	\$ 0.73

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

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YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss)	\$ (1,001.8)	\$ 45.6	\$ (956.3)	\$ (2,442.2)	\$ 2,772.8	\$ 330.6
Less:						
Discontinued operations	(609.3)	—	(609.3)	(2,112.6)	—	(2,112.6)
Non-controlling interests	9.2	—	9.2	2.4	—	2.4
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	\$ (401.7)	\$ 45.6	\$ (356.1)	\$ (332.0)	\$ 2,772.8	\$ 2,440.8
Adjustments (net of income taxes):						
Restructuring costs	\$ 49.4	\$ —	\$ 49.4	\$ 59.8	\$ 2.5	\$ 62.4
Acquisition-related costs and integration costs	—	—	—	5.9	—	5.9
Amortization of intangible assets related to business combination	103.5	—	103.5	131.6	—	131.6
Gain or adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	(2,586.0)	(2,586.0)
Financing costs related to the agreement to sell shares of Highway 407 ETR	—	—	—	27.4	—	27.4
Fair value revaluation of Highway 407 ETR contingent consideration receivable	—	49.6	49.6	—	—	—
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
Loss on disposals of PS&PM businesses	7.5	—	7.5	0.3	—	0.3
GMP Equalization	3.2	—	3.2	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	43.6	—	43.6	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted net income (loss) attributable to SNC-Lavalin shareholders	\$ (188.4)	\$ 70.2	\$ (118.2)	\$ 150.2	\$ 189.4	\$ 339.7
Diluted EPS from continuing operations (in \$)	\$ (2.29)	\$ 0.26	\$ (2.03)	\$ (1.89)	\$ 15.79	\$ 13.90
Adjustments (net of income taxes):						
Restructuring costs	\$ 0.28	\$ —	\$ 0.28	\$ 0.34	\$ 0.01	\$ 0.36
Acquisition-related costs and integration costs	—	—	—	0.03	—	0.03
Amortization of intangible assets related to business combinations	0.59	—	0.59	0.75	—	0.75
Gain or adjustment on gain from disposal of a Capital investment	—	(0.14)	(0.14)	—	(14.73)	(14.73)
Financing costs related to the agreement to sell shares of Highway 407 ETR	—	—	—	0.16	—	0.16
Fair value revaluation of Highway 407 ETR contingent consideration receivable	—	0.28	0.28	—	—	—
Federal charges settlement (PPSC)	—	—	—	1.47	—	1.47
Loss on disposals of PS&PM businesses	0.04	—	0.04	—	—	—
GMP Equalization	0.02	—	0.02	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	0.25	—	0.25	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	0.03	—	0.03	—	—	—
Adjusted diluted EPS	\$ (1.07)	\$ 0.40	\$ (0.67)	\$ 0.86	\$ 1.08	\$ 1.93

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

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FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	\$ (353.1)	\$ 33.5	\$ (319.7)	\$ (193.8)	\$ 17.5	\$ (176.3)
Net financial expenses	23.6	3.9	27.5	24.0	4.4	28.4
Income taxes	(80.2)	(0.3)	(80.5)	11.0	4.0	15.0
EBIT	\$ (409.7)	\$ 37.0	\$ (372.7)	\$ (158.8)	\$ 25.9	\$ (132.9)
Depreciation and amortization	\$ 48.8	\$ —	\$ 48.8	\$ 43.6	\$ 0.1	\$ 43.7
Amortization of intangible assets related to business combinations	23.2	—	23.2	40.0	—	40.0
EBITDA	\$ (337.8)	\$ 37.1	\$ (300.7)	\$ (75.2)	\$ 25.9	\$ (49.2)
(as % of Revenues)	(20.2)%	N/A	(17.7)%	(3.9)%	N/A	(2.5)%
Restructuring costs	\$ 31.8	\$ —	\$ 31.8	\$ 23.0	\$ —	\$ 23.0
Acquisition-related costs and integration costs	—	—	—	0.1	—	0.1
Adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	—	—
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
Loss from adjustment on disposals of PS&PM businesses	—	—	—	0.1	—	0.1
GMP Equalization	4.0	—	4.0	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	48.3	—	48.3	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted EBITDA	\$ (247.6)	\$ 12.1	\$ (235.5)	\$ 205.3	\$ 25.9	\$ 231.2
(as % of Revenues)	(14.8)%	N/A	(13.9)%	10.6 %	N/A	11.8 %

