SNC·LAVALIN

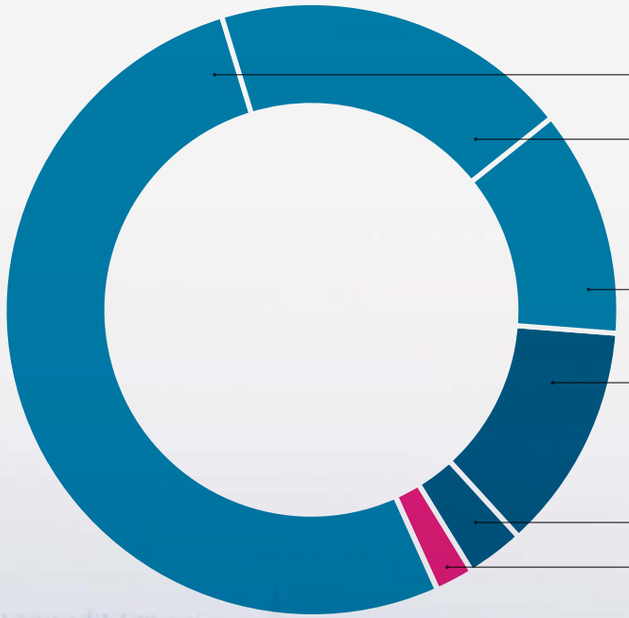
PIVOTING TO GROWTH

2021 ANNUAL REPORT

CONTENTS

FINANCIAL HIGHLIGHTS	3
PRESIDENT'S MESSAGE	4
CHAIR'S MESSAGE	7
2021 HIGHLIGHTS	9
ESG	12
LEADERSHIP TEAM	14
2021 FINANCIAL REPORT	15

FINANCIAL HIGHLIGHTS



2021 REVENUES BY SEGMENT

SNCL Engineering services

52% Engineering, Design & Project Management (EDPM)

19% Infrastructure Services

12% Nuclear [1]

SNCL Projects

12% Infrastructure EPC projects

3% Resources

Capital 2%

REVENUES AND BACKLOG

SNCL Engineering Services and Capital

	REVENUES ($B)	BACKLOG ($B)
2021	6.3	11.1
2020	6.1	11.0
2019	6.3	11.3

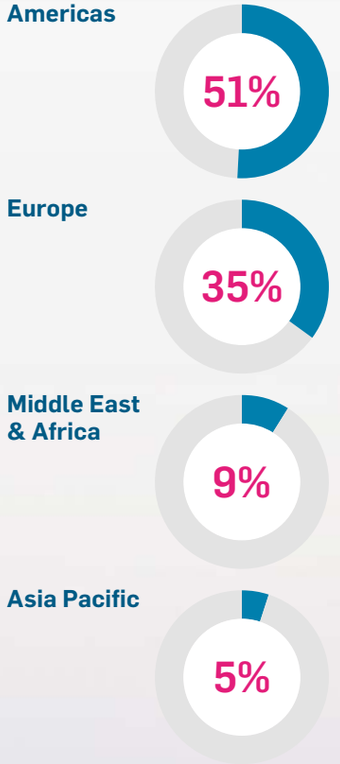
SNCL Projects

	REVENUES ($B)	BACKLOG ($B)
2021	1.1	1.5
2020	0.9	2.2
2019	1.3	2.8

Consolidated

	REVENUES ($B)	BACKLOG ($B)
2021	7.4	12.6
2020	7.0	13.2
2019	7.6	14.1

2021 REVENUES BY GEOGRAPHIC AREA



(1) ~37% of the Nuclear revenues are from decommissioning and waste management

PRESIDENT'S MESSAGE

This has been a pivotal year for SNC-Lavalin. For a company that has undergone a significant transformation in a short period of time, 2021 demonstrated our resilience and our determination to deliver on our ambition of being a leading global professional services and project management firm.

Our *Pivoting to Growth Strategy* launched last fall, lays out a clear and accountable roadmap for accelerating growth and achieving our financial targets. It leverages SNC-Lavalin's unique competitive advantages, placing us at the forefront of engineering solutions that will shape the future of our industry, and meet the needs of a fast-changing world, from data-driven digital solutions to an end-to-end full-service offering.

Our Strategy is built into our purpose as a Company — engineering a better future for the planet and its people. Helping customers reach their Net Zero carbon targets is a fundamental part of that, as companies and countries around the world look to meet their climate goals. This is the kind of impact that drives our world-class talent, and makes us a partner of choice, and I am very excited to be building that future together.

PIVOTING TO GROWTH

Our focus during the past two years has been on simplifying the business and concentrating on the geographies and end markets where we have a competitive advantage, and where we see opportunities for growth. Our Strategy crystalizes this thinking with a well-defined go-to market framework, financial targets and an operating structure that is designed to execute on our plan.

The go-to-market framework includes:

- **A focus on three core geographies:** Canada, the UK and the US – which represent approximately 78 per cent of revenues, along with targeted operations in key geographies within Europe, the Middle East, Asia Pacific and Latin America.
- **Seven in demand end markets:** where we are recognized global leaders, including transportation, buildings & places, defence, industrial & mining, water, power & renewables and nuclear.
- **An integrated offering that covers the life cycle of an asset:** beginning with concept and design, to procurement and project management, maintenance and decommissioning.

Our realigned operational structure is now anchored in the newly formed SNCL Services line of business, which comprises four segments: Engineering Services, Nuclear, Operations & Maintenance and Linxon. LSTK Projects and Capital will continue to be separate reportable segments.

Engineering Services, SNC-Lavalin's largest segment, representing 59% of revenue, now includes EDPM, Mining & Metallurgy, and Power & Industrial services. It is being co-led by Philip Hoare and Steve Morriss, enhancing our ability to expand our footprint in the US, where we see significant growth potential. This is in addition to new leadership at O&M and Nuclear.

Importantly, for the first time in a long time, we have, as part of the Strategy, provided the market with three-year financial targets, which include SNCL Services organic revenue growth, SNCL Services Segment Adjusted EBIT to Segment Revenue Ratio and free cash flow [1] over consolidated adjusted net income conversion [2]. This underpins our objectives, first articulated in 2019, of delivering consistent earnings and cash flow.

Based on our 2021 financial results, we are well-positioned to achieve our targets, with SNCL Engineering Services realizing a 22% [3] year-over-year increase in Segment Adjusted EBIT, which translated into a margin of 10.7%, above our 2021 target [4]. Backlog remained strong, at $10.9 billion, with EDPM backlog growing by nearly 10%.

Above all, people are the foundation of our Strategy. We have worked hard to make SNC-Lavalin a centre of excellence that attracts and inspires world-class talent and encourages collaboration and diversity. We do this by investing in our people around the world. We have also committed to hard targets for increasing the representation of women across the Company and in senior leadership, and in October launched a new global Equality, Diversity and Inclusion program.

That is not to say there have not been challenges. Pandemic-related productivity and supply chain disruptions impacted work on our three remaining LSTK projects, affecting the Company's overall profitability. Nevertheless, the fact that we were still able to reduce our LSTK construction contracts backlog in SNCL Projects by $671 million in 2021 to $1.2 billion is a testament to our people and our resolve to de-risk the business. We anticipate the majority of this backlog to be concluded by the end of the first quarter of 2023.

As we leave the LSTK projects permanently behind us, we are focused on new opportunities that drive value. In particular, we are investing in data-driven digital innovation that we believe can unlock significant value for our customers by providing greater certainty over project timing and costs, increased operational efficiencies and a reduced carbon footprint.

(1) A non-IFRS measure. Free cash flow to Adjusted net income (loss) attributable to SNC-Lavalin shareholders is a non-IFRS ratio based on free cash flow and Adjusted net income (loss), both non-IFRS financial measures, and does not have a standardized definition within IFRS and therefore may not be comparable to similar measures presented by other issuers. Further details, including an explanation of the composition and usefulness of this ratio, as well as a calculation of this ratio, and a reconciliation to the most comparable IFRS measure are provided at Sections 4, 8 and 13 of the Company's 2021 MD&A, available on SEDAR at www.sedar.com.

(2) https://www.snclavalin.com/en/media/press-releases/2021/28-09-2021

(3) Growth calculated based on the SNCL Engineering Services Segment Adjusted EBIT of $660.4M in 2021 and of $539.5M in 2020

(4) This margin is the percentage of the Segment Adjusted EBIT to the segment revenue ratio for SNCL Enginneering Services.

In the fall, we opened three-state-of-the art client technology hubs in Montreal, London and Bangalore that are focused on advancing the use of digital twins and data to virtually design, build and operate large, complex projects, before ground is even broken. We also launched the “first of its kind” fully operational digital twin at Europe’s largest wastewater facility, just outside London, and we see significant opportunities to expand our digital expertise to Nuclear and O&M.

All these efforts enhance our ability to deliver on what I see as a transformational opportunity to be a key partner, facilitator and enabler of a Net Zero carbon future.

As a pioneer in sustainable infrastructure, with a diverse track record that ranges from electrified light rail transport and nuclear energy, to the designing, building, financing and maintaining Canada’s hydropower projects, SNC-Lavalin is actively engaged in advancing the Net Zero agenda in three ways:

- Committing to reaching Net Zero as a Company by 2030
- Helping our customers adopt clean power and renewable energy, which is expected to require $125 trillion in investment over the next 30 years
- Helping to engineer a better future by meeting the global demand for clean energy, decarbonizing the built environment, minimizing the impact of new infrastructure and building resiliency to climate change impacts

In July, we won a six-year contract to decarbonize four million square feet of public sector office space owned by the UK government’s Property Agency. We see this as a bellwether of the change that is coming and the opportunity for SNC-Lavalin to be a leader in the space. In January of 2022, we launched our new Decarbonomics™ platform, which leverages carbon databases to deliver cost-effective retrofitting solutions.

We are committed to being Net Zero leaders and innovators, and have a clear path forward, focused on delivering profitable growth that will allow us to remain resilient and agile, invest in accretive opportunities, and return value to shareholders.

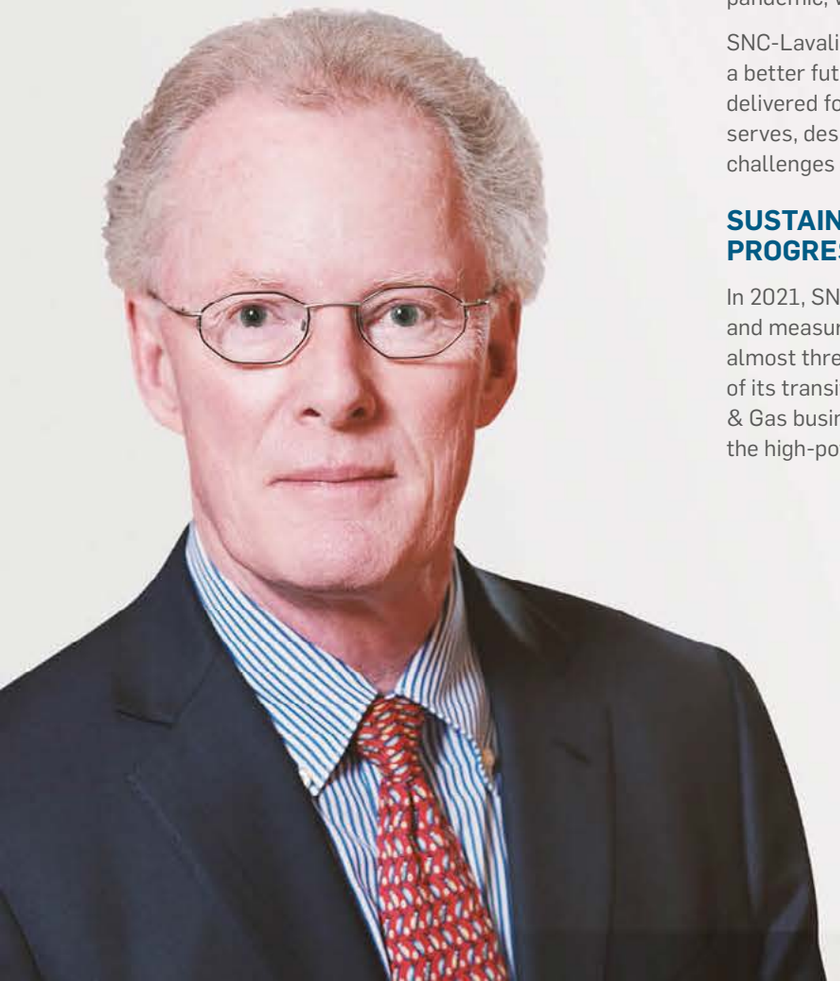
I want to thank everyone who has supported us through this pivotal year: our employees, who have demonstrated incredible leadership, our Board, which has provided invaluable guidance, our customers, who have remained steadfast partners, and our shareholders, who have believed in our vision for this business.

Sincerely,

IAN L. EDWARDS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

CHAIR'S MESSAGE



2021 marked the first full year of my tenure as Chair of the Board of Directors of SNC-Lavalin.

During the past 18-months I have had the privilege of leading this highly engaged Board with the support of an executive leadership that managed, against the backdrop of a global pandemic, with clarity and fortitude.

SNC-Lavalin stayed true to its purpose – to engineer a better future for our planet and its people – and delivered for its clients and the communities it serves, despite another unprecedented year of challenges and uncertainty caused by the pandemic.

SUSTAINED AND MEASURABLE PROGRESS ON STRATEGIC DIRECTION

In 2021, SNC-Lavalin continued to make sustained and measurable progress on its strategy, launched almost three years ago, which marked the beginning of its transition away from LSTK contracts and the Oil & Gas business to one focused squarely on growing the high-potential Engineering Services business.

It is this future-facing business that will support the Company's growth and long-term sustainability as a leading professional services and project management company. The design & engineering services, project & program management, advisory and infrastructure services, as well the global nuclear business — which form the cornerstone of the organization — had a strong performance last year. Although the remaining LSTK projects continued to be impacted by inflation and COVID-driven operational challenges, the run-off of these projects progresses, and it is expected that they will be mostly concluded by the end of first quarter 2023.

NEW ADDITIONS TO THE BOARD

2021 was a pivotal year in SNC-Lavalin's transformation journey and saw the Company unveil its three-year strategic growth plan. The Board will continue to ensure that it is aligned to support SNC-Lavalin in the next phase of its growth journey. In this regard, I am pleased to introduce two (2) director nominees for election at the Annual Meeting of Shareholders: Baroness Ruby McGregor-Smith CBE and Quebec-based Mr. Robert Paré. These individuals have relevant skills in corporate governance and leadership; their backgrounds complement the Board, and will enable them to effectively oversee and advise a global organization with SNC-Lavalin's ambitious vision and purpose. These nominations increase the percentage of women that would be Board directors from 30% to 36%, demonstrating our unwavering commitment to prioritize and focus on diversity in all its forms at the Board level.

On behalf of the Board of Directors and SNC-Lavalin management, I would also like to take this opportunity to thank outgoing Director Mr. Zin Smati, who will not stand for re-election for his tireless commitment and invaluable contributions and years of service to the Board.

STRENGTHENING OUR ESG COMMITMENT

The Board recognizes and applauds the important work undertaken in 2021 to advance SNC-Lavalin's broad ESG agenda. An ambitious program that includes a commitment to ED&I, a clearly defined set of integrity and carbon targets, as well as the Engineering Net Zero work undertaken in partnership with clients, where SNC-Lavalin is positioned to make the most significant impact in tackling climate change.

For its part, the Board approved and adopted the "Commitment to Equality, Diversity & Inclusion", a statement that codifies the organization's pledge to maintaining and creating a more representative and inclusive culture for all its employees. This commitment serves as a foundation for the targets set by SNC-Lavalin to have at least 33% representation by women across the Company and at least 25% in its senior leadership team by 2025.

Moving forward, executive compensation, which has traditionally been tied to integrity and HSE performance, will now also be connected to sustainability and ED&I performance metrics.

The GES Committee continued to assist in developing the Company's approach to corporate governance, integrity issues, and in 2021 added oversight of ESG and the sustainability framework, governance, and strategy to its duties and responsibilities, including monitoring progress and ensuring accountability against publicly disclosed ESG targets. The Committee will also review the results of a comprehensive materiality assessment that will be undertaken in early 2022 to realign the Company's ESG priorities with its new vision and purpose.

Expanded oversight was also given to the Audit and Risk Committee as it adopted a broader mandate to oversee the Company's ERM framework, strategy, policies and governance.

The Board commends the Committees' additional responsibilities, and it remains committed to overseeing the evolution of the Company's best-in-class integrity program. Unremitting vigilance is critical to ensuring that the legacy issues of the past, a result of actions of a select group of bad actors, are not repeated.

I want to close by thanking our talented global workforce for their continued dedication and commitment to SNC-Lavalin and for their tremendous efforts in the face of another unprecedented year. I would also like to extend my appreciation to the shareholders for their ongoing support and confidence in SNC-Lavalin's future as a world leading professional services and project management firm.

Yours truly,

WILLIAM L. YOUNG P.ENG

CHAIR OF THE BOARD

2021 HIGHLIGHTS

PROJECT WINS

Canada

Engaged by Tlingit Homeland Energy, owned by the Taku River Tlingit First Nation, to support additional power capacity for the local hydro facility in Atlin, BC.

Assisted Becton Dickinson with rapid expansion projects to accommodate production increases at their COVID-19 diagnostic test kit research and manufacturing facility in Quebec.

Continued our support of Medicom's first mask manufacturing facility in Canada, providing automation and validation services for production. Also assisted Medicom with the rapid deployment of a mask manufacturing facility in the UK.

Provided engineering design services to a Canadian vaccine manufacturer, expanding its domestic manufacturing facilities with fill-finish capacity for mRNA vaccines and other biologics.

United States

Awarded the Company's first hydroelectric engineering services contract in the United States by Rye Development, LLC.

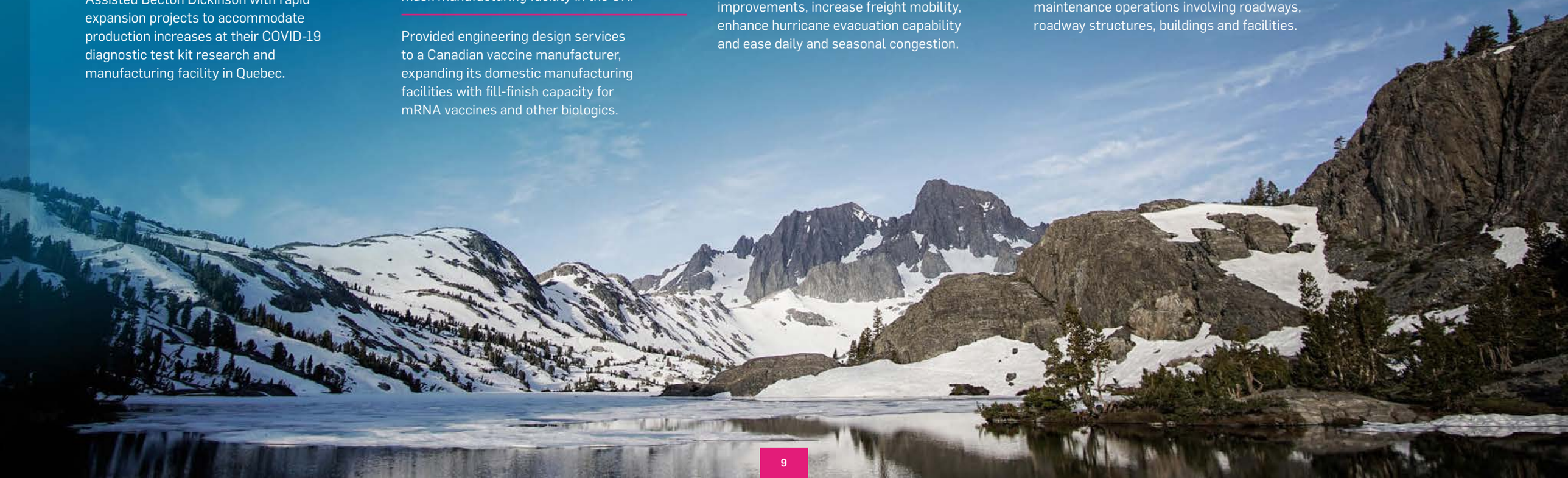
Extended existing involvement as part of a joint venture to continue operating the depleted uranium hexafluoride conversion facilities at two United States Department of Energy facilities.

Chosen by the Texas Department of Transportation to provide engineering consulting services for its Interstate 45 Corridor Project to provide safety improvements, increase freight mobility, enhance hurricane evacuation capability and ease daily and seasonal congestion.

Selected by the US Department of Defense for outfitting and transition support services for the construction and renovation of military healthcare, dental and medical research laboratories.

Helping prevent channel degradation and improving water quality through construction of new grade control structures for the Southern Nevada Water Authority.

Providing maintenance management consulting services to the North Texas Tollway Authority to establish efficient asset maintenance operations involving roadways, roadway structures, buildings and facilities.



2021 HIGHLIGHTS

United Kingdom

Led the design of a compact nuclear power station for the UK's first small modular reactor (SMR), as part of the UK SMR consortium. Subsequently appointed to provide Rolls-Royce SMR with engineering services.

Chosen by Whitetail Clean Energy as engineering solutions provider for the Teesside Net Zero emissions plant – the UK's first Net Zero emissions power station utilizing NET Power technology.

Selected by the UK Government Property Agency to bring over 4 million square feet of public sector office space up to Net Zero standard.

Appointed by the UK Atomic Energy Authority to help design the world's first fusion energy research centre, and to provide specialist engineering services to its STEP program. The program aims to design and build a prototype fusion power plant in the UK by 2040.

Began a collaboration with the UK's Electric Aviation Group to accelerate the development of a zero emission, regional aircraft fueled by hybrid hydrogen-electric technology.

Contracted by the UK Government's Geospatial Commission to deliver a UK-wide digital map of underground utilities.

Secured, as part of the East West Rail Alliance, a contract for the second phase of the East West Rail Project in the UK.

Appointed to lead South East Water's engineering, environmental and asset management program in the UK.

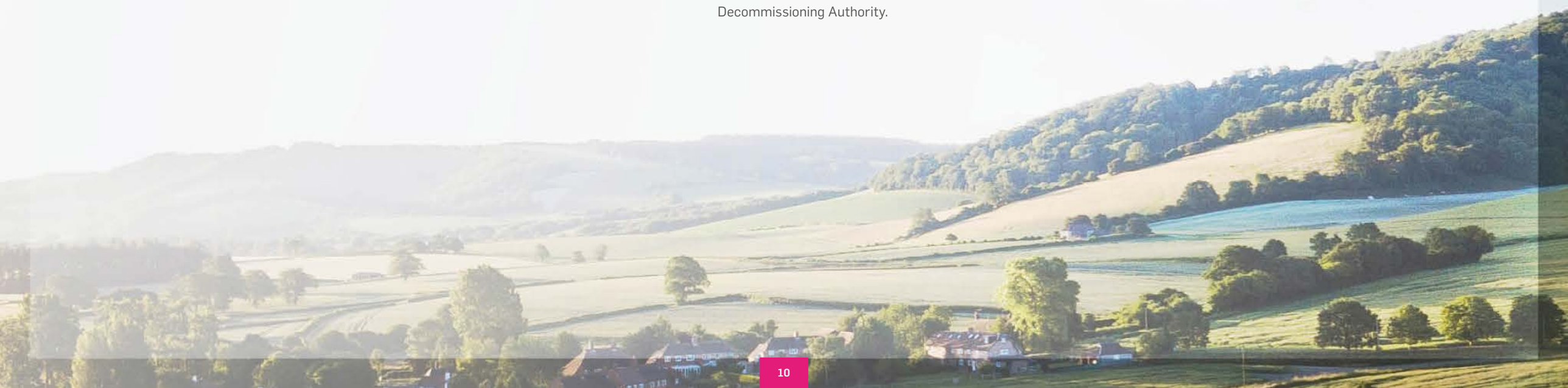
Developing fully autonomous 'sort and segregate' system for radioactive waste for the UK Government's Nuclear Decommissioning Authority.

Australia

Selected as the Integration and Delivery Partner for the Sydney Metro – Western Sydney Airport project, the largest public transport project in Australia.

Middle East

Won a contract from The Royal Commission for Riyadh City to provide program management office (PMO) consultancy services for architectural, landscape and urban planning projects that will help position Riyadh as one of the top 100 cities in the world.



2021 HIGHLIGHTS

PROJECT AWARDS

Inaugural recipient of the Ambassador of the Year award from the Centre for Canadian Nuclear Sustainability.

Diriyah Gate in Saudi Arabia awarded silver accolade for Future Projects – Urban Design Category at The World Architecture News Awards. The scope of work for the Diriyah Gate included developing project detailed master plan, urban design guidelines and plot regulations, concept landscape design, transport and infrastructure strategy.

Three projects received Best in Construction Awards from the Florida Transportation Builders' Association.

Ranked in the platinum (top) tier by ReNew Canada's Top 100 Projects list, for involvement in 24 of the 100 largest infrastructure projects in Canada.

Won the grand prize in the transport infrastructure category from the Association of Consulting Engineering Companies – Quebec, for work on the Samuel De Champlain Bridge in Montreal.

SNC-Lavalin's architecture team in Hong Kong won four Best Mixed Use Architecture accolades at the International Property Awards 2021.

KEY MILESTONES

Launched Decarbonomics™, a data-driven solution to decarbonize the built environment, which contributes around 40% of global carbon emissions.

Achieved the world's first combined removal of calandria and pressure tubes at the Darlington Nuclear Generating Station, as part of a joint venture and broader collaboration with Ontario Power Generation on Darlington's refurbishment and life extension.

Joined, as a founding member, The Group of Vienna, an initiative including the International Atomic Energy Agency and over a dozen leading companies in the nuclear industry. The Group of Vienna will work together to foster the role of nuclear technology in addressing environmental, social and economic goals.

Appointed Joe St. Julian as President of Nuclear. Mr. St. Julian brings senior leadership experience in the nuclear sector with a diverse background in construction, project controls, project management, strategic planning and commercial management.

Equipped Boston Dynamics' Spot robot with instruments to conduct routine monitoring and surveys, and advanced its use for the US Department of Energy in environments that are hazardous and challenging to humans.

ESG

ENVIRONMENTAL

Set a target of Net Zero Carbon emissions from corporate activities by 2030 and published a Routemap to achieving it. This includes interim targets with updates published annually.

Joined the United Nations' Race to Zero global campaign and The Climate Pledge.

Committed to the Science Based Targets Initiative (SBTi). The SBTi brings together 2,000 companies to set science-based emissions reduction targets in support of limiting global warming to 1.5°C.

SOCIAL

Published a report highlighting the impact of 'career deflection' on the earnings potential and progress of women, ethnic minorities and disabled employees within the wider engineering sector. Concurrent with its publication, the Company called for greater industry action to ensure talent from these groups remains within the industry.

Contributed $10,000 to the SickKids Foundation to support their continued delivery of world-class care and ground-breaking research.

Supported the Canadian Red Cross' disaster relief efforts in Canada and around the world. This included $50,000 to its Ukraine Humanitarian Crisis Appeal and $25,000 to support flood relief in British Columbia, with an additional matching of employee donations on both campaigns.

Continued the SNC-Lavalin tradition of supporting The Montreal Children's Hospital's Caring for Kids Radiothon fundraiser. Together, the community raised $1,321,603 in 2021.

For a 6th year, sponsored Ryerson University's Virtual Ethical Leadership Case Competition for students from seven universities. SNC-Lavalin integrity professionals volunteered their time as competition judges.

Awarded more than $100,000 in scholarships to 26 students across the US pursuing STEM-related curricula, as part of SNC-Lavalin's efforts to encourage and support a healthy ecosystem for STEM education.

Supporting the success of the next generation of Indigenous youth with ongoing annual funding of multiple academic bursaries and scholarships.

Became an Aboriginal Procurement Champion by joining the Canadian Council for Aboriginal Business' Supply Change Program. This is part of SNC-Lavalin's broader commitment to establishing and maintaining mutually respectful and meaningful relationships between Indigenous communities, its clients and the Company.

Volunteered our expertise and assistance in Ground Penetrating Radar technology — an effective tool to identify possible locations of burial sites — to Indigenous communities to help bring a degree of closure and peace for families impacted by the legacy of the residential school system in Canada.

Launched SNC-Lavalin's annual months-long Wellbeing Initiative for employees, with themes covering physical and mental health. This was part of a reinforced focus on supporting staff amidst the enormous stresses placed on their personal and professional lives by the ongoing pandemic.

ESG

GOVERNANCE

Established targets to increase the representation of women in leadership and across the organization, along with a commitment to maintain or exceed 30% representation of women on the Board of Directors.

Appointment of a Chief ESG and Integrity Officer (filled by Hentie Dirker), and Vice-President, Equality, Diversity and Inclusion (filled by Victoria Jones). These new roles will be instrumental moving SNC-Lavalin forward in its ESG, Integrity and ED&I journeys.

Transformed the Global Health, Safety & Environment (HSE) function with a new, simplified structure that is both regionally agile and client oriented.

Receipt of the independent monitor's third report on our Integrity Program, testing and assessing its robustness. The independent monitor reports on our Integrity Program throughout the duration of the 3-year probation order arising from legacy activities between 2001 and 2011. Their final report will be received in December 2022, coinciding with the end of the probation period.

Published a new Counterparty Code of Conduct, strengthening our robust governance architecture for suppliers. Our partners, suppliers, subcontractors and representatives must enforce obligations as strict as those set out in this Counterparty Code of Conduct upon anyone in their supply chain.

ESG RECOGNITION

Atkins and Faithful+Gould – members of the SNC-Lavalin Group – were awarded the UK's Gold Standard in Equality Diversity & Inclusion by Clear Assured. These are the first companies from the engineering sector to receive this accreditation.

SNC-Lavalin was designated a Certified Building Commissioning Firm by the Association of Energy Engineers, demonstrating a high-level of experience and ethical fitness for the practice of building commissioning and delivering sustainable, energy-efficient projects.

Hentie Dirker, Chief ESG and Integrity Officer, was recognized by the Global Investigation Review with the Outstanding In-House Counsel Award. This award celebrates leaders of exemplary compliance programs, in a resounding endorsement of SNC-Lavalin's integrity journey's progress.

SNC-Lavalin's Singapore team received the Special Recognition for Diversity, Equity & Inclusion award from Kincentric, a leading human capital advisory firm.

Partnered with the United Way of Bangalore and the Happy World Foundation to facilitate the donation of advanced life support ambulances to leading government and charitable hospitals in India to help ease the impact of COVID-19 in local communities.

Achieved a score of 84% when assessing the strength of our integrity culture in a survey of our workforce. Conducted independently, the survey's results position us four points better than the external benchmark for our industry.

LEADERSHIP TEAM

IAN L. EDWARDS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

ROBERT E. ALGER

PRESIDENT, MAJOR PROJECTS

JEFF BELL

EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

DALE CLARKE

CHIEF EXECUTIVE OFFICER, ENGINEERING SERVICES, CANADA

JAMES CULLENS

EXECUTIVE VICE-PRESIDENT, HUMAN RESOURCES

PHILLIP HOARE

PRESIDENT, ENGINEERING SERVICES, UNITED KINGDOM, EUROPE, MIDDLE EAST, INDIA AND CANADA

STEVE MORRISS

PRESIDENT, ENGINEERING SERVICES, UNITED STATES, ASIA PACIFIC, AND MINING & METALLURGY

CHARLENE RIPLEY

EXECUTIVE VICE-PRESIDENT AND GENERAL COUNSEL

ERIK J. RYAN

EXECUTIVE VICE-PRESIDENT, STRATEGY, MARKETING AND EXTERNAL RELATIONS

JOE ST. JULIAN

PRESIDENT, NUCLEAR

STÉPHANIE VAILLANCOURT

PRESIDENT, CAPITAL AND OPERATIONS & MAINTENANCE (O&M)

LOUIS G. VÉRONNEAU

EXECUTIVE VICE-PRESIDENT AND CHIEF TRANSFORMATION OFFICER

NIGEL W.M. WHITE

EXECUTIVE VICE-PRESIDENT, PROJECT PERFORMANCE AND RISK OVERSIGHT

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2021 FINANCIAL REPORT

CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING. 18

INDEPENDENT AUDITOR'S REPORT 19

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION. 22

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY 24

CONSOLIDATED INCOME STATEMENTS. . 26

CONSOLIDATED STATEMENTS

OF COMPREHENSIVE INCOME 28

CONSOLIDATED STATEMENTS OF CASH FLOWS 30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 32

1. Description Of Business 32
2. Summary Of Significant Accounting Policies . .32
3. Critical Accounting Judgements And Key Sources Of Estimation Uncertainty 45
4. Segment Disclosures 50
5. Capital Investments. 53

Income Statements 56

Statements Of Comprehensive Income. 56

Statements Of Financial Position 57

Statements Of Comprehensive Income. 58

Statements Of Financial Position 58

6. Disposals Of Ps&Pm Businesses. 60
7. Cash And Cash Equivalents And Restricted Cash. 64
8. Trade Receivables And Contract Assets 64
9. Revenue 65
10. Inventories. 68
11. Other Current Financial Assets 68
12. Other Current Non-Financial Assets. 69
13. Property And Equipment 69
14. Goodwill 71
15. Intangible Assets Related To Business Combinations. 72
16. Other Non-Current Financial Assets. 73
17. Other Non-Current Non-Financial Assets 73
18. Other Non-Current Non-Financial Assets 75
19. Other Current Non-Financial Liabilities 75
20. Short-Term Debt And Long-Term Debt. 75
21. Other Non-Current Financial Liabilities 78
22. Provisions. 79
23. Share Capital. 80
24. Other Components Of Equity 83
25. Corporate Selling, General And Administrative Expenses 85
26. Restructuring And Transformation Costs 85
27. Net Financial Expenses. 86
28. Statements Of Cash Flows 86
29. Income Taxes 92
30. Financial Instruments. 95
31. Capital Management 105
32. Pension Plans, Other Long-Term Benefits And Other Post-Employment Benefits. 106
33. Contingent Liabilities 115
34. Leases 121
35. Remuneration 122
36. Related Party Transactions. 123
37. Subsidiaries, Joint Arrangements And Associates 124
38. Government Grants. 127
39. Disposal Group Classified As Held For Sale .127
40. Event After The Reporting Period 127

2021 MANAGEMENT'S DISCUSSION AND ANALYSIS 128

FORWARD-LOOKING STATEMENTS. 130

1. OUR BUSINESS 132

1.1 Description Of Our Business 132

1.2 Strategic Plan And Operational Realignment 132

2. HOW WE ANALYZE AND REPORT OUR RESULTS 133

2.1 How We Report Our Results 133

2.2 How We Budget And Forecast Our Results . .136

3. 2021 EXECUTIVE SUMMARY 138

3.1 Executive Summary – Key Financial Indicators 138

3.2 Executive Summary – Other Items 139

4. FINANCIAL PERFORMANCE ANALYSIS 140

4.1 Selected Annual Financial Information. 140

4.2 Income Statement 142

5. BACKLOG (REMAINING PERFORMANCE OBLIGATIONS) 152

Revenue Backlog By Segment And Geographic Area 152
Backlog Reconciliation 143
Backlog By Types Of Contracts. 143
Backlog Phasing 154

6. GEOGRAPHIC BREAKDOWN OF REVENUES 155

Americas. 155
Europe 155
Middle East And Africa 155
Asia Pacific 155

7. FOURTH QUARTER RESULTS 156

8. LIQUIDITY AND CAPITAL RESOURCES 159

8.1 Cash Flows Analysis 159
8.2 Capital Structure Management 162
8.3 Capital Resources 162
8.4 Debt And Financing Agreements 163
8.5 Capital Management Indicators 164
8.6 Credit Ratings 164
8.7 Dividends Declared 164
8.8 Contractual Obligations And Financial Instruments 165

9. FINANCIAL POSITION 166

9.1 Consolidated Financial Position Analysis. . . . 166

10. RELATED PARTY TRANSACTIONS . . 171

11. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY 171

12. ACCOUNTING POLICIES AND CHANGES. 171

13. NON-IFRS FINANCIAL MEASURES AND RATIOS, SUPPLEMENTARY FINANCIAL MEASURES AND NON-FINANCIAL INFORMATION. 172

14. RISK AND UNCERTAINTIES. 192

14.1 Principal Risks And Uncertainties 192
Risks Relating To The Company's Operations . . . 193
Risks Related To The Company's Liquidity, Capital Resources And Financial Position 202
Risks Related To Litigation, Investigations, Settlements And Regulatory Matters 202
Risks Relating To Compliance And Financial Reporting 208
Global / Macroeconomic Risks 209

15. CONTROLS AND PROCEDURES 211

16. QUARTERLY INFORMATION 212

17. EVENT AFTER THE REPORTING PERIOD 214

GLOSSARY 215

INFORMATION FOR SHAREHOLDERS 218

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements ("financial statements") of SNC-Lavalin Group Inc. (the "Company") and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") are responsible for having established and maintaining disclosure controls and procedures and internal controls over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2021, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2021, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with International Financial Reporting Standards.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal control over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

Ian L. Edwards *(Signed)*
President and Chief Executive Officer

Jeff Bell *(Signed)*
Executive Vice-President and Chief Financial Officer

MARCH 2ND 2022, MONTREAL, CANADA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
SNC-Lavalin Group Inc.