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

YEARS ENDED DECEMBER 31 (IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020			2019 ⁽¹⁾		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	\$ (392.5)	\$ 45.6	\$ (346.9)	\$ (329.6)	\$ 2,772.8	\$ 2,443.2
Net financial expenses	97.7	16.3	114.0	197.3	17.8	215.1
Income taxes	(53.4)	(5.6)	(59.0)	(82.3)	392.7	310.3
EBIT	\$ (348.2)	\$ 56.2	\$ (292.0)	\$ (214.7)	\$ 3,183.3	\$ 2,968.6
Depreciation and amortization	\$ 193.7	\$ 0.2	\$ 193.9	\$ 196.3	\$ 0.2	\$ 196.5
Amortization of intangible assets related to business combinations	126.8	—	126.8	162.1	—	162.1
EBITDA	\$ (27.8)	\$ 56.5	\$ 28.7	\$ 143.7	\$ 3,183.5	\$ 3,327.2
(as % of Revenues)	(0.4)%	N/A	0.4 %	2.0 %	N/A	43.6 %
Restructuring costs	\$ 63.3	\$ —	\$ 63.3	\$ 76.1	\$ 3.6	\$ 79.7
Acquisition-related costs and integration costs	—	—	—	8.3	—	8.3
Gain or adjustment on gain from disposal of a Capital investment	—	(25.0)	(25.0)	—	(2,970.8)	(2,970.8)
Fair value revaluation of the Highway 407 ETR contingent consideration receivable	—	57.2	57.2	—	—	—
Federal charges settlement (PPSC)	—	—	—	257.3	—	257.3
Loss on disposals of PS&PM businesses	7.5	—	7.5	0.3	—	0.3
GMP Equalization	4.0	—	4.0	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	58.3	—	58.3	—	—	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6.1	—	6.1	—	—	—
Adjusted EBITDA	\$ 111.4	\$ 88.7	\$ 200.1	\$ 485.7	\$ 216.3	\$ 702.0
(as % of Revenues)	1.6 %	N/A	2.9 %	6.6 %	N/A	9.2 %

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

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
BY SEGMENT	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA
EDPM	\$ 84.9	\$ 23.0	\$ 107.9	\$ 93.4	\$ 28.3	\$ 121.7
Nuclear	36.2	3.6	39.8	45.4	3.1	48.4
Infrastructure Services	32.0	3.5	35.5	20.3	4.8	25.1
SNCL Engineering Services - Total	\$ 153.1	\$ 30.1	\$ 183.2	\$ 159.0	\$ 36.2	\$ 195.2
Resources	\$ (93.4)	\$ 2.9	\$ (90.6)	\$ (5.9)	\$ (5.8)	\$ (11.8)
Infrastructure EPC Projects	(319.4)	5.4	(314.0)	23.4	5.6	28.9
SNCL Projects - Total	\$ (412.8)	\$ 8.3	\$ (404.6)	\$ 17.4	\$ (0.3)	\$ 17.2
PS&PM - Total	\$ (259.7)	\$ 38.3	\$ (221.4)	\$ 176.4	\$ 36.0	\$ 212.4
Capital	\$ 19.1	\$ —	\$ 19.2	\$ 31.5	\$ 0.1	\$ 31.6
Total from continuing operations	\$ (240.6)	\$ 38.4	\$ (202.2)	\$ 208.0	\$ 36.0	\$ 244.0

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

YEARS ENDED DECEMBER 31 (IN MILLIONS \$)	2020			2019 ⁽¹⁾		
BY SEGMENT	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA	SEGMENT ADJUSTED EBIT	DEPRECIATION AND AMORTIZATION	SEGMENT ADJUSTED EBITDA
EDPM	\$ 302.3	\$ 98.6	\$ 400.9	\$ 357.8	\$ 112.5	\$ 470.3
Nuclear	140.1	13.8	153.9	127.6	13.1	140.7
Infrastructure Services	97.2	11.1	108.3	73.5	16.0	89.5
SNCL Engineering Services - Total	\$ 539.5	\$ 123.6	\$ 663.1	\$ 558.9	\$ 141.6	\$ 700.5
Resources	\$ (171.1)	\$ 12.0	\$ (159.1)	(111.2)	\$ 10.5	\$ (100.7)
Infrastructure EPC Projects	(359.7)	17.5	(342.1)	(106.5)	21.5	(85.0)
SNCL Projects - Total	\$ (530.8)	\$ 29.5	\$ (501.3)	\$ (217.7)	\$ 32.0	\$ (185.7)
PS&PM - Total	\$ 8.7	\$ 153.1	\$ 161.8	\$ 341.2	\$ 173.6	\$ 514.8
Capital	\$ 116.6	\$ 0.2	\$ 116.9	\$ 243.2	\$ 0.2	\$ 243.5
Total from continuing operations	\$ 125.3	\$ 153.3	\$ 278.7	\$ 584.4	\$ 173.8	\$ 758.3