OPINION

We have audited the consolidated financial statements of SNC-Lavalin Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue – Lump-sum turnkey construction ("LSTK") contracts – Refer to Notes 2F, 3 and 9 to the financial statements.

Key Audit Matter Description

The Company recognizes revenue on LSTK contracts over time using an input method, based on costs incurred to date relative to total anticipated costs at completion. The accounting for LSTK contracts that are not complete at the reporting date ("uncompleted contracts") involves judgment, particularly as it relates to determining the transaction price and estimating total anticipated costs at completion. The transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. This amount could include an amount of variable consideration from estimated volume of work, claims and unpriced change orders, and incentives or penalties, to the extent that it is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Total anticipated costs at completion include both incurred costs to date as well as anticipated costs to complete which could include contingencies and reserves. These costs are impacted by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. Given the duration of LSTK contracts, these assumptions change over time, as the contract is completed.

Given the significant judgements necessary to account for the Company's LSTK uncompleted contracts such as the determination of the variable consideration to be included in the transaction price and the costs to complete each contract, auditing such estimates required extensive audit effort due to the complexity of these estimates and a high degree of auditor attention was required when performing audit procedures and evaluating the results of those procedures.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the variable consideration and cost to complete of LSTK uncompleted contracts included the following, among others:

- For a sample of LSTK uncompleted contracts we:
  - Obtained and inspected the executed contracts, amendments, pending change orders or claims confirming key terms with project management.
  - Conducted inquiries with management and project personnel to gain an understanding of the status of project activities.
  - Performed site visits to certain project locations, directly observing project status, and making inquiries of site personnel regarding the status of project activities.
  - Examined the documentation from management's experts, including legal interpretation of relevant contractual clauses as well as third-party assessments as to the contractual entitlement and value of the variable consideration.
  - Based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretations, and probabilistic methodologies, evaluated that management's assessment that the variable consideration is limited to the amount that it

is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- Evaluated cost to complete by testing key components of the cost to complete estimates, including materials, labour, and subcontractor costs and evaluating support for estimates of project contingencies.

› Performed certain retrospective review procedures to assess management's historical ability to accurately estimate the transaction price (including variable consideration) and cost to complete as well as to identify any significant or unusual changes in project revenue and cost forecasts during the period in LSTK contracts.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

› Management's Discussion and Analysis;

› The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

/s/ Deloitte LLP[1]

MARCH 2, 2022 MONTREAL, QUEBEC

(1) CPA auditor, CA, public accountancy permit No. A124341

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

IN THOUSANDS OF CANADIAN DOLLARS

		Note	December 31 2021	December 31 2020
Current assets	Cash and cash equivalents	7	608,446	932,902
	Restricted cash	7	13,398	29,300
	Trade receivables	8A, 9B	1,145,932	1,199,166
	Contract assets	8B, 9B	1,119,045	1,090,149
	Inventories	10	17,037	16,122
	Other current financial assets	11	138,371	257,432
	Other current non-financial assets	12	246,158	253,311
	Assets of disposal groups classified as held for sale	6D, 39	343,913	273,174
Total current assets			$ 3,632,300	$ 4,051,556

		Note	December 31 2021	December 31 2020
Assets	Property and equipment	13	333,493	375,864
	Right-of-use assets	34	355,637	346,824
	Capital investments accounted for by the equity method	5	380,736	378,730
	Capital investments at fair value through other comprehensive income	5	41,327	9,666
	Goodwill	14	3,382,943	3,429,478
	Intangible assets related to business combinations	15	445,716	544,059
	Deferred income tax asset	29A	658,061	655,838
	Non-current portion of receivables under service concession arrangements	-	304,189	433,914
	Other non-current financial assets	16	25,409	31,398
	Other non-current non-financial assets	17	316,153	82,951
Total assets			$ 9,875,964	$ 10,340,278

LIABILITIES

IN THOUSANDS OF CANADIAN DOLLARS

		Note	December 31 2021	December 31 2020
Current liabilities	Trade payables and accrued liabilities	-	1,652,514	1,730,398
	Contract liabilities	9B	838,209	836,991
	Other current financial liabilities	18	205,770	187,754
	Other current non-financial liabilities	19	328,119	473,780
	Current portion of provisions	22	425,613	401,585
	Current portion of lease liabilities	34	91,317	97,409
	Short-term debt and current portion of long-term debt: Recourse	20	96,853	174,960
	Short-term debt and current portion of long-term debt: Non-recourse	20	14,021	31,262
	Liabilities of disposal groups classified as held for sale	6D, 39	298,888	340,303
Total current liabilities			**$ 3,951,304**	**$ 4,274,442**
Liabilities	Long-term debt: Recourse	20	997,249	996,005
	Long-term debt: Limited recourse	20	400,000	400,000
	Long-term debt: Limited recourse	20	156,048	400,283
	Other non-current financial liabilities	21	137,519	193,861
	Non-current portion of provisions	22	470,410	753,226
	Non-current portion of lease liabilities	34	405,741	399,201
	Other non-current non-financial liabilities	-	37	219
	Deferred income tax liability	29A	364,197	354,348
Total liabilities			**$ 6,882,505**	**$ 7,771,585**

LIABILITIES AND EQUITY

		Note	December 31 2021	December 31 2020
Total liabilities			**$ 6,882,505**	**$ 7,771,585**
Equity	Share capital	23	1,805,080	1,805,080
	Retained earnings	-	1,501,556	478,351
	Other components of equity	24	(333,269)	(320,067)
	Other components of equity of disposal groups classified as held for sale	6D	-	594,141
Equity attributable to SNC-Lavalin shareholders		-	2,973,367	2,557,505
Non-controlling interests		-	20,092	11,188
Total equity			**$ 2,993,459**	**$ 2,568,693**
Total liabilities and equity			**$ 9,875,964**	**$ 10,340,278**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Approved, on behalf of the Board of Directors, by:

Ian L. Edwards *(Signed)*
President and Chief Executive Officer

Benita M. Warmbold *(Signed)*
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

2021

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital Common Shares	Share Capital Amount	Retained Earnings	Other components of equity note 24	Total	Non- Controlling Interests	Total Equity
Balance at beginning of year	**$ 175,554**	**$ 1,805,080**	**$ 478,351**	**$ 274,074**	**$ 2,557,505**	**$ 11,188**	**$ 2,568,693**
Net income (loss)	-	-	666,563	-	666,563	5,493	672,056
Other comprehensive income (loss)	-	-	376,676	(607,343)	(230,667)	91	(230,576)
Total comprehensive income (loss)	-	-	1,043,239	(607,343)	435,896	5,584	441,480
Dividends declared (Note 23E)	-	-	(14,044)	-	(14,044)	-	(14,044)
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	(2,670)	(2,670)
Other transaction with non-controlling interests	-	-	(5,990)	-	(5,990)	5,990	-
Balance at end of year	**$ 175,554**	**$ 1,805,080**	**$ 1,501,556**	**$ (333,269)**	**$ 2,973,367**	**$ 20,092**	**$ 2,993,459**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS2020

2020

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital Common Shares	Share Capital Amount	Retained Earnings	Other components of equity note 24	Total	Non- Controlling Interests	Total Equity
Balance at beginning of year	**$ 175,554**	**$ 1,805,080**	**$ 1,555,853**	**$ 354,073**	**$ 3,715,006**	**$ 2,421**	**$ 3,717,427**
Net income (loss)	-	-	(965,447)	-	(965,447)	9,174	(956,273)
Other comprehensive income (loss)	-	-	(98,011)	(79,999)	(178,010)	1,159	(176,851)
Total comprehensive income (loss)	-	-	(1,063,458)	(79,999)	(1,143,457)	10,333	(1,133,124)
Dividends declared (Note 23E)	-	-	(14,044)	-	(14,044)	-	(14,044)
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	(1,578)	(1,578)
Other transaction with non-controlling interests	-	-	-	-	-	12	12
Balance at end of year	**$ 175,554**	**$ 1,805,080**	**$ 478,351**	**$ 274,074**	**$ 2,557,505**	**$ 11,188**	**$ 2,568,693**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

CONTINUING OPERATIONS

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS AND NUMBER OF SHARES

	Note	2021	2020
Revenues from: PS&PM	-	7,237,134	6,878,142
Revenues from: Capital investments accounted for by the consolidation method or at fair value through other comprehensive income	-	49,116	42,010
Revenues from: Capital investments accounted for by the equity method	-	85,002	87,349
Subtotal		$ 7,371,252	$ 7,007,501
Direct costs of activities	-	6,881,947	6,882,152
Corporate selling, general and administrative expenses	25	145,073	175,933
Impairment loss from expected credit losses	-	-	874
Loss (gain) arising on financial instruments at fair value through profit or loss	-	(3,725)	61,859
Restructuring and transformation costs	26	70,117	63,324
Amortization of intangible assets related to business combinations	-	89,477	126,770
Adjustments on gain on disposals of Capital investments	5A	(5,000)	(25,000)
Loss on disposals of PS&PM businesses	6B, 6F	613	7,467
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6B	(1,348)	6,094

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED NEXT PAGE

CONTINUING OPERATIONS

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS AND NUMBER OF SHARES)

	Note	2021	2020
EBIT [1]	-	194,098	(291,972)
Financial expenses	27	113,856	124,703
Financial income and net foreign exchange losses (gains)	27	(3,406)	(10,707)
Earnings (loss) before income taxes from continuing operations	-	83,648	(405,968)
Income tax recovery	29B	(22,031)	(59,039)
Net income (loss) from continuing operations	-	105,679	(346,929)
Net income (loss) from discontinued operations	6A	566,377	(609,344)
Net income (loss)	-	672,056	(956,273)
Net income (loss) from continuing operations attributable to: SNC-Lavalin shareholders	-	100,186	(356,103)
Net income (loss) from continuing operations attributable to: Non-controlling interests	-	5,493	9,174
Net income (loss) from continuing operations	-	105,679	(346,929)
Net income (loss) attributable to: SNC-Lavalin shareholders	-	666,563	(965,447)
Net income (loss) attributable to: Non-controlling interests	-	5,493	9,174
Net income (loss)	-	672,056	956,273)
Earnings (loss) per share from continuing operations (in $): Basic	-	0.57	(2.03)
Earnings (loss) per share from continuing operations (in $): Diluted	-	0.57	(2.03)

	Note	2021	2020
Weighted average number of outstanding shares (in thousands)	23D		
Basic	-	175,554	175,554
Diluted	-	175,554	175,554

[1] Earnings Before Interest and Taxes ("EBIT")

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

2021

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income from continuing operations	**$ 100,186**	**$ 5,493**	**$ 105,679**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	(595,569)	(11)	(595,580)
Cash flow hedges (Note 24)	14,339	102	14,441
Share of other comprehensive income of investments accounted for by the equity method (Note 24)	1,419	-	1,419
Income taxes (Note 24)	(1,412)	-	(1,412)
Total of items that will be reclassified subsequently to net income	(581,223)	91	(581,132)
Equity instruments designated at fair value through other comprehensive income (Note 24)	5,749	-	5,749
Remeasurement of defined benefit plans (Note 24)	464,878	-	464,878
Income taxes (Note 24)	(94,662)	-	(94,662)
Total of items that will not be reclassified subsequently to net income	375,965	-	375,965
Total other comprehensive income (loss) from continuing operations	(205,258)	91	(205,167)
Net income from discontinued operations	566,377	-	566,377
Other comprehensive loss from discontinued operations	(25,409)	-	(25,409)
Total other comprehensive income from discontinued operations	540,968	-	540,968
Total comprehensive income	**$ 435,896**	**$ 5,584**	**$ 441,480**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2020

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income (loss) from continuing operations	**$ (356,103)**	**$ 9,174**	**$ (346,929)**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	(70,020)	120	(69,900)
Cash flow hedges (Note 24)	(6,204)	1,039	(5,165)
Share of other comprehensive loss of investments accounted for by the equity method (Note 24)	(1,590)	-	(1,590)
Income taxes (Note 24)	827	-	827
Total of items that will be reclassified subsequently to net income	(76,987)	1,159	(75,828)
Equity instruments designated at fair value through other comprehensive income (Note 24)	(7,747)	-	(7,747)
Income taxes (Note 24)	40	-	40
Remeasurement of defined benefit plans	(122,601)	-	(122,601)
Income taxes	28,754	-	28,754
Total of items that will not be reclassified subsequently to net income	(101,554)	-	(101,554)
Total other comprehensive income (loss) from continuing operations	(178,541)	1,159	(177,382)
Net loss from discontinued operations	(609,344)	-	(609,344)
Total other comprehensive loss from discontinued operations	531	-	531
Total other comprehensive loss from discontinued operations	(608,813)	-	(608,813)
Total comprehensive income (loss)	**$ (1,143,457)**	**$ 10,333**	**$ (1,133,124)**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS [1]

OPERATING ACTIVITIES

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

	Note	2021	2020
Net income (loss)	-	672,056	(956,273)
Income taxes paid	-	(71,390)	(22,536)
Interest paid [2]	-	(97,011)	(105,005)
Other reconciling items	28A	(272,238)	976,051
Subtotal		**$ 231,417**	**$ (107,763)**
Net change in non-cash working capital items	28B	(97,219)	229,248
Net cash generated from operating activities	-	134,198	121,485

INVESTING ACTIVITIES

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

	Note	2021	2020
Acquisition of property and equipment	-	(106,291)	(75,821)
Payments for Capital investments	5C	(29,731)	(55,834)
Refunds for Capital investments	-	2,529	-
Change in restricted cash position	-	(6,551)	4,818
Increase in receivables under service concession arrangements	-	(386,157)	(239,584)
Recovery of receivables under service concession arrangements	-	255,622	173,934
Cash outflow on disposals of PS&PM businesses	6C, 6G	(21,076)	(15,043)
Cash inflow on disposal of a Capital investment accounted for by the equity method	5A	5,000	-
Other [3]	-	22,948	22,407
Net cash used for investing activities	-	(263,707)	(185,123)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SNC-Lavalin has elected to present a consolidated statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 6A.

(2) Effective January 1, 2021, the Company combined "Interest paid from PS&PM" and "Interest paid from Capital investments", both presented in operating activities, into "Interest paid", also in operating activities, in the Consolidated Statements of Cash Flows. The Company has re-presented the comparative figures accordingly.

(3) Effective as of the fourth quarter of 2020, the Company combined "Proceeds from disposal of property and equipment" and "Other", both presented in investing activities, into "Other", also in investing activities, in the Consolidated Statements of Cash Flows. The Company has re-presented the comparative figures accordingly.

FINANCING ACTIVITIES

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

	Note	2021	2020
Increase in debt	28C	121,039	1,329,225
Repayment of debt and payment for debt issue costs	28C	(201,466)	(1,387,901)
Payment of lease liabilities	28C	(99,775)	(118,651)
Dividends paid to SNC-Lavalin shareholders	23E, 28C	(14,044)	(14,044)
Other	28C	1,711	941
Net cash used for financing activities	-	(192,535)	(190,430)
Decrease from exchange differences on translating cash and cash equivalents	-	(248)	(1,666)
Net decrease in cash and cash equivalents	-	(322,292)	(255,734)
Cash and cash equivalents at beginning of year	-	932,902	1,188,636
Cash and cash equivalents at end of year	-	610,610	932,902
Presented on the statement of financial position as follows: Cash and cash equivalents	-	608,446	932,902
Presented on the statement of financial position as follows: Assets of disposal group classified as held for sale	39	2,164	-
Total		$ 610,610	$ 932,902

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

1. DESCRIPTION OF BUSINESS

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

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

The Company reports its revenues as follows:

- **Professional Services & Project Management ("PS&PM")** includes contracts generating revenues related mainly to consulting and advisory, intelligent networks and cybersecurity, design and engineering, procurement, project and construction management, operations and maintenance ("O&M"), decommissioning and sustaining capital. It also includes revenues from lump-sum turnkey construction ("LSTK") contracts, on which the Company ceased bidding in July 2019, except for certain repetitive engineering, procurement and construction ("EPC") offerings that are lower-risk, standardized solutions.
- **Capital investments** include SNC-Lavalin's investments in infrastructure concessions for public services such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of Preparation

The Company's financial statements have been prepared in accordance with **International Financial Reporting Standards** ("**IFRS**") issued and effective for the year ended December 31, 2021, and are presented in **Canadian dollars**. All values in the tables included in these notes are rounded to the nearest thousand dollars, except where otherwise indicated.