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

14 Risks and Uncertainties

14.1 PRINCIPAL RISKS AND UNCERTAINTIES

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

ADDITIONAL IMPACTS OF THE COVID-19 PANDEMIC

The COVID-19 global pandemic, has significantly disrupted global health, economic, market and labour conditions and has created varying degrees of slowdowns in the global economy and recessions. The ongoing pandemic has had and continues to have material adverse repercussions in the jurisdictions where the Company has offices, delivers services and holds investments, and has created and continues to create significant volatility and negative pressure on virtually all national economies as well as financial markets. At the present time the duration or scope of the pandemic cannot be predicted and, although some impacts have materialized, it remains challenging for the Company to accurately estimate or quantify the full scope and magnitude of the pandemic's impact on the Company, its business, financial condition and prospects.

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

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

- Action taken by governmental and non-governmental bodies to curtail activity in an effort to help slow the spread of COVID-19, including the implementation of mandatory quarantines, restrictions on travel, "stay-at-home" orders and restrictions on the types of businesses that may continue to operate and on the types of construction projects that may continue to progress. The Company's worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from (i) disruptions in the Company's supply chains, (ii) project delays resulting from temporary or partial project shutdowns, and (iii) the Company's inability to continue or resume projects as a result of extended or complete project shutdowns, which may, in each case, expose the Company to penalties or sanctions under contracts, business interruption claims or even the cancellation or termination of contracts altogether.
- If the COVID-19 pandemic persists for a significant portion of 2021, it may continue to impact the health of the Company's personnel, partners and contractors, making it difficult to recruit, attract and retain skilled personnel.

- Resumption of operations by the Company operates after previously implemented restrictive measures have been loosened or eliminated has been and may continue to be delayed or constrained as a result of the lingering effects of the impacts of COVID-19 on the Company's employees, contractors, suppliers, third-party service providers and customers. Resumption may also continue to impose an additional financial burden on the Company as it seeks to resume projects with adequate safety measures in place, which safety measures may not be sufficient to mitigate the risk of infection and could result in increased illness among the Company's employees and contractors and associated business interruption, as well as lower productivity due to revised working conditions. The continued spread of the pandemic and further resurgences have caused and may continue to cause the reintroduction of previously loosened or eliminated restrictions or the imposition of new restrictions that could potentially be more onerous.
- Work-from-home measures implemented by the Company have impacted and may continue to impact the productivity of certain employees. In addition, the measures implemented by the Company present operational challenges as technology in employees' homes may not be as robust as in the Company's offices and, as such, could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than the Company's in-office technology. Moreover, having a significant portion of the Company's workforce working remotely from non-office-based locations has led to an increase in the number of potential points of attack and greater cybersecurity risks, including increased phishing attacks, introduction of malware, strain on the local technology networks for remote operations, and may cause impairment of the ability to perform critical functions. The Company could also face legal, reputational and financial risks if it fails to protect data from security breaches or cyberattacks.
- Having to systemically deal with, manage and implement a coherent response to the COVID-19 pandemic could divert management's attention from the Company's key strategic priorities, increase costs as the Company prioritizes health and safety matters and complies with mitigation measures imposed upon it for the benefit of its personnel and the continuation of ongoing projects, and cause the Company to reduce, delay, alter or abandon initiatives that may otherwise increase its long-term value.
- Public perception of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, a decrease in demand for the Company's services and worsening economic conditions.

While the Company (i) has entered into a strategic alliance with key technology partners to provide a digital collaboration platform, which the Company's workforce may access from home or other remote locations to ensure that high levels of project delivery are maintained, (ii) has been awarded work as a result of the COVID-19 situation, and (iii) continues to bid and be awarded work on similar projects and has made efforts to manage and mitigate the aforementioned risk factors, such efforts may not sufficiently mitigate the negative impacts of COVID-19 on the business and the effectiveness of these efforts and the extent to which the COVID-19 pandemic affects the Company's business will depend on factors beyond its control, including all of the factors listed above, as well as other elements of uncertainty. Even after the COVID-19 pandemic begins to wane, the Company may continue to experience material adverse effects to its business, financial condition and prospects as a result of the continued disruption in the global economy and any resulting recession, the effects of which may persist beyond that time and which may not be fully reflected in our results of operations until future periods.