The accounting policies set out below were consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3.

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

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

The Company's financial statements were authorized for issue by the Board of Directors of the Company on March 2, 2022.

(B) New Amendments Adopted in the Year Ended December 31, 2021

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

- *Interest Rate Benchmark Reform-Phase 2*, which amends IFRS 9, *Financial Instruments*; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 7, *Financial Instruments: Disclosures*; IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. The amendments relate to: i) changes to contractual cash flows-an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; ii) hedge accounting-an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and iii) disclosures-an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

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

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

SNC-Lavalin's timeline to identify and eventually convert its existing LIBOR (USD) based contracts with terms other than 1-week and 2-months is currently estimated to be at the latest by June 30, 2023, based on the recommended target dates for cessation of LIBOR-based products provided by the regulators. With regard to existing GBP LIBOR, EUR LIBOR and USD LIBOR (with terms of 1-week and 2-months) based contracts, SNC-Lavalin determined that as at December 31, 2021 its only material contract based on these reference rates is the Company's unsecured revolving credit facility (see Note 20C (i)), which was not converted or amended to reflect the fallback rates, namely the Sterling Overnight Index Average ("SONIA") rate for GBP LIBOR and the Euro Short Term Rate ("€STR") for EUR LIBOR and for the cessation of USD LIBOR with terms of 1-week and 2-months, effective from January 1st, 2022, since the Company does not expect to obtain borrowings based on these reference rates. SNC-Lavalin also monitors its exposures to benchmark rates that have no announced plans for cessation or further reform, including the Canadian Dollar Offered Rate ("CDOR") and the Euro Interbank Offered Rate ("EURIBOR").

(C) Amendments Issued to be Adopted at a Later Date

The following amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2022 and thereafter, with an earlier application permitted:

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

- Amendments to IFRS 9, Financial Instruments, clarify which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- Amendments to IFRS 16, Leases ("IFRS 16"), remove the illustration of the reimbursement of leasehold improvements included in the Illustrative Example 13 of IFRS 16 since it does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

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

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

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

(D) Basis of Consolidation

In accordance with IFRS, SNC-Lavalin's interests in other entities subject to control, joint control or significant influence are accounted for as follows:

Type of Interest	Type of Influence	Accounting Method
Subsidiary	Control	Consolidation method
Joint venture	Joint control	Equity method
Joint operation	Joint control	SNC-Lavalin's share of assets, liabilities, revenues and expenses
Associate	Significant influence	Equity method
Investment	Non-significant influence	Measured at fair value; dividend income is recognized in the income statement

A subsidiary that is not wholly-owned by SNC-Lavalin results in non-controlling interests that are presented separately on the consolidated statement of financial position, while the portions of net income and of other comprehensive income attributable to such non-controlling interests are also shown separately on the consolidated income statement and on the consolidated statement of comprehensive income, respectively.

When necessary, adjustments are made to the financial statements of subsidiaries, joint arrangements and associates to bring their accounting policies in line with those used by the Company.

Business Acquisitions

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, if any, in exchange for control of the acquiree. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

At the date of acquisition, the identifiable assets acquired and the liabilities assumed are recognized at fair value, except that:

- deferred income tax asset or liability, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes, and IAS 19, Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, Share-based Payment, at the date of acquisition;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, are measured in accordance with this standard; and
- right-of-use assets and lease liabilities are recognized in accordance with IFRS 16, Leases, for leases under which the acquiree is the lessee.

Acquisition-related costs are expensed in the periods in which these costs are incurred and the services are received.

The results of businesses acquired are included in the consolidated financial statements from the date on which control is obtained.

(E) Foreign Currency Translation

Functional and presentation currency

The individual financial statements of each entity within the Company are prepared in its functional currency, being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity within the Company are expressed in Canadian dollars, which is the presentation currency of the Company for its consolidated financial statements.

Foreign currency transactions and balances

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedure on transactions and balances in currencies other than their functional currency: 1) monetary items are translated in their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated in their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated in their functional currency using the appropriate average exchange rate of the period. Any resulting gains or losses are recognized in net income and, if hedge accounting is applied, offsetting losses or gains from the hedging items are also recognized in net income.

As a result of applying the procedures described above, Canadian and foreign operations produce financial statements presented in their functional currency.

Translation of financial statements of foreign operations

For the purpose of presenting consolidated financial statements in Canadian dollars, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period, while revenues and expenses are translated at the appropriate average exchange rate for the period. Exchange differences arising on consolidation, if any, are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal of foreign operations.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period end rate.

(F) Revenue Recognition

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a point in time, depending on which method reflects the transfer of control of the goods or services underlying the particular performance obligation to the customer.

In most cases, for performance obligations satisfied over time, the Company recognizes revenue over time using an input method, based on costs incurred to date relative to total estimated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Company in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. For certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Company recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Company might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Company is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration which the Company expects to be entitled to receive in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses, and penalties, and could include claims and unpriced change orders. When a contract includes a significant financing component, the value of such component is excluded from the transaction price and is recognized separately as finance income or expense, as applicable.

SNC-Lavalin may enter into contractual arrangements with a client to deliver services on one project with respect to more than one performance obligation, such as EPC or Engineering, Procurement, and Construction and Management ("EPCM"), O&M and/or Capital investments. When entering into such arrangements, the Company allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Company accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a separate contract when the remaining goods or services to be delivered after the modification are distinct from those delivered prior to the modification and the price of the contract increases by an amount of consideration that reflects the stand-alone selling price of the additional promised good or services. When the contract modification is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification.

The Company recognizes assurance-type warranty costs as a provision in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, based on the advancement of the projects, and the provision recognized is then either used when costs are incurred or reversed if it is no longer needed.

In all cases, the value of construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

The Company may apply its revenue recognition policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio.

The Company presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its trade receivables. Contract assets and trade receivables are both rights to receive consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (trade receivables) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the cumulative amount received and contractually receivable by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

Revenues from **Capital investments** include the following:

Accounting Methods for the Company's 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 investments or dividends from its Capital investments for which the carrying amount is $nil but would otherwise be negative based on historical financial results and dividends if SNC-Lavalin had an obligation to fund the investment. Dividends 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

(G) Financial Instruments

Financial Assets and Liabilities

Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

Category – Subsequently Measured at	Applicable To	Initial Measurement	Subsequent Measurement	Recognition of Income/ Expense and Gains/Losses on Remeasurement, if any
Fair value through profit or loss ("FVTPL")	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Fair value through other comprehensive income ("FVTOCI")	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques	Investment income, which includes interest, dividends and distributions, is recognized in net income. For equity instruments, gains (losses) from revaluation are recognized in other comprehensive income with no reclassification to net income on disposal of such assets
Amortized cost	Financial assets and financial liabilities	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income

Impairment of assets subsequently measured at amortized cost

For "Trade receivables", "Contract assets" and "Finance lease receivables", the amount of the loss allowance recognized is the amount equal to lifetime expected credit losses that result from all possible events of default over the expected life of a financial instrument.

For "Non-current portion of receivables under service concession arrangements", if the credit risk has not increased significantly since initial recognition, the amount of the loss allowance recognized is the amount equal to 12-month expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Write-off

The gross carrying amount of a financial asset is reduced when there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Hedging (Applying Ias 39)

In the normal course of its business, SNC-Lavalin enters into derivative financial instruments, mainly i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin may also enter into other derivative financial instruments to hedge

its exposure to market risk. When applying hedge accounting, SNC-Lavalin formally documents its accounting choice, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges.

Cash Flow Hedges

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instruments is recorded in other components of equity, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in net income immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in net income in the same line item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under "Exchange differences on translating foreign operations" in the "Other components of equity". The gain or loss relating to the ineffective portion is recognized immediately in net income, and is included in the "Financial expenses" line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the "Exchange differences on translating foreign operations" are reclassified to net income on the disposal of the foreign operation.

(H) Service Concession Arrangements Under Ifric Interpretation 12

IFRIC Interpretation 12, Service Concession Arrangements, ("IFRIC 12") provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

- controls or regulates what services the operator (i.e. "the concessionaire") must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

Accounting Model	Demand Risk
Financial asset model	The concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, e.g. availability payments)
Intangible asset model	The concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure)
Bifurcated model	The concessionaire shares demand risk with the grantor (i.e., the grantor pays the concessionaire for its services partly by a financial asset and partly by granting a right to charge users of the infrastructure)

Revenues from service concession arrangements accounted for under IFRIC 12 are recognized as follows:

Activities Provided by The Concessionaire	Revenue Recognition	Classification of Revenues in the Company's Consolidated Income Statement
Construction or upgrade (when a service concession arrangement involves the construction or upgrade of the public service infrastructure)	Revenues relating to such activities under a service concession arrangement are recognized based on the Company's accounting policy on recognizing revenue (see Note 2F).	The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an EPC contractor. When SNC-Lavalin does not act as an EPC contractor, revenues are recognized by the concession as part of "Capital investments" activities
Operations and maintenance (these activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users)		The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an O&M contractor. When SNC-Lavalin does not act as an O&M contractor, revenues are recognized by the concession as part of "Capital investments" activities
Rehabilitation (when a service concession arrangement requires the concessionaire to rehabilitate the infrastructure such that the infrastructure can deliver a specified standard of service at all times)		The Company classifies these revenues as "from PS&PM" activities when SNC-Lavalin acts as a rehabilitation contractor. When SNC-Lavalin does not act as a rehabilitation contractor, revenues are recognized by the concession as part of "Capital investments" activities
Financing (when financial asset model or bifurcated model is applied)	Finance income generated on financial assets is recognized using the effective interest method.	The Company classifies this finance income as "Capital investments" activities

Financial asset model

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the stand-alone selling price of the activity delivered.

Revenues recognized by the Company under the financial asset model are accumulated in "Receivables under service concession arrangements", a financial asset that is recovered through payments received from the grantor.

Intangible asset model

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. Amortization period begins when the infrastructure is available for use.

Fees collected by the concessionaire upon the usage of the infrastructure are classified as revenues from "Capital investments" activities.

(I) Cash Equivalents

Cash equivalents include short-term liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are designated as at FVTPL and accounted for at fair value.

(J) Restricted Cash

Restricted cash includes cash and cash equivalents for which the use is restricted for specific purposes under certain arrangements. Restricted cash that is not expected to become unrestricted within the next twelve months is included in "Other non-current financial assets". Restricted cash is designated as at FVTPL and accounted for at fair value.

(K) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined: i) by using specific identification of the individual costs; or ii) on a weighted average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(L) Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded at rates set to charge operations with the cost of depreciable assets less their residual values (if any) over their estimated useful lives.

Property and equipment are primarily:

Category	Depreciation Method	Depreciation Period
Buildings	Straight-line, by component	10 to 50 years
Computer equipment	Straight-line	2 to 5 years
Office furniture	Diminishing balance or straight-line	20% or from 2 to 10 years
Machinery	Straight-line	1 to 15 years
Leasehold improvements	Straight-line	Over the shorter of: i) the term of the lease; and ii) the useful life of the asset

(M) Intangible Assets other than Goodwill

Intangible assets acquired in a business combination.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with definite useful life related to business combinations are primarily:

Category	Amortization Method	Amortization Period
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 and 10 years
Trademarks	Straight-line	4 to 8 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income when the asset is derecognized.

(N) Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, which mainly include property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

(O) Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and joint ventures is included within investments accounted for by the equity method. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU or group of CGU expected to benefit from the synergies of the combination. A CGU or group of CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGU may be impaired. If the recoverable amount of the CGU or group of CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGU and then to the other assets of the CGU or group of CGU pro rata on the basis of the carrying amount of each asset in the CGU or group of CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has designated October 31 as the date for its annual impairment test.

(P) Research and Development Costs

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and satisfy generally accepted conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, using the straight-line method over a period not exceeding five years.

(Q) Income taxes

Income taxes recognized in net income comprise the sum of deferred income tax and current income tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise amounts receivable from or payable to tax authorities relating to the current or prior reporting periods, which are uncollected or unpaid at the reporting date. Current tax is payable on taxable income, which differs from net income in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax on temporary differences associated with shares in subsidiaries, joint arrangements and associates is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. For management's assessment of the probability of future taxable income to utilize against deferred income tax assets, see Note 3.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred income tax assets or liabilities are recognized as a component of income taxes in net income, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred income tax is recognized in other comprehensive income or equity, respectively.

(R) Defined Benefit Pension Plans, Other Long-Term Benefits and Other Post-Employment Benefits

Defined benefit pension plans, other long-term benefits and other post-employment benefits obligations are included in "Provisions" in the consolidated statement of financial position and have been determined using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement to the eligible employees and measures each unit separately to build up the final obligation. In valuing the defined benefit cost as well as other post- employment benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high quality corporate bonds with cash flows that match the timing and amount of expected benefit payments.

Remeasurement, comprising: i) actuarial gains and losses; ii) the effect of the changes to the asset ceiling (if applicable); and iii) the return on plans' assets (excluding interest), is credited or charged to equity in other comprehensive income in the period in which it arises. Remeasurement recognized in other comprehensive income is not reclassified to net income in subsequent periods. The cumulative amount of remeasurement is included in retained earnings.

Defined benefit costs comprise: i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); ii) net interest expense or income; and iii) remeasurement. Service cost and net interest income or expense are recognized in net income while the remeasurement is

recognized in other comprehensive income in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

(S) Earnings Per Share

Basic and diluted earnings per share are determined by dividing consolidated net income attributable to SNC-Lavalin shareholders for the period by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

(T) Share-Based Payments

Stock options

Stock options granted to employees are measured at their fair value at the grant date. The estimated fair value of the stock options is determined using the Black-Scholes option pricing model.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the shorter of the vesting period or the term over which an employee becomes eligible to retire, based on the Company's estimate of stock options that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest and the impact of such revision, if any, is recognized in net income.

Share units

The 2019 Performance Share Unit plan ("2019 PSU plan"), 2017 Performance Share Unit plan ("2017 PSU plan"), 2019 Restricted Share Unit plan ("2019 RSU plan"), Restricted Share Unit plan ("RSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share unit plans". For share units granted to employees under the share unit plans, a liability is recognized and measured at the fair value of the liability, which is based on the Company's share price. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period. The fair value of the grants of share units is expensed in the income statement on a straight-line basis over the vesting period, based on the Company's estimate of share units that will eventually vest.

(U) Provisions

A provision is a liability of uncertain timing or amount that is recognized in the consolidated statement of financial position.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructuring

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(V) Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary

for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IFRS 9, Financial Instruments, unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Discontinued operations

A disposal group qualifies as a discontinued operation if it is a component of an entity for which operations and cash flows can be clearly distinguished from the rest of the Company, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal and when the operation meets the criteria to be classified as held for sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in “Net income (loss) from discontinued operations” in the consolidated income statement.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of other comprehensive income are re-presented as if the operation had been discontinued from the beginning of the comparative year.

(W) Leasing

Accounting for leases as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right- of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, and represents a period ranging from 1 to 30 years for office real estate leases and 1 to 8 years for other leased assets. In addition, the right-of-use asset is reduced by impairment losses resulting from impairment tests conducted in accordance with IAS 36, Impairment of Assets, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments used for the calculations comprise mainly fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured to reflect changes in the lease payments, such as upon a lease modification that is not accounted for as a separate lease.

A lease modification is considered a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone

price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. Any other modification is not accounted for as a separate lease.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the modification, at its effective date, as follows:

- for a lease modification resulting in a decrease in the scope of the lease, such as a reduction in the term of a lease or in the space being leased, the lease liability is remeasured to reflect the revised lease payments and the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. If the carrying amount of the right- of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss. Furthermore, the difference between the reduction in the lease liability and the reduction in the corresponding right-of-use asset's carrying value is recognized in profit or loss.
- for all other lease modifications, the lease liability is remeasured to reflect the revised lease payments, with a corresponding adjustment to the right-of-use asset.

The remeasurement of a lease liability upon a lease modification, or upon any change to the lease payments resulting from a change in the lease term or in the assessment of an option to purchase the underlying asset, is based on a revised discount rate reflecting the remainder of the lease term. The remeasurement of a lease liability to reflect revised lease payments due to a change in the amounts expected to be payable to the lessor under a residual value guarantee or to a change in an index or a rate used to determine those payments, other than a change in floating interest rates, is based on an unchanged discount rate.

Accounting for leases as a lessor

When acting as a lessor, the Company determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Company subleases one of its leases and concludes that it is a finance lease, it derecognizes the right-of-use asset relating to the head lease being sublet, recognizes a receivable equal to the net investment in the sublease and retains the previously recognized lease liability in its capacity as lessee. The Company then recognizes interest expense on its lease liability and interest income on the receivable in its capacity as finance lessor.

Accounting for sale and lease back transactions

In a sale and lease back transaction, the transfer of an asset is recognized as a sale when the customer has obtained control of such asset based on the Company's revenue recognition policy, otherwise the Company continues to recognize the transferred asset on its statement of financial position and recognizes a financial liability equal to the proceeds transferred. When the transfer of an asset satisfies the Company's revenue recognition policy to be accounted for as a sale, a partial recognition of the gain on disposal is recognized immediately after the sale, based on the proportion of the asset not retained by the Company through the lease. The proportion of the asset retained by the Company through the lease is recognized as a right-of-use asset and the lease liability is measured as the present value of future lease payments.

(X) Government Grants

SNC-Lavalin recognizes grants from the government where there is a reasonable assurance that the grant will be received and SNC-Lavalin will comply with all attached conditions.