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

Execution of the strategic direction announced in 2019

On July 22, 2019, the Company announced that it would be focusing on the high-performing and growth areas of the business and that it was exiting LSTK construction contracting.

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

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

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

In July 2020 and in furtherance of the strategic direction announced in July 2019, the Company announced that it would be transforming its Resources Business to focus on a Services offering in a limited number of existing primary markets, which complement the Company's broader engineering services capabilities and strategy. The new Resources Services business provides a targeted service offering to customers focused on engineering consulting, project management services, and advising on construction management in the energy, mining and metallurgy sectors. On February 9, 2021, the Company announced that it entered into a binding agreement to sell its Resources Oil & Gas business with a targeted closing in the second quarter of 2021.

Significant decreases in the demand for oil and natural gas have had, and may well continue to have, an adverse impact on the demand for the Company's services in its Oil and Gas business, as customers in the oil and gas sector continue to revise their capital budgets downwards and adjust their operations in response to uncertain market conditions and unstable commodity prices. In addition, the volatility in the oil and natural gas markets may pose liquidity challenges for the Company's Oil and Gas business as its customers in the oil and gas sector may seek to delay, defer, restructure or stop payments in connection with their own liquidity issues, restructuring or creditor protection actions.

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

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

Furthermore, should the Company experience difficulties in the execution of projects due to various factors, such as a lack of efficiency in the implementation of its processes, failure to accurately estimate project costs and/or conclude strategic transactions pertaining to project resources, such difficulties could have an adverse impact on the Company's financial results from these projects.

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

In addition, in certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs

should the project or facility subsequently fail to meet the scheduled completion date or performance standards. A project's revenues could also be reduced in the event the Company is required to pay liquidated damages or in connection with contractual penalty provisions, which can be substantial and can accrue on a daily basis.

Remaining performance obligations

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

Contract awards and timing

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

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

SNC-Lavalin's estimates of future performance depend on, among other matters, whether and when the Company will receive certain new contract awards, including the extent to which the Company utilizes its workforce. The rate at which SNC-Lavalin utilizes its workforce is impacted by a variety of factors including: the Company's ability to manage attrition; the Company's ability to forecast its need for services which in turn allows the Company to maintain an appropriately sized workforce; the Company's ability to transition employees from

completed projects to new projects or between internal business groups; and the Company's need to devote resources to non-chargeable activities such as training or business development. While SNC-Lavalin's estimates are based upon its professional judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when the Company will receive a contract award. The uncertainty of contract award timing can present difficulties in matching the Company's workforce size with its contract needs. If an expected contract award is delayed or not received, or if an ongoing contract is cancelled, the Company could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing the Company's operational efficiency, margins and profits.

Being a provider of services to government agencies

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

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

International operations

A significant portion of SNC-Lavalin's revenues are attributable to projects in international markets outside of Canada. SNC-Lavalin's business is dependent on the continued success of its international operations, and the Company expects its international operations to continue to account for a significant portion of total revenues. The Company's international operations are subject to a variety of risks, many of which also apply to its Canadian operations, including:

- recessions and other economic crises in other regions, or specific foreign economies and the impact on the Company's costs of doing business in those countries;
- difficulties in staffing and managing foreign operations, including logistical, security and communication challenges;
- changes in foreign government policies, laws, regulations and regulatory requirements, or the interpretation, application and/or enforcement thereof;
- difficulty or expense in enforcing contractual rights due to a lack of a developed legal system or otherwise;
- renegotiation or nullification of existing contracts;
- the adoption of new, and the expansion of existing, trade or other tariffs and restrictions, including those of a retaliatory or political nature as geopolitical events unfold;
- difficulties, delays and expense that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions;
- embargoes;

- acts of war, civil unrest, force majeure and terrorism;
- social, political and economic instability;
- expropriation of property;
- the risk that inter-governmental relationships may deteriorate such that the Company's operations in a given country may be negatively impacted because the Company is head-quartered in Canada or because we carry on business in another country;
- difficulties, delays and expense that may be experienced in obtaining critical licenses, permits or the like to carry on the Company's business as a result of administrative processes in certain jurisdictions that differ from those in North America;
- tax increases or changes in tax laws, legislation or regulation or in the interpretation, application and/or enforcement thereof; and
- limitations on the Company's ability to repatriate cash, funds or capital invested or held in jurisdictions outside Canada.