Government grants are recognized in the income statement on a systematic basis over the periods in which SNC-Lavalin recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property and equipment) are recognized by deducting the grants from the carrying amount of the related assets in the statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the income statement in the period in which they become receivable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities recognized 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.

The following are the 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.

COVID-19 related matters

The COVID-19 pandemic has significantly disrupted and, although vaccination campaigns are currently underway in certain countries/regions, it continues to significantly disrupt global health, economic and market conditions and has triggered and continues to induce an indeterminate period of volatility and slowdown in the global economy and recessions. The full impact of the COVID-19 pandemic, including the impact of the preventative and mitigation measures that the Company, other businesses and governments worldwide are taking to combat the spread of the disease and subsequent waves and variants thereof, continues to evolve and the pandemic continues to have material adverse repercussions in the jurisdictions where the Company has offices, delivers services and holds investments, and it continues creating significant volatility and negative pressure on virtually all national economies as well as financial markets, in each case, notwithstanding the fact that vaccination campaigns are currently underway.

The impacts of the COVID-19 pandemic on the main areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, for the preparation of the Company's financial statements are: revenue recognition, values used in impairment tests, assessment of deferred income tax assets and measurement of financial instruments at fair value.

Revenue recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a point in time) for each performance obligation and the measure of progress for each performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require the exercise of judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration which the Company expects to be entitled to receive in exchange for transferring promised goods or services to a customer. Such amount may require the Company to estimate an amount of variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Company needs to constrain the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses, and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of variable consideration may vary significantly over time. Such estimated amount of variable consideration then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

More specifically, since 2020, the Company reviews numerous variables having an impact on revenue recognition that are, or could be, affected by the COVID-19 pandemic, such as limitations or suspensions of certain business operations throughout the world, significant travel, particularly air travel, restrictions and associated quarantine and self-isolation requirements, the inability to execute work on certain sites for, in certain cases, indeterminate periods of time and the potential increased costs and delays resulting therefrom, unavailability of labour and supply chain disruptions. Where available, force majeure relief (or similar) clauses contained in the contracts that underpin certain of the Company's major revenue generating projects were invoked and relied upon by the Company in response to the impacts of the COVID-19

pandemic and, consequently, the Company continues to monitor these contracts in light of the evolving situation and address all the claims that have arisen in connection with this process. The amount of anticipated incremental revenues (and decline thereof) and costs have been included in the forecast of performance obligations satisfied over time using the input method where such figures could be estimated with reasonable assurance based on facts and circumstances that existed at the time of such estimate. Where such figures could not be estimated with reasonable assurance, they were excluded from the forecast of performance obligations satisfied over time using the input method.

Service concession arrangements

The accounting for certain Capital investment activities requires the application of judgment in determining if they fall within the scope of IFRIC 12. Additional judgments need to be exercised when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, the accounting treatment of rehabilitation costs and associated estimates, as well as the effective interest rate to be applied to the financial asset. As the accounting for Capital investments under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the Capital investments.

Basis of consolidation

Under certain circumstances, the determination of the Company's level of power over an investee requires the exercise of judgment. As such, the classification of the entity as a subsidiary, a joint arrangement, an associate or an investment might require the application of judgment through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors, and various other factors.

Values used in impairment tests

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU or group of CGU. Such recoverable amount corresponds, for the purpose of impairment assessment, to the higher of the value in use or the fair value less costs of disposal of the CGU or group of CGU to which goodwill has been allocated.

The value in use calculation requires management to estimate future cash flows expected to arise from the CGU or group of CGU and a suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate.

When using the value in use approach, cash flows for each CGU or group of CGU are derived from the budget for the upcoming year, which is approved on an annual basis by members of the Company's Board of Directors, and a long-term forecast prepared by management, which covers an additional period from 3 to 5 years. Cash flows beyond the long-term forecast are extrapolated using a growth rate estimated by management. The discount rate is derived from the Company's post-tax weighted average cost of capital and is adjusted, where applicable, to take into account any specific risks.

When the fair value less costs of disposal approach is used, the fair value is derived from a market multiple approach. Under this approach, transaction multiples are applied to such CGU's future results, mainly EBIT and earnings before interest, income taxes, depreciation and amortization. The key assumptions required for the fair value less costs of disposal are the future results of the CGU or group of CGU, the multiples being used and the costs of disposal.

Future results for each CGU or group of CGU are derived from the budget for the upcoming year. Transaction multiples are derived from observable market value of comparable publicly traded companies or fair value observed from recent acquisitions or disposals of businesses that are comparable to the CGU or group of CGU. Costs of disposal, which usually corresponds to a percentage of the fair value of the CGU or group of CGU, are estimated based on historical transactions of the Company or on input from recent transactions.

For both the value in use and the fair value less costs of disposal approaches, the values assigned to key assumptions reflect past experience and external sources of information that are deemed accurate and reliable. The value in use and the fair value are categorized as Level 3 in the fair value hierarchy described under IFRS 13, Fair Value Measurement, as one or more key assumption used is based on unobservable data requiring the use of judgement.

When there is any indication that any tangible and intangible assets other than goodwill have suffered an impairment loss, the determination of the recoverable amount of such tangible and intangible assets other than goodwill requires management to estimate cash flows expected to arise from these assets and a suitable discount rate in order to calculate the present value in a manner described above for goodwill.

The identification of events, such as COVID-19 and others, that could have an impact on the estimated cash flows of the assets and the determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets if found to be impaired.

The main assumptions used for the goodwill impairment testing are disclosed in Note 14.

Measurement of retirement benefit obligations, other long-term benefit and other post-employment benefit obligations

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans, other long-term benefits and other post- employment benefits are determined using actuarial valuations and are dependent on assumptions such as the rate of compensation increase, as determined by management. While management believes these assumptions represent its best estimate, differences in actual results or changes in assumptions could have an impact on the obligations, expenses and amounts of actuarial gains (losses) recognized in the consolidated statement of comprehensive income.

October 26, 2018 and November 20, 2020 U.K. High Court rulings

SNC-Lavalin has certain defined benefit pension plans in the United Kingdom (the "U.K.") that are subject to guaranteed minimum pension ("GMP") accruals. An October 26, 2018 U.K. High Court ruling resulted in a higher pension obligation for SNC-Lavalin since the ruling: (i) requires plans to amend their pension formula to equalize benefits for men and women to adjust for the unequal results produced by the GMP between May 1990 and April 1997; (ii) provides permissible equalization methods under the law and allows the plan sponsors to use the lowest cost method; and (iii) requires plans to make back payments subject to plan rule limitations, with interest applied at one percentage point over the Bank of England base rate. On November 20, 2020, the U.K. High Court ruled that defined benefit plans need to revisit individual transfer payments made since May 17, 1990 to determine if any additional value is due as a result of GMP equalization.

While the ruling has put forward a range of possible approaches that could be adopted to equalize GMPs, it left it up to individual pension plan trustees and employers to determine their preferred approach. SNC-Lavalin expects that it will take time for trustees and employers to decide on the approach for GMP equalization, gather data for plan participants, calculate the new benefit and cost, and ultimately make payments to members.

Based on its preliminary assessment, SNC-Lavalin recognized $25.1 million as past service cost in "Corporate selling, general and administrative expenses" in its consolidated income statement for the year ended December 31, 2018. In the year ended December 31, 2020, SNC-Lavalin recognized an additional amount of $4.0 million as past service cost in "Corporate selling, general and administrative expenses" in its consolidated income statement. As at December 31, 2021, the cumulative amount of $29.1 million remains subject to uncertainty until the quantification exercise is completed.

October 15, 2020 U.K. Pensions Ombudsman ruling

An October 15, 2020 U.K. Pensions Ombudsman ruling resulted in a tranche of deferred and pensioner members who for a period of their pensionable service should receive their first annual increase post retirement in full rather than a pro rata increase to reflect the number of complete months they have been in retirement in the first year. This requirement for a full increase has not been applied historically. Instead a proportionate first increase has been applied for all members and for all service. Based on its preliminary assessment, SNC-Lavalin recognized $26.7 million as actuarial losses arising from experience adjustments, which are included in "Remeasurement of defined benefit plans" in the consolidated statement of comprehensive income for the year ended December 31, 2020. As at December 31, 2021, such amount of $26.7 million remains subject to uncertainty until the quantification exercise is completed.

Measurement of provisions shown in the consolidated statement of financial position

In measuring a provision, the Company takes risks and uncertainties into account. The uncertainties mainly relate to the timing and amount of a provision. Also, risks and uncertainties arise from discounting a provision, where the effect of the time value of money is significant, using a pre-tax discount rate that reflects current market assessments of the time value of money. Additionally, the Company takes future events, such as changes in the law, into account where there is sufficient objective evidence that they will occur when measuring a provision.

Contingent liabilities

As described in more detail in Note 33, the Company is subject to certain ongoing investigations, and various class action and other lawsuits and proceedings have been filed against the Company. The outcome of these investigations, actions, lawsuits and proceedings, while not determinable, could have a material adverse impact on the Company's liquidity and financial results.

Measurement of share-based payment expenses

The Company offers PSU plans to selected individuals within the organization. Depending on the attainment of performance criteria and conditions, the number of units granted is adjusted depending on specific indicators to determine the number of units to which all participants receiving the award will be entitled at the end of the vesting period. At each measurement date, management is required to estimate the number of performance share units that will vest, which impacts the amount of associated liabilities and expenses.

Assessment of deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of significant judgment in determining whether or not it is probable that the Company's deferred income tax assets would be recovered from future taxable income and, therefore, can be recognized in the Company's consolidated financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantively enacted tax rates that will apply at such time.

Measurement of financial instruments at fair value

The Company measures some of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When data is not readily available, management is required to estimate the fair value of the instrument using various inputs that are either directly or indirectly observable, or that are not based on observable market data.

Most of the Company's financial instruments measured at fair value, such as cash and cash equivalents, restricted cash, derivatives, certain investments in equity instruments and pension plan assets, are based on the most readily available market data; therefore, the Company determined that there is no additional impact from the COVID-19 pandemic, other than what is already included in the market data, to be considered for the measurement of such financial instruments as at December 31, 2021 and 2020.

The Company also accounts for financial instruments classified in the category "Level 3" of the hierarchy of fair value, including the contingent consideration receivable from the acquirer of the 10.01% interest in 407 International Inc. ("Highway 407 ETR"). The value of this receivable was reduced to $nil in 2020 and remained at $nil since then due to the lower actual and expected traffic and lower associated revenues as a result of COVID-19 impacts, as the underlying payments by the acquirer are conditioned on the attainment of certain cumulative financial thresholds related to the performance of Highway 407 ETR.

Refer to Note 30 for additional disclosures on the Company's Level 3 financial instruments.

Assets and liabilities acquired in a business combination

Intangible assets and goodwill arising out of business combinations are accounted for by applying the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, the Company uses significant estimates and assumptions regarding cash flow projections, economic risk, and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to intangible assets and goodwill, as well as the amortization period for intangible assets with finite lives. If results differ from estimates, the Company may increase amortization or recognize impairment charges.

Identification of functional currency

The functional currency for each subsidiary, joint operation, joint venture and associate is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment and other entities may make different judgments based on similar facts. SNC-Lavalin reconsiders the functional currency of its businesses if there is a change in the underlying transactions, events or conditions which determine their primary economic environment.

The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortization of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement and in equity.

Leases

Estimate of the lease term

When the Company recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise its extension or termination option, if any. It then uses the expected modified term under such option if it is reasonably certain that it will be exercised. As such, a change in the assumption used could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Assessment of whether a right-of-use asset is impaired

The Company assesses whether a right-of-use asset is impaired in accordance with IAS 36, Impairment of assets, when indications that an impairment loss may have occurred are present. For example, such assessment occurs when it vacates an office space and it must determine the recoverability of the asset, to the extent that the Company can sublease the assets or surrender the lease and recover its costs. The Company examines its lease conditions as well as local market conditions and estimates its recoverability potential for each vacated premise. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect its future results if the Company succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

Determining the discount rate for leases

IFRS 16 requires the Company to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate ("IBR"). The Company generally uses its IBR when recording leases initially, since the implicit rates are not readily available due to information not being available from the lessor regarding the fair value of underlying assets and directs costs incurred by the lessor related to the leased assets. The determination of the IBR requires the use of various assumptions which, if different than those being used, could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Determining if a contract modification increasing the scope of a lease is a separate lease or not

When a lease modification increasing the scope of a lease occurs, the Company needs to determine whether or not such modification should be accounted for as a separate lease or not. Such determination requires the use of judgment on the stand- alone selling price and any appropriate adjustments to the stand-alone selling price reflecting the circumstance of the particular contract.

Classification and measurement of non-current assets or disposal groups classified as held for sale

The classification of non-current assets or disposal groups as held for sale is based on certain criteria, including the fact that the sale of such assets or disposal groups is highly probable. Such probability of a sale transaction to be completed within one year from the date of classification at a reasonable price in relation to the fair value of the assets or disposal groups is, by nature, subject to uncertainties.

Furthermore, the measurement of non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell requires the exercise of judgment. While fair value of certain assets or disposal groups can be determined based on valuation techniques using various inputs, themselves requiring the use of estimates, it might also require the valuation (and associated estimates) of anticipated contractual clauses related to the transfer, or not, of certain risks and uncertainties associated to these assets or disposal groups. In addition, events occurring subsequently to the classification of non-current assets or disposal groups as held for sale, or additional information received on past events unknown at the time of such classification, could change the estimate of fair value less costs to sell related to such assets or disposal groups.

4. SEGMENT DISCLOSURES

SNC-Lavalin's reportable segments are i) **Engineering, Design and Project Management ("EDPM")**; ii) **Nuclear**; iii) **Infrastructure Services**; iv) **Resources**; v) **Infrastructure EPC Projects**; and vi) **Capital**.

The description of each of the segments is as follows:

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

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.

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.

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

Infrastructure EPC Projects includes lump-sum turnkey ("LSTK") construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. In July 2019, the Company decided to cease bidding on new LSTK construction contracts.

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

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2). The Company evaluates segment performance using **Segment Adjusted EBIT**, which consists of revenues less i) direct cost of activities; ii) directly related selling, general and administrative expenses; and iii) corporate selling, general and administrative expenses that are directly and indirectly related to projects or segments. Corporate selling, general and administrative expenses that are not directly or indirectly related to projects or segments, impairment losses (reversal of impairment losses) arising from expected credit losses, gains (losses) arising on financial instruments at fair value through profit or loss, restructuring and transformation costs, amortization of intangible assets related to business combinations, acquisition- related costs and integration costs, gains (losses) on disposal(s) or adjustment on disposal(s) of PS&PM businesses, gains (losses) on disposal(s) or adjustment on disposal(s) of Capital investments, impairment of intangible assets related to business combinations, goodwill impairment, federal charges settlement (PPSC) and impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale are not allocated to the Company's segments.

The following table presents revenues and Segment Adjusted EBIT for each of the Company's segments for the years ended December 31, 2021 and 2020.

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021		2020	
	Revenues	Segment Adjusted Ebit	Revenues	Segment Adjusted Ebit
EDPM	3,848,788	431,796	3,721,119	302,269
Nuclear	904,678	135,854	928,606	140,051
Infrastructure Services	1,416,579	92,705	1,325,313	97,212
SNCL Engineering Services	6,170,045	660,355	5,975,038	539,532
Resources [1]	171,757	(39,426)	162,916	(171,118)
Infrastructure EPC Projects [2]	895,332	(250,925)	740,188	(359,680)
SNCL Projects	1,067,089	(290,351)	903,104	(530,798)
Capital	134,118	119,301	129,359	116,615
Total Revenues	**$ 7,371,252**	**-**	**$ 7,007,501**	**-**
Total Segment Adjusted EBIT	**-**	**$ 489,305**	**-**	**$ 125,349**

(1) In 2020, the negative Segment Adjusted EBIT of Resources resulted mainly from charges for remaining LSTK contracts and other historical claims and litigation matters.

(2) In 2021, the negative Segment Adjusted EBIT was mainly due to unfavourable cost reforecasts, primarily driven by COVID-19, supply chain disruptions and inflation, causing project productivity losses, delays and cost increases on the last remaining LSTK projects. In 2020, the negative Segment Adjusted EBIT of Infrastructure EPC Projects was mainly due t(1) o unfavorable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

	Segment Adjusted Ebit	
	2021	2020
Corporate selling, general and administrative expenses not allocated to the segments - PS&PM	(116,879)	(147,739)
Corporate selling, general and administrative expenses not allocated to the segments - Capital	(28,194)	(28,194)
Impairment loss arising from expected credit losses	-	(874)
Gain (loss) arising on financial instruments at fair value through profit or loss	3,725	(61,859)
Restructuring and transformation costs (Note 26)	(70,117)	(63,324)
Amortization of intangible assets related to business combinations (Note 15)	(89,477)	(126,770)
Adjustments on gain on disposals of Capital investments (Note 5A)	5,000	25,000
Loss on disposals of PS&PM businesses (Notes 6B and 6F)	(613)	(7,467)
Reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 6B)	1,348	(6,094)
EBIT	194,098	(291,972)
Net financial expenses (Note 27)	110,450	113,996
Earnings (loss) before income taxes from continuing operations	83,648	(405,968)
Income tax recovery (Note 29B)	(22,031)	(59,039)
Net income (loss) from continuing operations	105,679	(346,929)
Net income (loss) from discontinued operations (Note 6A)	566,377	(609,344)
Net income (loss)	**$ 672,056**	**$ (956,273)**

The Company also discloses in the table below supplementary information such as its net income (loss) from PS&PM, its dividends from Highway 407 ETR, and its net income (loss) from other Capital investments.

It should be noted that the supplementary information provided in the following table does not reflect information related to the Company's segments, but is rather an allocation of net income (loss) attributable to SNC-Lavalin shareholders between various components.