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

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

Nuclear liability

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

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

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

Ownership interests in investments

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

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

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

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

Dependence on third parties

SNC-Lavalin undertakes contracts wherein it subcontracts a portion of the project or the supply of material and equipment to third parties. If the amount the Company is required to pay for subcontractors or equipment and supplies exceeds what was estimated, the Company may suffer losses on these contracts. If a supplier or subcontractor fails to provide supplies, equipment or services as required under a negotiated contract for any reason, or provides supplies, equipment or services that are not of an acceptable quality or quantity, the Company may be required to source those supplies, equipment or services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. In addition, faulty equipment or materials could impact the overall project, resulting in claims against SNC-Lavalin for failure to meet required project specifications. These risks may be intensified during an economic downturn if these suppliers or subcontractors experience financial difficulties or find it difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the services or supplies (altogether or on a timely basis) or the requisite quality or grade of services or supplies necessary for the Company's business. In addition, in instances where SNC-Lavalin relies on a single contracted supplier or subcontractor or a small number of subcontractors, there can be no assurance that the marketplace can provide these products or services on a timely basis, or at the costs the Company had anticipated. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact SNC-Lavalin's business and/or reputation and, in the case of government contracts, could also result in fines, penalties, suspension or even debarment being imposed on the Company.

Joint ventures and partnerships

SNC-Lavalin undertakes certain contracts with joint venture partners, as a member of partnerships, and under other similar arrangements. This situation exposes the Company to a number of risks, including the risk that its partners may be unable or unwilling to fulfill their contractual obligations to the Company or its clients.

SNC-Lavalin's partners may also be unable or unwilling to provide the required levels of financial support to the partnerships. If these circumstances occur, the Company may be required to pay financial penalties or liquidated damages, provide additional services, or make additional investments to ensure adequate performance and delivery of the contracted services. Under agreements with joint and several (or solidary) liabilities, SNC-Lavalin could be liable for both its obligations and those of its partners. These circumstances could also lead to disputes and litigation with the Company's partners or clients, all of which could have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

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

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

Information systems and data and compliance with privacy legislation

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

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

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

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

As a company that operates globally, SNC-Lavalin is subject to a complex array of legislation designed to protect personal and confidential information. Privacy and data protection legislation and regulations are in constant evolution, and it is anticipated that more countries will establish personal data protection frameworks in 2021 and beyond. The ever-changing landscape presents unique compliance challenges for SNC-Lavalin as its business undergoes significant transformation. Presently, the European Union's General Data Protection Regulation and the Canadian federal Personal Information Protection and Electronic Documents Act (PIPEDA) set the global compliance-standard for SNC-Lavalin's personal data compliance framework. In addition, responding to the UK's withdrawal from the European Union ("Brexit") has recently been a key focus for SNC-Lavalin's data protection and compliance efforts. The EU is currently undertaking a review of the UK's data privacy legislative framework before determining how freely personal data may flow across borders and thus there remains a degree of uncertainty in relation to data transfers between the UK and EU.

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

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

Competition

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

Professional liability or liability for faulty services.

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

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

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

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

Insurance coverage

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

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

Health & Safety

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

Qualified personnel

The success of SNC-Lavalin heavily depends on its workforce and the ability to attract and retain qualified personnel in a competitive work environment. The inability to attract and retain qualified personnel could result in, among other factors, lost opportunities, cost overruns, failure to perform on projects and inability to mitigate risks and uncertainties.

Work stoppages, union negotiations and other labour matters

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

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

The Company's field activities are generally performed outdoors and include professional surveying, resident engineering services, field data surveys and collection, archeology, geotechnical investigations and exploratory drilling, construction oversight and inspection, plant start-up and testing and plant operations. Extreme weather conditions or natural or other disasters, such as earthquakes, fires, floods, epidemics or pandemics (including the current COVID-19 pandemic) and similar events, may cause postponements in the initiation and/or completion of the Company's field activities and may hinder the ability of its employees to perform their duties, which may result in delays or loss of revenues that otherwise would be recognized while certain costs continue to be incurred. Extreme weather conditions or disasters may also delay or eliminate the start and/or completion of various phases

of work relating to other services that commence concurrently with or subsequent to field activities. The Company's financial and/or operating performance could also be adversely affected by the outbreak of epidemics or other public health crises. Refer to the risk factor entitled "Additional impacts of the COVID-19 Pandemic" in this Section for a description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs. Any delay in the completion of the Company's services may require the Company to incur additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules. Due to various factors, a delay in the commencement or completion of a project may also result in penalties or sanctions under contracts or even the cancellation of contracts.

Divestitures and the sale of significant assets

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

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

Intellectual property

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

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

Liquidity and financial position

The Company relies on its cash, its credit facilities and other debt instruments, as well as the capital markets to provide some of its liquidity and capital requirements and it is, in certain instances, required to obtain bank guarantees/letters of credit as a means to secure its various contractual obligations for its underlying projects. Significant instability or disruptions of the capital markets or a deterioration in or weakening of its financial position due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the

cost of one or more of these financing sources, including credit facilities, the issuance of medium- and long-term debt (such as the issuance of debentures, bonds or notes), or the availability of bank guarantees/letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate cash balance and generate sufficient cash flow from operations in an amount to enable itself to fund its operations and liquidity needs, service its debt and/or maintain its ability to obtain and secure bank guarantees.

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

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

Indebtedness

The Company had approximately \$2.0 billion of consolidated indebtedness as at December 31, 2020 under recourse, limited recourse and non-recourse debt.

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

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

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

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

A breach of any of these agreements or the Company's inability to comply with these covenants (as the case may be) could, if not cured or waived, result in an acceleration of the Company's consolidated debt or a cross-default

under certain of its debt instruments. If the Company's indebtedness is accelerated, the Company may not be able to service its indebtedness, or borrow sufficient funds to refinance its indebtedness.

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

Impact of operating results and level of indebtedness on financial situation

As outlined in Section 8.4 of this MD&A, the Company is required to maintain a ratio of net recourse debt to EBITDA not to exceed a certain threshold. While the Company met its covenant requirements in both 2020 and 2019, an increase of net recourse debt due to items such as cash requirements of operating activities or the delay/acceleration of certain investing/divestitures or financing transactions, or an inability to generate sufficient adjusted EBITDA to support the level of indebtedness in the ratio calculation in the future, could have a negative impact on the Company, as further described in the risk factor entitled "Indebtedness" above.

Security under the CDPQ Loan Agreement

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

Dependence on subsidiaries to help repay indebtedness

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

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

provided guarantees of the Company's primary third-party debt instruments and obligations, including the Company's Credit Agreement and its outstanding debentures.

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

Dividends

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

Post-Employment Benefit Obligations, Including Pension-Related Obligations

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

The nature of the funding regime in the U.K. creates uncertainty around the size and timing of cash that Atkins will be required to pay to the pension schemes. The scheduled contribution to the Atkins Pension Plan and the Railways Pension Scheme from Atkins totaled £38.7 million (or approximately CA\$66.6 million) for the year ending December 31, 2020, with annual contributions escalating by 2.5% each year until March 31, 2026. If Atkins is required to increase cash funding contributions, this will reduce the availability of such funds for other corporate purposes and limit its ability to invest in growth. Deteriorating economic conditions may result in significant increases in Atkins' funding obligations, which could restrict available cash for Atkins' operations, capital expenditures and other requirements, and have a material adverse effect on Atkins' business, financial condition and results of operations.

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

Working capital requirements

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

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

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

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

Collection from customers

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

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

Impairment of goodwill and other assets

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

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

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

RISKS RELATED TO LITIGATION, INVESTIGATIONS, SETTLEMENTS AND REGULATORY MATTERS

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

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

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

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

SNC-Lavalin maintains insurance coverage for various aspects of its business and operations. The Company's insurance programs have varying coverage limits and maximums, and insurance companies may seek to deny claims the Company might make. In addition, SNC-Lavalin has elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under these programs. As a result, the Company may be subject to future liability in respect of lawsuits or investigations for which it is only partially insured, or completely uninsured.