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Supplementary information:		
Net loss on disposals of PS&PM businesses (Notes 6B and 6F)	(613)	(7,467)
Net income (loss) from discontinued operations (Note 6A)	566,377	(609,344)
Reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 6B)	1,348	(6,094)
Excluding the items listed above	26,284	(388,093)
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM	593,396	(1,010,998)
Adjustments on net gain on disposals of Capital investments (Note 5A)	3,650	25,000
Net loss arising on contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR	-	(49,627)
Highway 407 ETR dividends	40,585	38,048
Excluding the items listed above	28,932	32,130
Net income attributable to SNC-Lavalin shareholders from Capital	73,167	45,551
Net income (loss) attributable to SNC-Lavalin shareholders	**$ 666,563**	**$ (965,447)**

The following table presents property and equipment, right-of-use assets, goodwill and intangible assets inside and outside Canada reflected on the Company's consolidated statements of financial position:

(IN THOUSANDS OF CANADIAN DOLLARS)

	December 31 2021	December 31 2020[1]
Property and equipment, right-of-use assets, goodwill and intangible assets		
Canada	318,021	340,245
Outside Canada	4,199,768	4,355,980
Total	**$ 4,517,789**	**$ 4,696,225**

(1) Effective January 1, 2021, the Company includes its right-of-use assets in the allocation of non-current assets between Canada and Outside Canada. The Company has re-presented the comparative figures accordingly.

5. CAPITAL INVESTMENTS

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

The main concessions and public-private partnerships contracts reported under IFRIC 12 are all accounted for under the financial asset model.

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

(A) Variations in Ownership Interests in Investments and Related Transactions

1. In 2021 Inpower Bc General Partnership

In the fourth quarter of 2021, SNC-Lavalin's offer to transfer its 100% ownership interest in InPower BC General Partnership and its related holding companies to SNC-Lavalin Infrastructure Partners LP (the "SNCL IP Partnership") was accepted by the external investor in the SNCL IP Partnership, subject to customary approvals and closing conditions. SNC-Lavalin holds a 20% interest in SNCL IP Partnership, a Capital investment accounted for by the equity method. This transaction was completed in early February 2022 (see Note 40).

As at December 31, 2021, all assets and liabilities of InPower BC General Partnership and its related holding companies were classified as held for sale (see Note 39).

Highway Concessions One Private Limited

In the fourth quarter of 2021, SNC-Lavalin completed the sale of its ownership interest in Highway Concessions One Private Limited, which was measured at fair value through other comprehensive income, for total cash consideration of US$1.0 million (approximately CA$1.3 million), with no impact in the consolidated income statement.

Adjustment on Gain on Disposal of a Capital Investment Accounted for by The Equity Method

In the fourth quarter of 2021, the Company received a contingent consideration related to the previous disposal of a Capital investment accounted for by the equity method in the amount of $5.0 million, which is included in "Adjustments on gain on disposals of Capital investments" in the consolidated income statement for the year ended December 31, 2021. This adjustment on gain on disposal amounted to $3.7 million after income taxes.

2. In 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 "Adjustments on gain on disposals of Capital investments" in the consolidated income statement for the year ended December 31, 2020.

(B) Financial Information and Description of Capital Investments

Statements of financial position

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

	December 31 2021	December 31 2020
Net assets from Capital investments accounted for by the consolidation method [1]	$ 197,918	38,296
Net book value of Capital investments accounted for by the equity method [2]	380,736	378,730
Net book value of Capital investments at fair value through other comprehensive income	41,327	9,666
Total	$ 619,981	$ 426,692

(1) Includes net assets from InPower BC General Partnership classified as held for sale as at December 31, 2021 (see Note 39).

(2) Includes the Company's investment in Highway 407 ETR, for which the net book value was $nil as at December 31, 2021 and 2020.

Income statements

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

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Revenues from Capital	134,118	129,359
Direct cost of activities	14,817	12,744
Total	**$ 119,301**	**$ 116,615**
Corporate selling, general and administrative expenses not allocated to the segments - Capital	28,194	28,194
Loss arising on financial instruments at fair value through profit or loss [3]	-	57,207
Adjustments on gain on disposals of Capital investments	(5,000)	(25,000)
EBIT	96,107	56,214
Net financial expenses	16,552	16,264
Income before income taxes	79,555	39,950
Income taxes	6,388	(5,601)
Net income	**$ 73,167**	**$ 45,551**

(3) Represents a loss of $57.2 million recognized in the year ended December 31, 2020, which arose on contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR.

1. Capital Investments Accounted for by the Consolidation Method

SNC-Lavalin's main Capital investments accounted for by the consolidation method are detailed below:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

Name of Capital Investment	Principal Activity	Subject to Ifric 12	Maturity of Concession Agreement	Location	Ownership Interest	
					December 31 2021	December 31 2020
InPower BC General Partnership [1]	John Hart Generating Replacement Facility	Yes	2033	Canada	100.0 %	100.0 %
TransitNEXT General Partnership	New Trillium Line extension (under construction)	Yes	2049	Canada	100.0 %	100.0 %

(1) InPower BC General Partnership is classified as held for sale as at December 31, 2021 (see Note 39).

2. Capital Investments Accounted for by the Equity Method

SNC-Lavalin's main Capital investments accounted for by the equity method are listed below:

Joint ventures

Name of Capital Investment	Principal Activity	Subject to Ifric 12	Maturity of Concession Agreement	Location	Ownership Interest	
					December 31 2021	December 31 2020
407 East Development Group General Partnership ("407 EDGGP")	32-km toll Highway 407 East	Yes	2045	Canada	50.0 %	50.0 %
407 International Inc.[2] ("Highway 407 ETR")	108-km toll highway under a 99-year concession agreement	No	2098	Canada	6.76 %	6.76 %
Crosslinx Transit Solutions General Partnership ("Eglinton Crosstown")	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	25.0 %	25.0 %
Rideau Transit Group Partnership ("Rideau")	The Confederation Line, City of Ottawa's light rail transit system	Yes	2043	Canada	40.0 %	40.0 %
Signature on the Saint- Laurent Group General Partnership ("SSL")	New Champlain Bridge Corridor	Yes	2049	Canada	50.0 %	50.0 %
TC Dôme S.A.S.[3] ("TC Dôme")	5.3-km electric cog railway	Yes	2043	France	51.0 %	51.0 %

Associates:

Name of Capital Investment	Principal Activity	Subject to Ifric 12	Maturity of Concession Agreement	Location	Ownership Interest	
					December 31 2021	December 31 2020
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	not applicable	Algeria	25.5 %	25.5 %
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	not applicable	Algeria	26.0 %	26.0 %
SNC-Lavalin Infrastructure Partners LP	Holding interests in mature Capital investments	No	not applicable	Canada	20.0 %	20.0 %

(2) Although the Company holds less than 20% of the equity shares of Highway 407 ETR, the Company exercises joint control over this entity based on its contractual agreements.

(3) Although the Company's ownership interest in TC Dôme is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

Capital investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its Capital investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below:

Income statements

YEAR ENDED DECEMBER 31 2021 (IN THOUSANDS OF CANADIAN DOLLARS)

	Highway 407 ETR	Other Capital Investments	Total
Revenues (at 100%)	1,023,082	1,048,394	2,071,476
Interest income (at 100%)	7,928	699	8,627
Interest expense (at 100%)	470,211	90,025	560,236
Depreciation and amortization (at 100%)	102,163	-	102,163
Income tax expense (at 100%)	78,960	2	78,962

INCOME STATEMENTS

YEAR ENDED DECEMBER 31, 2020 (IN THOUSANDS OF CANADIAN DOLLARS)

	Highway 407 ETR	Other Capital Investments	Total
Revenues (at 100%)	908,566	1,028,104	1,936,670
Interest income (at 100%)	15,734	4,760	20,494
Interest expense (at 100%)	456,902	94,251	551,153
Depreciation and amortization (at 100%)	97,434	-	97,434
Income tax expense (at 100%)	53,379	2	53,381

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31 2021 (IN THOUSANDS OF CANADIAN DOLLARS)

	Highway 407 ETR	Other Capital Investments	Total
Net income (at 100%)	212,365	49,844	262,209
Other comprehensive income (loss) (at 100%)	(686)	5,656	4,970
Total comprehensive income (at 100%)	**211,679**	**55,500**	**267,179**

YEAR ENDED DECEMBER 31, 2020 (IN THOUSANDS OF CANADIAN DOLLARS)

	Highway 407 ETR	Other Capital Investments	Total
Interest expense (at 100%)	147,934	57,724	205,658
Other comprehensive loss (at 100%)	(833)	(6,359)	(7,192)
Total comprehensive income (at 100%)	**147,101**	**51,365**	**198,466**

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Company's share of net income of Capital investments based on its ownership interest [1]	31,518	30,858
Company's net income from Capital investments included in its income statement [1]	58,014	59,174

(1) See Note 1 on the following page

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31 2021, (IN THOUSANDS OF CANADIAN DOLLARS)

	Highway 407 ETR	Other Capital Investments	Total
Cash and cash equivalents (at 100%)	306,972	$121,742	428,714
Other current assets (at 100%)	459,646	192,997	652,643
Non-current assets (at 100%)	4,574,051	2,911,364	7,485,415
Total assets (at 100%)	5,340,669	3,226,103	8,566,772
Trade payables (at 100%)	68,988	89,206	158,194
Other current financial liabilities (at 100%)	426,597	540,355	966,952
Other current non-financial liabilities (at 100%)	18,410	70,674	89,084
Other non-current financial liabilities (at 100%)	9,354,406	2,021,208	11,375,614
Other non-current non-financial liabilities (at 100%)	563,815	-	563,815
Total liabilities (at 100%)	10,432,216	2,721,443	13,153,659
Net assets (liabilities) (at 100%)	(5,091,547)	504,660	(4,586,887)
Company's carrying value of Capital investments included in its statement of financial position [1]	-	221,546	221,546

DECEMBER 31 2020, (IN THOUSANDS OF CANADIAN DOLLARS)

	Highway 407 ETR	Other Capital Investments	Total
Cash and cash equivalents (at 100%)	614,532	66,329	680,861
Other current assets (at 100%)	439,922	223,125	663,047
Non-current assets (at 100%)	4,597,899	2,811,978	7,409,877
Total assets (at 100%)	5,652,353	3,101,432	8,753,785
Trade payables (at 100%)	58,390	78,525	136,915
Other current financial liabilities (at 100%)	124,418	131,804	256,222
Other current non-financial liabilities (at 100%)	18,359	55,783	74,142
Other non-current financial liabilities (at 100%)	9,602,978	2,360,444	11,963,422
Other non-current non-financial liabilities (at 100%)	551,433	534	551,967
Total liabilities (at 100%)	10,355,578	2,627,090	12,982,668
Net assets (liabilities) (at 100%)	(4,703,225)	474,342	(4,228,883)
Company's carrying value of Capital investments included in its statement of financial position [1]	-	214,323	214,323

(1) Under the equity method of accounting, distributions from a joint venture 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 when the recognition of such losses results in a negative balance for its investment, or where dividends declared by the joint venture 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. 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 in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 ETR of $40.6 million in 2021 (2020: $38.0 million) and did not recognize its share of Highway 407 ETR's net income of $14.3 million (2020: $10.0 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was $nil at December 31, 2021 and 2020. The negative carrying value of the Company's investment in Highway 407 ETR, which is not recognized on the Company's statement of financial position, amounted to $345.3 million as at December 31, 2021 (2020: negative carrying value of $319.0 million).

(1) See Note 1

Capital investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of Capital investments classified as associates:

STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Revenues (at 100%)	306,791	272,550
Expenses (at 100%)	185,506	162,146
Net income (at 100%)	121,285	110,404
Other comprehensive income (loss) (at 100%)	-	-
Total comprehensive income (at 100%)	$121,285	110,404
Company's share of net income of Capital investments based on its ownership interest	26,988	28,175
Company's share of net income from Capital investments included in its income statement	26,988	28,175

STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS OF CANADIAN DOLLARS)

	December 31 2021	December 31 2020
Current assets (at 100%)	355,973	336,972
Non-current assets (at 100%)	549,052	592,094
Total assets (at 100%)	905,025	929,066
Current liabilities (at 100%)	125,987	77,808
Non-current liabilities (at 100%)	132,419	186,539
Total liabilities (at 100%)	258,406	264,347
Net assets (at 100%)	646,619	664,719
Company's carrying value of Capital investments included in its statement of financial position	159,190	164,407

3. Capital Investments at Fair Value Through Other Comprehensive Income

The main Capital investments at fair value through other comprehensive income are listed below:

Name of Capital Investment	Principal Activity	Location	Ownership Interest December 31 2021	Ownership Interest December 31 2020
Carlyle Global Infrastructure Opportunity Fund, L.P. (1)	Holding investments in infrastructure projects related to energy, power and other natural resources	U.S.A.	4.5%	4.5%
Highway Concessions One Private Limited (1)	Engaged in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	India	-	10.0%

(1) Included in the measurement category of "at fair value through other comprehensive income"

The investment in Carlyle Global Infrastructure Opportunity Fund, L.P. is designated to be measured at fair value through other comprehensive income to avoid the variability of the Company's net income in future periods. Until its disposal in the fourth quarter of 2021, the investment in Highway Concessions One Private Limited was designated to be measured at fair value through other comprehensive income to avoid the variability of the Company's net income.

For the years ended December 31, 2021 and 2020, the Company's consolidated income includes dividends of $1.4 million and $nil million, respectively, from investments at fair value through other comprehensive income.

(C) Payments And Remaining Commitments in Capital Investments

When making investments in infrastructure concessions, SNC-Lavalin may not be required to make its contribution immediately but instead may commit to make its contribution over time.

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income as at December 31, 2021 and 2020:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Commitments to invest in Capital investments – January 1	24,921	70,724
Increase in commitments to invest in Capital investments	29,731	10,031
Payments for Capital investments during the year	(29,731)	(55,834)
Commitments to invest in Capital investments – December 31	24,921	24,921

At December 31, 2021, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2020: Eglinton Crosstown) and were presented as "Other current financial liabilities" (see Note 18) since they are either expected to be paid in the following year or are callable on demand.

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

6. DISPOSALS OF PS&PM BUSINESSES

1. In 2021

(A) Disposal of Discontinued Operations - Oil & Gas Business

On February 9, 2021, the Company announced that it had entered into a binding agreement to sell its Oil & Gas business, which was previously included in the Resources segment. The associated assets, liabilities and other components of equity of the Oil & Gas business were consequently classified as held for sale from December 31, 2020 to the date of disposal. Upon such classification, SNC-Lavalin recognized an impairment loss on remeasurement of assets of the disposal group to their fair value less cost to sell in the amount of $271.6 million before income taxes. A substantial portion of the sale of the Oil & Gas business was completed on July 29, 2021 and the sale of the remaining Saudi Arabian portion of the business was completed on August 15, 2021. Financial information relating to the discontinued operations is disclosed below for the year ended December 31, 2021, along with comparative numbers for the corresponding period of 2020.

Financial performance

The results of the Oil & Gas business for the years ended December 31, 2021 and 2020 were as follows:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Revenues	512,204	1,142,375
Other expenses	(570,748)	(1,423,078)
Gain on disposal of South African subsidiaries (Note 6E)	-	6,205
Reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	4,884	(271,566)
EBIT from discontinued operations	(53,660)	(546,064)
Net financial expenses	(164)	(261)
Loss before income taxes from discontinued operations and gain on disposal of Oil & Gas business	(53,824)	(546,325)
Income taxes related to pre-tax loss from the ordinary activities of discontinued operations	61,633	(73,064)
Income taxes related to remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(7,335)	10,045
Net income (loss) from discontinued operations before gain on disposal of Oil & Gas business	474	(609,344)
Gain on disposal of Oil & Gas business after income taxes (see below)	565,903	-
Net income (loss) from discontinued operations [1]	$ 566,377	$ (609,344)

Earnings (loss) per share from discontinued operations

The earnings (loss) per share from discontinued operations for the years ended December 31, 2021 and 2020 were as follows:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Earnings (loss) per share from discontinued operations – Basic (in $)	3.23	(3.47)
Earnings (loss) per share from discontinued operations – Diluted (in $)	3.23	(3.47)

Cash flows from discontinued operations

The net cash flows related to the Oil & Gas business for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Operating activities	37,776	(165,899)
Investing activities	(180)	(15,945)
Financing activities	(6,379)	(12,611)
Net cash generated from (used for) discontinued operations	$ 31,217	$ (194,455)

Details of the sale of the Oil & Gas business

Net gain on disposal of Oil & Gas business

(IN THOUSANDS OF CANADIAN DOLLARS)

Consideration paid in cash	(1,802)
Consideration receivable [1]	11,920
Total consideration	10,118
Net assets disposed of [2]	(4,388)
Cumulative exchange gain on translating foreign operations reclassified from equity on disposal	573,042
Disposition-related costs and other	(5,730)
Gain on disposal of Oil & Gas business	573,042
Income taxes	7,139
Net gain on disposal of Oil & Gas business	**$565,903**

(1) The consideration receivable in cash from the purchaser is subject to changes for potential purchase price adjustments with the purchaser following finalization of the closing balance sheet.

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

Net assets disposed of

(IN THOUSANDS OF CANADIAN DOLLARS)

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

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

Cash outflow on disposal of Oil & Gas business

(IN THOUSANDS OF CANADIAN DOLLARS)

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

(B) Disposal of a Subsidiary In Kenya

At the beginning of 2021, the Company entered into an agreement to sell its ownership interest in Atkins Consulting Engineers Limited, which was part of the EDPM segment. The associated assets, liabilities and other components of equity were consequently classified as held for sale from December 31, 2020 to the date of disposal. Upon such classification, SNC-Lavalin recognized an impairment loss on remeasurement of assets of the disposal group to their fair value less cost to sell in an amount of $6.1 million before and after income taxes. On July 16, 2021, SNC-Lavalin completed the sale of its ownership of 100% in Atkins Consulting Engineers Limited in Kenya. The loss on disposal of SNC-Lavalin's ownership interest in this subsidiary amounted to $0.6 million before and after income taxes and is included in "Loss on disposals of PS&PM businesses" in the Company's consolidated income statement.