In addition, the nature of the Company's business sometimes results in clients, subcontractors, and vendors presenting claims for, among other things, recovery of costs related to certain projects. Similarly, SNC-Lavalin occasionally presents change orders and other claims to clients, subcontractors, and vendors. If the Company fails to properly document the nature of claims and change orders or is otherwise unsuccessful in negotiating reasonable settlements with clients, subcontractors and vendors, the Company could incur cost overruns, reduced profits or, in some cases, a loss for a project. A failure to recover promptly on these types of claims could have a material adverse impact on SNC-Lavalin's liquidity and financial results. Additionally, irrespective of how well the Company documents the nature of its claims and change orders, the cost to prosecute and defend claims and change orders can be significant.

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

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

The Company is subject to ongoing investigations that could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business. The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters (unrelated to the settlements described below) in various jurisdictions, including, without limitation, Algeria. The Company also understands that a Royal Canadian Mounted Police (the "RCMP") investigation relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier Bridge by a consortium which included SNC-Lavalin and which led to a guilty plea by the former head of the Canada Federal Bridges Corporation in 2017, continues and its scope may include the Company. The Company is currently unable to determine when any of these investigations will be completed or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. The Company continues to cooperate and communicate with authorities in connection with all ongoing investigations.

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

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

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

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

below, or other matters, which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

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

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

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

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

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

A description of the most material legal and regulatory proceedings, investigations and settlements involving SNC-Lavalin and its subsidiaries is set forth in Note 33 to the 2020 Annual Financial Statements.

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

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

In addition, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of the Company’s employees, agents or partners could have a significant negative impact on SNC-Lavalin’s business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal control

over financial reporting, environmental laws and any other applicable laws or regulations. For example, the CFPOA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, SNC-Lavalin provides services that may be highly sensitive or that could relate to critical national security matters; if a security breach were to occur, the Company's ability to procure future government contracts could be severely limited.

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

Reputation of the Company

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework

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

Environmental laws and regulations

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

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

Growing concerns about climate change may also result in the imposition of additional environmental regulations. Legislation, international protocols, regulation or other restrictions on emissions could result in increased compliance costs for the Company and its clients, including those who are involved in the exploration, production or refining of fossil fuels, emit greenhouse gases through the combustion of fossil fuels or emit greenhouse gases through the mining, manufacture, utilization or production of materials or goods. Such policy changes could

increase the costs of projects for clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for the Company's services, which would in turn have a material adverse impact on the Company's business, financial condition and results of operations. However, these changes could also increase the pace of projects, such as carbon capture or storage projects, that could have a positive impact on the Company's business. SNC-Lavalin cannot predict when or whether any of these various proposals may be enacted or what their effect will be on the Company or on its customers.

GLOBAL / MACROECONOMIC RISKS

Brexit

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". Although the U.K. officially left the E.U. trading bloc on January 31, 2020, the U.K. and the E.U. agreed to maintain their then existing relationship broadly unchanged until December 31, 2020 in order to attempt to agree the definitive terms of their future relationship. At the end of 2020, the U.K. and the E.U. agreed to a deal that sets out the new rules for how the U.K. and the E.U. countries will, among other things, coexist, work and trade together.

Brexit could result in increased geopolitical and economic risks, currency exchange fluctuations, border disturbances, and could cause disruptions to and create uncertainty surrounding the Company's businesses, including affecting the Company's relationships with existing and future customers, suppliers and, given the inability for individuals to continue to freely work and live between the U.K. and the E.U., employees, which could in turn have a material adverse effect on the Company's financial results and operations. There could also be greater restrictions on imports and exports between the U.K. and E.U. countries and could also result in increased regulatory and taxation complexities. These changes may adversely affect the Company's operations and financial results.

Global economic conditions

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

Fluctuations in commodity prices

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

Company's services decreases, which may have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

Commodity prices can also strongly affect the costs of projects. Rising commodity prices can negatively impact the cost of completing future projects as well as those in progress, and could have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

Income taxes

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

15 Controls and Procedures

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

15.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2020.

The CEO and the CFO have also evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures, and its internal control over financial reporting, in each case as at December 31, 2020.