(C) Presentation of Disposals of Ps&Pm Businesses In The Statement Of Cash Flows

Statement of cash flows

In 2021, cash outflow on disposals of the Oil & Gas business and a subsidiary in Kenya included in the Company's consolidated statement of cash flows was as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)

Cash outflow on disposal of Oil & Gas business	(19,678)
Consideration paid in cash on disposal of Atkins Consulting Engineers Limited	(1,398)
Cash outflow on disposals of PS&PM businesses	**$ (21,076)**

Note 28 - Statements of cash flows

The following table presents the amount of net gain on disposals of PS&PM businesses before income taxes included in Note 28A - Statements of cash flows - Other reconciling items for the year ended December 31, 2021:

Gain on disposal of Oil & Gas business before income taxes (Note 6A)	573,042
Loss on disposal of Atkins Consulting Engineers Limited before income taxes (Note 6B)	(613)
Net gain on disposals of PS&PM businesses before income taxes	**$ 572,429**

(D) Presentation of Disposal Groups Previously Classified as Held for Sale

The major classes of assets and liabilities of the disposal groups classified as held for sale (see Notes 6A and 6B) as at December 31, 2020 were as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)

Cash and cash equivalents	-
Other current financial assets	134,689
Current non-financial assets	96,647
Deferred income tax asset	6,259
Non-current financial assets	2,202
Other non-current non-financial assets	33,377
Assets of disposal groups classified as held for sale	273,174
Current financial liabilities	198,231
Current non-financial liabilities	95,073
Deferred income tax liability	1,495
Non-current financial liabilities	12,279
Other non-current non-financial liabilities	33,225
Liabilities of disposal groups classified as held for sale	340,303
Net liabilities of disposal groups classified as held for sale	**$ (67,129)**

The cumulative amount recognized in other comprehensive income related to the disposal groups classified as held for sale as at December 31, 2020 was as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)

	December 31 2020
Exchange differences on translating foreign operations	594,141
Other components of equity of disposal groups classified as held for sale	594,141

2. In 2020

(E) Disposal of Subsidiaries in South Africa

In 2020, SNC-Lavalin completed the sale of its ownership interests in three of its subsidiaries in South Africa, which were part of the Oil & Gas business, classified as a discontinued operation, previously included in the Resources segment, in exchange for a total consideration of $14.9 million.

Net gain on disposal of South African subsidiaries

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2020
Consideration received	13,003
Additional deferred consideration receivable	1,908
Total consideration	14,911
Net assets disposed of	(38,006)
Cumulative exchange gain on translating foreign operations reclassified from equity	29,516
Disposition-related costs	(216)
Gain on disposal of South African subsidiaries	6,205
Income taxes	-
Net gain on disposal of South African subsidiaries [1]	**$ 6,205**

Upon disposal, the major classes of assets and liabilities of subsidiaries disposed of in South Africa were as follows:

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2020
Cash and cash equivalents	20,462
Other current assets	31,437
Other non-current assets	6,546
Assets disposed of	58,445
Current liabilities	18,376
Non-current liabilities	2,063
Liabilities disposed of	20,439
Net assets disposed of	**$ 38,006**

(F) Disposal of a Subsidiary In Belgium

In 2020, SNC-Lavalin completed the sale of its ownership interest of 100% in SNC-Lavalin SA (Belgium) in exchange for a total consideration of $nil. On the date of disposal, SNC-Lavalin SA held $7.5 million in cash and cash equivalents, which amount was effectively transferred to the acquirer on closing as per the terms of the sale agreement. The loss on disposal of SNC-Lavalin's ownership interest in SNC-Lavalin SA amounted to $7.5 million before and after income taxes and is included in "Loss on disposals of PS&PM businesses" in the Company's consolidated income statement.

(1) Included in "Net income (loss) from discontinued operations" in the consolidated income statement.

(G) Presentation Of Disposals of Ps&Pm Businesses in the Statement Of Cash Flows

Statement of cash flows

In 2020, cash outflow on disposals of subsidiaries in South Africa and in Belgium included in the Company's consolidated statement of cash flows was as follows (see next page):

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2020
Consideration received in cash	13,003
Less: cash and cash equivalents balances disposed of	28,046
Cash outflow on disposals of PS&PM businesses	**$ (15,043)**

Note 28 - Statements of cash flows

The following table presents the amount of net loss on disposals of PS&PM businesses before income taxes included in Note 28A - Statements of cash flows - Other reconciling items for the year ended December 31, 2020:

	2020
Gain on disposal of South African subsidiaries before income taxes (Note 6E)	6,205
Loss on disposal of a subsidiary in Belgium before income taxes (Note 6F)	(7,467)
Net loss on disposals of PS&PM businesses before income taxes	**$ (1,262)**

7. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(A) Cash and Cash Equivalents

	December 31 2021	December 31 2020
Bank balances, bank term deposits and bankers' acceptances	608,446	932,902
Cash and cash equivalents	**$ 608,446**	**$ 932,902**

(B) Restricted Cash

	December 31 2021	December 31 2020
Bank balances, bank term deposits and bankers' acceptances	13,398	29,300
Restricted cash	**$ 13,398**	**$ 29,300**

8. TRADE RECEIVABLES AND CONTRACT ASSETS

(A) Trade Receivables

The following table presents the Company's trade receivables that are within normal terms of payment separately from those that are past due, with a reconciliation to the net carrying amount:

		December 31 2021	December 31 2020
Trade receivables:	Within normal terms of payment	830,231	894,248
	Past due	482,880	477,068
Total trade receivables		1,313,111	1,371,316
Allowance for expected credit losses		(167,179)	(172,150)
Trade receivables, net of allowance for expected credit losses		**$ 1,145,932**	**$ 1,199,166**

The change in the allowance for expected credit losses is detailed below:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Balance at beginning of year	172,150	255,698
Change in allowance, other than write-offs and recoveries	25,403	43,750
Write-offs of trade receivables	(12,132)	(44,047)
Recoveries	(18,242)	(9,253)
Reclassification to assets of disposal groups classified as held for sale	-	(73,998)
Balance at end of year	**$ 167,179**	**$ 172,150**

(B) Contract Assets

As at December 31, 2021, the Company has contract assets of $1,119.0 million (2020: $1,090.1 million), which is net of an allowance for expected credit losses of $25.4 million (2020: $23.3 million). The change in the allowance for expected credit losses is detailed below:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Balance at beginning of year	23,259	18,262
Change in allowance, other than write-offs	2,583	16,020
Write-offs of contract assets	(435)	(7,217)
Reclassification to assets of disposal groups classified as held for sale	-	(3,806)
Balance at end of year	**$ 25,407**	**$ 23,259**

The significant changes in the balance of contract assets are disclosed in Note 9B, while information about the credit exposures is disclosed in Note 30B.

9. REVENUE

(A) Disaggregation of Revenue

Revenues by geographic area

The following tables present revenues by geographic area according to project location for the years ended December 31, 2021 and 2020 (see opposite):

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

2021

		Revenue from Contracts with Customers	Other Revenue	Total
Americas:	Canada	2,251,335	96,273	2,347,608
	United States	1,266,222	33,101	1,299,323
	Latin America	85,362	-	85,362
Europe:	United Kingdom	2,120,07	16,740	2,136,813
	Other	462,137	-	462,137
Middle East [1]		518,080	4,347	522,427
Africa		138,250	16,546	154,796
Asia Pacific [2]		362,786	-	362,786
Total		**$7,204,245**	**$167,007**	**$7,371,252**

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

2020

		Revenue from Contracts with Customers	Other Revenue	Total
Americas:	Canada	2,016,539	85,858	2,102,397
	United States	1,357,825	25,819	1,383,644
	Latin America	80,976	-	80,976
Europe:	United Kingdom	1,881,723	11,866	1,893,589
	Other	409,772	-	409,772
Middle East [1]		549,459	3,590	553,049
Africa		178,076	25,289	203,365
Asia Pacific [2]		380,709	-	380,709
Total		**$6,855,079**	**$152,422**	**$7,007,501**

In the years ended December 31, 2021 and 2020, Canada, the United Kingdom and the United States were the only countries where the Company derived more than 10% of its revenues.

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

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

Revenues by Type of Contracts

The types of contracts presented are defined as follow:

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

Standardized EPC contracts: Under standardized EPC contracts, the Company provides repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary.

LSTK construction contracts: Under LSTK construction contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs.

The following tables present revenues by type of contracts for the years ended December 31, 2021 and 2020:

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

2021

	Reimbursable and Engineering Service Contracts	Standardized EPC Contracts	Lump-Sum Turnkey Construction	Total
EDPM	3,831,735	-	-	3,831,735
Nuclear	844,400	-	25,412	869,812
Infrastructure Services	809,289	605,089	-	1,414,378
Revenue from contracts with customers – SNCL Engineering Services	5,485,424	605,089	25,412	6,115,925
Resources	151,589	-	20,101	171,690
Infrastructure EPC Projects	22,566	-	872,766	895,332
Revenue from contracts with customers – SNCL Projects	174,155	-	892,867	1,067,022
Subtotals	$ 5,659,579	$ 605,089	$ 918,279	$7,182,947
Revenue from PS&PM investments accounted for by the equity method (Note 17)				54,187
Revenue from contracts with customers – Capital segment				21,298
Other revenue – Capital segment				112,820
Total				$ 7,371,252

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

2020

	Reimbursable and Engineering Service Contracts	Standardized EPC Contracts	Lump-Sum Turnkey Construction	Total
EDPM	3,721,120	-	-	3,721,120
Nuclear	882,470	-	11,079	893,549
Infrastructure Services	789,888	533,547	-	1,323,435
Revenue from contracts with customers – SNCL Engineering Services	5,393,478	533,547	11,079	5,938,104
Resources	134,918	-	23,657	158,575
Infrastructure EPC Projects	20,704	-	719,485	740,189
Revenue from contracts with customers – SNCL Projects	155,622	-	743,142	898,764
Subtotals	**$ 5,549,100**	**$ 533,547**	**$ 754,221**	**$ 6,836,868**
Revenue from PS&PM investments accounted for by the equity method (Note 17)				41,274
Revenue from contracts with customers – Capital segment				18,211
Other revenue – Capital segment				111,148
Total				**$ 7,007,501**

(B) Contract Balances

	December 31 2021	December 31 2021
Trade receivables (Note 8A)	1,145,932	1,199,166
Contract assets (Note 8B)	1,119,045	1,090,149
Contract liabilities	838,209	836,991

Trade receivables are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such rights are only conditional on the passage of time. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such rights are not only conditional on the passage of time, but also on some other factor, such as the satisfaction of further performance obligations under the contract. Contract assets are initially recognized for revenue earned from PS&PM activities and are usually derecognized when they become trade receivables.

Contract liabilities arise from PS&PM activities and represent the cumulative amounts received and contractually receivable from customers by the Company that exceed the right to consideration resulting from the Company's performance under a given contract.

The following table presents the amount of revenue recognized from (see opposite):

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

	2021	2021
Amounts included in contract liabilities at the beginning of the year	493,597	534,379
Performance obligations satisfied or partially satisfied in previous years (reversal)	(116,002)	353,109

As a significant portion of the Company's revenues are recognized over time, the contractual terms which determine when consideration becomes receivable from the customer, such as upon the achievement of certain milestones, the attainment by the Company of such milestones earlier or later than anticipated and the ability to obtain deposits on contracts will influence, among other factors, the balance of trade receivables, contract assets and contract liabilities on a given contract. Due to i) the large number of contracts entered into by the Company; ii) the variety of contractual terms of such contracts; and iii) the different level of progress of the underlying projects, the variance of the contract assets and contract liabilities balances is not usually attributable to a single

factor, except for significant business combinations or divestitures. At the end of 2021, the amount of contract assets and contract liabilities remained at a level comparable to that of the end of 2020.

(C) Remaining Performance Obligations

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2021, on all contracts with customers, is expected to be recognized in revenues as follows: 2022 –$4.3 billion, 2023 – $2.0 billion, 2024 – $1.1 billion, and thereafter – $5.2 billion (2020 (for continuing operations): 2021 – $4.4 billion, 2022 – $2.0 billion, 2023 – $1.2 billion, and thereafter – $5.6 billion). The aggregate amount of transaction price allocated to performance obligations that were unsatisfied (or partially satisfied) at December 31, 2020, on all contracts with customers, is expected to be recognized in revenues from discontinued operations was $0.8 billion. It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

10. INVENTORIES

IN THOUSANDS OF CANADIAN DOLLARS

	December 31 2021	December 31 2020
Work in progress	2,757	130
Finished goods	14,280	15,992
Inventories	17,037	16,122

The cost of inventories recognized by the Company as an expense in continuing operations in its consolidated income statement during the year ended December 31, 2021 was $12.3 million (2020: $8.7 million).

11. OTHER CURRENT FINANCIAL ASSETS

IN THOUSANDS OF CANADIAN DOLLARS

	December 31 2021	December 31 2021
Advances to suppliers, subcontractors and employees and deposits on contracts	46,159	45,282
Derivative financial instruments used for hedges – favourable fair value	11,524	41,808
Life insurance policies measured at FVTPL (1)	6,201	6,200
Current portion of receivables under service concession arrangements	-	17,370
Recovery of costs expected from suppliers and subcontractors	11,642	23,178
Current portion of finance lease receivables	2,661	2,627
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	6,237	148
Other	53,947	120,819
Other current financial assets	$ 138,371	$ 257,432

12. OTHER CURRENT NON-FINANCIAL ASSETS

	December 31 2021	December 31 2021
Income taxes and other taxes receivable	152,044	145,341
Prepaid expenses and other	94,114	107,970
Other current non-financial assets	**$ 246,158**	**$ 253,311**

13. PROPERTY AND EQUIPMENT

IN THOUSANDS OF CANADIAN DOLLARS

		Buildings	Computer Equipment	Office Furniture	Machinery	Leasehold Improvements [1]	Other [1] [2]	Total
Gross carrying amount	Balance as at January 1, 2021	50,715	490,112	126,799	90,945	188,422	9,916	956,909
	Additions	377	52,448	4,746	10,531	15,528	12,277	95,907
	Effect of foreign currency exchange differences	34	(2,780)	(340)	(484)	(528)	37	(4,061)
	Disposals / retirements / salvage / transfers	(27,808)	(33,984)	(13,319)	(21,616)	(18,443)	(535)	(115,705)
Balance as at December 31, 2021		**$ 23,318**	**$ 505,796**	**$ 117,886**	**$ 79,376**	**$ 184,979**	**$ 21,695**	**$ 933,050**
Accumulated depreciation and impairment losses	Balance as at January 1, 2021	16,751	350,362	104,809	28,511	80,612	-	581,045
	Depreciation expense	1,755	47,314	6,740	22,776	15,086	-	93,671
	Effect of foreign currency exchange differences	33	(2,048)	(272)	(116)	(443)	-	(2,846)
	Impairment loss [3]	-	5,483	612	2,204	5,009	3,662	16,970
	Disposals / retirements / salvage	(13,286)	(32,765)	(13,019)	(12,984)	(17,229)	-	(89,283)
Balance as at December 31, 2021		**$5,253**	**$ 368,346**	**$ 98,870**	**$ 40,391**	**$ 83,035**	**$3,662**	**$ 599,557**

(1) Effective January 1, 2021, the Company presents "Leasehold improvements" separately from "Other" and, consequently, the Company has re-presented the comparative figures accordingly.

(2) "Other" includes assets in the course of their construction and land.

(3) In the year ended December 31, 2021, SNC-Lavalin recognized impairment losses in the amount of $8.3 million in "Restructuring and transformation costs" and in the amount of $8.7 million in "Net income (loss) from discontinued operations" in the consolidated income statement.

		Buildings	Computer Equipment	Office Furniture	Machinery	Leasehold Improvements [1]	Other [1] [2]	Total
Gross carrying amount	Balance as at January 1, 2021	97,798	470,761	164,242	156,385	241,343	29,051	1,159,580
	Additions		67,566	2,285	7,758	9,073	13,201	103,687
	Effect of foreign currency exchange differences		(2,800)	(584)	(6,389)	(635)	(1,955)	(14,462)
	Disposals / retirements / salvage / transfers	(4,276)	(31,732)	(12,856)	(34,723)	(54,396)	(1,417)	(139,400)
	Reclassification to assets of disposal groups classified as held for sale	(44,512)	(13,683)	(26,288)	(32,086)	(6,963)	(28,964)	(152,496)
Balance as at December 31, 2021		**$ 50,715**	**$ 490,112**	**$ 126,799**	**$ 90,945**	**$ 188,422**	**$ 9,916**	**$ 956,909**
Accumulated depreciation and impairment losses	Balance as at January 1, 2021	42,103	349,089	128,210	66,132	103,416	-	688,950
	Depreciation expense	22,865	45,763	9,058	27,298	15,221	-	120,205
	Effect of foreign currency exchange differences	(1,487)	(1,884)	(479)	(4,243)	(511)	-	(8,604)
	Impairment loss [3]	-	-	-	5,358	2,894	-	8,252
	Disposals / retirements / salvage	(2,675)	(30,957)	(11,249)	(34,210)	(27,312)	-	(106,403)
	Disposals / retirements / salvage	(44,055)	(11,649)	(20,731)	(31,824)	(13,096)	-	(121,355)
Balance as at December 31, 2021		**$ 16,751**	**$ 350,362**	**$ 104,809**	**$ 28,511**	**$ 80,612**	**-**	**$ 581,045**
Net book value: As at December 31, 2021		**$ 18,065**	**$ 137,450**	**$ 19,016**	**$ 38,985**	**$ 101,944**	**$ 18,033**	**$ 333,493**
Net book value: As at December 31, 2020		$ 33,964	$ 139,750	$ 21,990	$ 62,434	$ 107,810	$ 9,916	$ 375,864
Net book value of assets subject to operating leases: As at December 31, 2021		**-**	**-**	**-**	**$ 45,878**	**-**	**-**	**$ 45,878**
Net book value of assets subject to operating leases: As at December 31, 2020		-	-	-	$ 57,059	-	-	$ 57,059

An amount of $16.9 million as at December 31, 2021 (2020: $6.9 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash additions of property and equipment amounted to $6.0 million in the year ended December 31, 2021 (2020: $30.9 million).