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2020, using the *Internal Control – Integrated Framework (2013 Framework)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

15.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

16 Quarterly Information

(IN MILLIONS \$, EXCEPT AS OTHERWISE NOTED)	2020					2019 ⁽¹⁾				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Continuing operations										
Revenues:										
SNCL Engineering Services ⁽¹⁾	1,534.8	1,469.5	1,447.7	1,523.0	5,975.0	1,442.0	1,499.8	1,501.9	1,573.6	6,017.3
SNCL Projects	287.5	168.9	294.5	152.3	903.1	383.6	262.3	346.1	357.8	1,349.8
Capital ⁽¹⁾	46.2	21.6	38.9	22.6	129.4	72.2	74.7	79.6	36.2	262.7
Total Revenues	1,868.5	1,660.0	1,781.1	1,697.9	7,007.5	1,897.8	1,836.8	1,927.6	1,967.6	7,629.8
EBIT	14.9	(21.5)	87.4	(372.7)	(292.0)	67.5	(122.5)	3,156.5	(132.9)	2,968.6
Net financial expenses	31.9	25.9	28.7	27.5	114.0	52.4	92.7	41.7	28.4	215.1
Earnings (loss) before income taxes from continuing operations	(17.0)	(47.5)	58.7	(400.2)	(406.0)	15.2	(215.2)	3,114.9	(161.3)	2,753.5
Income taxes	(21.4)	(24.0)	66.9	(80.5)	(59.0)	(4.4)	(24.4)	324.2	15.0	310.3
Net income (loss) from continuing operations	4.4	(23.5)	(8.1)	(319.7)	(346.9)	19.6	(190.8)	2,790.6	(176.3)	2,443.2
Net loss from discontinued operations	(66.9)	(86.3)	(76.3)	(379.8)	(609.3)	(37.9)	(1,927.9)	(34.0)	(112.7)	(2,112.6)
Net income (loss)	(62.5)	(109.9)	(84.4)	(699.5)	(956.3)	(18.3)	(2,118.7)	2,756.6	(289.0)	330.6
Net income (loss) attributable to:										
SNC-Lavalin shareholders	(66.0)	(111.6)	(85.1)	(702.7)	(965.4)	(17.3)	(2,118.3)	2,756.7	(292.9)	328.2
Non-controlling interests	3.4	1.8	0.7	3.3	9.2	(1.0)	(0.4)	(0.1)	3.9	2.4
Net income (loss)	(62.5)	(109.9)	(84.4)	(699.5)	(956.3)	(18.3)	(2,118.7)	2,756.6	(289.0)	330.6
Basic earnings (loss) per share (\$)	(0.38)	(0.64)	(0.48)	(4.00)	(5.50)	(0.10)	(12.07)	15.70	(1.67)	1.87
Diluted earnings (loss) per share (\$)	(0.38)	(0.64)	(0.48)	(4.00)	(5.50)	(0.10)	(12.07)	15.70	(1.67)	1.87
Net income (loss) from continuing operations attributable to:										
SNC-Lavalin shareholders	1.0	(25.3)	(8.8)	(322.9)	(356.1)	20.6	(190.4)	2,790.7	(180.2)	2,440.8
Non-controlling interests	3.4	1.8	0.7	3.3	9.2	(1.0)	(0.4)	(0.1)	3.9	2.4
Net income (loss) from continuing operations	4.4	(23.5)	(8.1)	(319.7)	(346.9)	19.6	(190.8)	2,790.6	(176.3)	2,443.2
Basic earnings (loss) per share from continuing operations (\$)	0.01	(0.14)	(0.05)	(1.84)	(2.03)	0.12	(1.08)	15.90	(1.03)	13.90
Diluted earnings (loss) per share from continuing operations (\$):										
From PS&PM	0.12	(0.18)	(0.20)	(2.03)	(2.29)	(0.17)	(1.46)	0.86	(1.13)	(1.90)
From Capital	(0.11)	0.04	0.15	0.19	0.27	0.29	0.40	15.00	0.10	15.79
Diluted earnings (loss) per share from continuing operations (\$)	0.01	(0.14)	(0.05)	(1.84)	(2.03)	0.12	(1.08)	15.90	(1.03)	13.90
Dividend declared per share (\$)	0.02	0.02	0.02	0.02	0.08	0.10	0.10	0.02	0.02	0.24
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM from continuing operations	21.0	(31.9)	(34.4)	(356.4)	(401.7)	(29.4)	(255.8)	150.9	(197.7)	(332.0)
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments from continuing operations:										
From Highway 407 ETR	21.1	—	16.9	—	38.0	41.9	41.9	41.9	20.3	146.1
From other Capital investments	(41.2)	6.6	8.6	33.5	7.5	8.1	23.5	2,597.9	(2.8)	2,626.7
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	1.0	(25.3)	(8.8)	(322.9)	(356.1)	20.6	(190.4)	2,790.7	(180.2)	2,440.8

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