14. GOODWILL

IN THOUSANDS OF CANADIAN DOLLARS

The following table details a reconciliation of the carrying amount of the Company's goodwill:

Balance at January 1, 2020	3,429,094
Net foreign currency exchange differences	384
Balance at December 31, 2020	3,429,478
Net foreign currency exchange differences	(46,535)
Balance at December 31, 2021	**$ 3,382,943**

For the purpose of annual impairment testing, goodwill is allocated to CGU or groups of CGU, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

As at December 31, 2021 and 2020, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU or Group or CGU	December 31 2021	December 31 2020
EDPM	2,586,762	2,624,526
Infrastructure Services	142,572	142,782
Nuclear	634,343	642,770
Linxon	19,266	19,400
Total	**$ 3,382,943**	**$ 3,429,478**

As at October 31, 2021 and 2020, goodwill was not considered to be impaired.

In 2021, approximately 76% (2020: 77%) of the Company's goodwill balance is allocated to the EDPM CGU. The recoverable amount of this CGU, determined in accordance with the value in use approach, based on a terminal growth rate of 2.5% (2020: 2.5%) and a discount rate of 9.4% (2020: 9.5%), exceeded its carrying amount by approximately $911 million as at October 31, 2021 (2020: by approximately $563 million). As at October 31, 2021, assuming all other assumptions remained the same, a 263-basis point (2020: a 140-basis point) decrease in the terminal growth rate or a 196-basis point (2020: a 107-basis point) increase in the discount rate would have caused the EDPM CGU's carrying amount to be comparable to its recoverable amount as at that date.

No reasonable change in the key assumptions used for the other CGU or group of CGU would have resulted in an impairment loss as at October 31, 2021 and 2020. The recoverable amount of other CGU or group of CGU was determined based on the value in use approach. Under this approach, the following assumptions were used: cash flows beyond the long-term forecast were extrapolated using a growth rate of 2.5% in 2021 (2020: 2.5%) and discount rates ranging from 8.5% to 9.9% have been used in 2021 (2020: from 9.8% to 12.1%).

15. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

The following tables reconcile the carrying amount of intangible assets related to business combinations:

IN THOUSANDS OF CANADIAN DOLLARS

		Revenue Backlog	Customer Relation-ships	Trademarks	Total
Gross carrying amount	Balance as at January 1, 2021	16,531	766,333	107,323	890,187
	Effect of foreign currency exchange differences	(116)	(13,685)	(1,434)	(15,235)
Balance as at December 31, 2021		**$ 16,415**	**$ 752,648**	**$ 105,889**	**$ 874,952**
Accumulated depreciation and impair-ment losses	Balance as at January 1, 2021	11,987	266,548	67,593	346,128
	Amortization expense	1,843	75,571	12,063	89,477
	Effect of foreign currency exchange differences	(59)	(5,433)	(877)	(6,369)
Balance as at December 31, 2021		**$ 13,771**	**$ 336,686**	**$ 78,779**	**$ 429,236**

		Revenue Backlog	Customer Relation-ships	Trademarks	Total
Gross carrying amount	Balance as at January 1, 2020	214,630	999,907	137,981	1,352,518
	Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
	Effect of foreign currency exchange differences	1,906	8,131	(256)	9,781
	Reclassification to assets of disposal groups classified as held for sale	-	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020		**$ 16,531**	**$ 766,333**	**$ 107,323**	**$ 890,187**

		Revenue Backlog	Customer Relation-ships	Trademarks	Total
Accumulated depreciation and impairment losses	Balance as at January 1, 2020	$173,205	$430,238	$83,477	$686,920
	Amortization expense	36,367	75,489	14,914	126,770
	Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
	Effect of foreign currency exchange differences	2,420	2,526	(396)	4,550
	Reclassification to assets of disposal groups classified as held for sale	-	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020		**$ 11,987**	**$ 266,548**	**$ 67,593**	**$ 346,128**

		Revenue Backlog	Customer Relationships	Trademarks	Total
Accumulated depreciation and impairment losses	Balance as at January 1, 2020	$173,205	$430,238	$83,477	$686,920
	Amortization expense	36,367	75,489	14,914	126,770
	Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
	Effect of foreign currency exchange differences	2,420	2,526	(396)	4,550
	Reclassification to assets of disposal groups classified as held for sale	-	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020		**$ 11,987**	**$ 266,548**	**$ 67,593**	**$ 346,128**
Net book value: As at December 31, 2021		**$2,644**	**$415,962**	**$27,110**	**$445,716**
Net book value: As at December 31, 2020		$4,544	$499,785	$39,730	$544,059

16. OTHER NON-CURRENT FINANCIAL ASSETS

The following tables reconcile the carrying amount of intangible assets related to business combinations:

IN THOUSANDS OF CANADIAN DOLLARS

	December 31 2021	December 31 2020
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	2,354	908
Derivative financial instruments used for hedges – favourable fair value	2,276	1,065
Non-current portion of finance lease receivables	11,804	13,601
Other	8,975	15,824
Other non-current financial assets	**$ 25,409**	**$ 31,398**

The Company's finance lease receivables relate mainly to the subleases of its unused office space. In 2021, the decrease of finance lease receivables was mainly due to the passage of time.

17. OTHER NON-CURRENT NON-FINANCIAL ASSETS

The following tables reconcile the carrying amount of intangible assets related to business combinations:

IN THOUSANDS OF CANADIAN DOLLARS

	December 31 2021	December 31 2020
Post-employment benefit assets (Note 32A)	230,763	8,327
PS&PM investments accounted for by the equity method	71,577	54,067
Other	13,813	20,557
Other non-current non-financial assets	**$ 316,153**	**$ 82,951**

PS&PM investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its PS&PM investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below. Joint ventures included in assets of disposal groups classified as held for sale as at December 31, 2020 are not included in the following tables.

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

Income statements	2021	2020
Revenues (at 100%)	$ 2,465,068	$ 1,786,311
Interest income (at 100%)	$ 81	$ 4,743
Interest expense (at 100%)	$ 3,665	$ 5,520
Depreciation and amortization (at 100%)	$ 2,627	$ 317
Income tax expense (at 100%)	**$ 3,250**	**$ -**

Statements of comprehensive income	2021	2020
Net income (at 100%)	142,681	100,668
Other comprehensive loss (at 100%)	-	-
Total comprehensive income (at 100%)	**$ 142,681**	**$ 100,668**

	2021	2020
Company's share of net income of PS&PM investments based on its ownership interest	54,187	41,274
Company's net income from PS&PM investments included in its income statement	54,187	41,274

YEAR ENDED DECEMBER 31 IN THOUSANDS OF CANADIAN DOLLARS

Statements of financial position	December 31 2021	December 31 2020
Cash and cash equivalents (at 100%)	164,410	211,852
Other current assets (at 100%)	591,537	279,008
Non-current assets (at 100%)	40,251	4,649
Total assets (at 100%)	796,198	495,509
Trade payables (at 100%)	482,315	344,412
Other current financial liabilities (at 100%)	74,621	14,983
Other current non-financial liabilities (at 100%)	7,241	4,934
Other non-current financial liabilities (at 100%)	27,731	7,504
Total liabilities (at 100%)	591,908	371,833
Net assets (at 100%)	204,290	123,676
Company's carrying value of PS&PM investments included in its statement of financial position	$ 71,577	$ 54,067

PS&PM investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of PS&PM investments classified as associates.

Statements of comprehensive income	2021	2020
Revenues (at 100%)	26,797	33,053
Expenses (at 100%)	31,231	34,112
Net income (loss) (at 100%)	(4,434)	(1,059)
Other comprehensive income (at 100%)	-	-
Total comprehensive loss (at 100%)	$(4,434)	$(1,059)
Company's share of net income of PS&PM investments based on its ownership interest	-	-
Company's share of net income from PS&PM investments included in its income statement	-	-

Statements of financial position	December 31 2021	December 31 2020
Current assets (at 100%)	24,486	21,092
Non-current assets (at 100%)	4,841	3,716
Total assets (at 100%)	29,327	24,808
Current liabilities (at 100%)	20,732	17,225
Non-current liabilities (at 100%)	7,467	1,953
Total liabilities (at 100%)	28,199	19,178
Net assets (at 100%)	1,128	5,630
Company's carrying value of PS&PM investments included in its statement of financial position	-	-

18. OTHER NON-CURRENT NON-FINANCIAL ASSETS

IN THOUSANDS OF CANADIAN DOLLARS

	December 31 2021	December 31 2020
Commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income (Note 5C)	24,921	24,921
Retentions on supplier contracts	108,301	90,793
Derivative financial instruments used for hedges – unfavourable fair value	16,496	12,981
Derivative financial instruments related to share unit plans – unfavourable fair value (Note 23C)	-	3,025
Federal charges settlement (PPSC) payable	55,515	55,865
Other	537	169
Other current financial liabilities	**$ 205,770**	**$187,754**

On February 19, 2015, the Royal Canadian Mounted Police and the Public Prosecution Service of Canada ("PPSC") laid charges (the "Charges") against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. On December 18, 2019, the Company announced it had reached a settlement with the PPSC regarding the Charges (the "federal charges settlement (PPSC)"). As part of the federal charges settlement (PPSC), SNC-Lavalin Construction Inc. is required to pay a fine in the amount of $280 million, payable over 5 years, and is subject to a three-year probation order. The Company estimated the net present value of these installments at $257.3 million at October 18, 2019, the date of the federal charges settlement (PPSC), of which $106.7 million is included in "Other non-current financial liabilities" (see Note 21) as at December 31, 2021 (2020: $154.3 million).

19. OTHER CURRENT NON-FINANCIAL LIABILITIES

IN THOUSANDS OF CANADIAN DOLLARS

	December 31 2021	December 31 2020
Income taxes and other taxes payable	267,158	434,987
Share unit plans' liabilities (Note 23C)	60,961	38,793
Other current non-financial liabilities	**$ 328,119**	**$ 473,780**

20. SHORT-TERM DEBT AND LONG-TERM DEBT

As at December 31, 2021 and 2020, the Company's short-term debt and long-term debt included in its consolidated statement of financial position were as follows:

A) Recourse Debt

IN THOUSANDS OF CANADIAN DOLLARS

Recourse debt:	December 31 2021	December 31 2020
Revolving Facility (i)	96,853	-
Term Loan (ii)	499,635	499,360
Series 3 Debentures (iii)	-	174,960
Series 4 Debentures (iii)	199,748	199,540
Series 6 Debentures (iii)	297,866	297,105
Total recourse short-term debt and long-term debt	1,094,102	1,170,965
Less: recourse short-term debt	96,853	174,960
Recourse long-term debt	**$ 997,249**	**$996,005**

B) Limited Recourse Debt

(IN THOUSANDS OF CANADIAN DOLLARS)

Limited recourse debt:	December 31 2021	December 31 2020
CDPQ Loan (iv)	400,000	400,000
Limited recourse long-term debt	**$400,000**	**$ 400,000**

C) Non-Recourse Debt (Unsecured or Secured Only by Capital or Ps&Pm Investment's Specific Assets)

(IN THOUSANDS OF CANADIAN DOLLARS)

Non-recourse debt	December 31 2021	December 31 2020
Senior bonds – InPower BC General Partnership (v) [1]	259,704	276,297
Senior Secured Notes from a PS&PM investment (vi)	27,692	34,631
Unsecured Loan of Linxon (vii)	9,906	8,888
Credit facility – TransitNEXT General Partnership (viii)	124,256	102,843
Other	8,215	8,886
Total non-recourse short-term debt and long-term debt	429,773	431,545
Less: reclassification to "Liabilities of disposal groups classified as held for sale" [1]	259,704	-
Less: non-recourse short-term debt	14,021	31,262
Non-recourse long-term debt	$ 156,048	$ 400,283

(1) As at December 31, 2021, the carrying amount of senior bonds of InPower BC General Partnership is included in "Liabilities of disposal groups classified as held for sale" in the consolidated statement of financial position (see Notes 5A and 39).

i. The Company's unsecured revolving credit facility (the "Revolving Facility"), which is part of the Company's second amended and restated credit agreement, dated April 30, 2018, between, among others, the Company, as borrower, and the syndicate of lenders party thereto (as amended, from time to time, the "Credit Agreement"), is comprised of two tranches as at December 31, 2021: (i) tranche A is for an amount of $2,000 million (2020: $2,000 million); and (ii) tranche B is for an amount of $600 million (2020: $600 million). Borrowings under tranche A may be obtained in the form of: (i) prime rate loans; (ii) acceptances; (iii) US base rate loans; (iv) LIBOR loans in US dollars, Euros and British pounds; and (v) non- financial, financial or documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non- financial or documentary letters of credit. The aggregate outstanding amount of uncommitted bilateral letters of credit allowed under the Credit Agreement is $3,000 million (2020: $3,000 million).

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

As at December 31, 2021 and 2020, the cash draws and letters of credit outstanding under the Company's Revolving Facility were as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)

At December 31, 2021	Committed	Cash Draws	Letters of Credit Outstanding	Unused
Revolving Facility	$ 2,600,000	$ 99,950	$ 207,389 [2]	$ 2,292,661

At December 31, 2020	Committed	Cash Draws	Letters of Credit Outstanding	Unused
Revolving Facility	$ 2,600,000	-	$ 205,324 [3]	$ 2,394,676

In addition, as at December 31, 2021, $1,339.9 million (2020: $1,495.5 million) of uncommitted bilateral letters of credit were outstanding, of which $94.4 million (2020: $98.2 million) related to financial letters of credit.

ii. The Company's non-revolving term loan, which is part of the Company's Credit Agreement, is in the principal amount of $500 million (the "Term Loan"). Borrowings under the Term Loan were available by way of prime rate loans or acceptances. The Term Loan maturity date is April 30, 2023.

(2) Includes $3.5 million of financial letters of credit

(3) Includes $3.5 million of financial letters of credit

iii. These unsecured debentures were issued as follows: (i) $175 million in floating rate Series 3 Debentures due in March 2021 bearing interest at a rate equal to the 3-month CDOR plus applicable margin (the "Series 3 Debentures"); (ii) $200 million in 3.235% per annum Series 4 Debentures due in March 2023 (the "Series 4 Debentures"); and (iii) $300 million in 3.80% per annum Series 6 Debentures due in August 2024 (the "Series 6 Debentures"). The Series 3 Debentures were repaid in full at their maturity in March 2021.

iv. The loan ("CDPQ Loan") made under the loan agreement (as amended, from time to time, the "CDPQ Loan Agreement"), dated April 20, 2017, between SNC-Lavalin Highway Holdings Inc. ("Highway Holdings"), an indirect wholly-owned subsidiary of the Company holding the shares of Highway 407 ETR, as borrower, and CDPQ Revenu Fixe Inc., as lender, is a limited recourse debt comprised of two tranches: (i) tranche A which is a non-revolving term loan in an aggregate amount of $400 million (2020: $400 million); and (ii) tranche B which was a non-revolving term loan in an aggregate amount of $500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of Highway Holdings. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: (i) the CDOR rate; and (ii) 0.9%, plus an applicable margin. In 2018, the Company repaid borrowings under tranche B of its CDPQ Loan in full. Tranche A of the CDPQ Loan matures in 2024.

In 2020, the CDPQ Loan Agreement was amended to: (i) temporarily increase the financial ratio covenant in order to align it with that under the Credit Agreement; and (ii) disapply a condition under a restrictive covenant in order to allow a dividend received by Highway Holdings from Highway 407 ETR in September 2020 to be distributed to the Company. In 2021, the CDPQ Loan Agreement was further amended to disapply a condition under a restrictive covenant in order to allow dividends received by Highway Holdings from Highway 407 ETR in October 2021 and December 2021 to be distributed to the Company.

v. The senior bonds of InPower BC General Partnership in the principal amount of $300 million bear interest at a rate of 4.471% and are due in 2033. The credit facility of InPower BC General Partnership in the principal amount of $63.2 million bore interest at a variable rate equal to CDOR plus an applicable margin and was due in 2020. The senior bonds are and the credit facility was secured by all assets of InPower BC General Partnership. The credit facility of InPower BC General Partnership was repaid in full in 2020.

vi. The senior secured notes of a subsidiary of the Company are up to US$40.0 million (approximately CA$51.2 million) aggregate principal amount (the "Senior Secured Notes"), of which US$38.0 million (approximately CA$48.6 million) aggregate principal amount was issued as at December 31, 2021 (2020: US$38.0 million [approximately CA$48.7 million]). The Senior Secured Notes are due in 2026 and bear interest at a variable rate. The net proceeds from the issuance of the senior secured notes are used by the subsidiary of the Company to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract.

vii. In relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of the non-controlling interest of 49% in Linxon granted an unsecured loan (the "Unsecured Loan") and provided an unsecured working capital revolving credit facility to Linxon. The Unsecured Loan in the principal amount of US$9.3 million (approximately CA$11.9 million) (2020: approximately CA$11.9 million) is an interest-free loan and is repayable in full on September 1, 2023. The working capital credit facility in a maximum aggregate amount of €30.0 million (approximately CA$43.6 million) (2020: approximately CA$47.1 million) bears interest at a variable rate and is repayable at the latest on September 30, 2022.

viii. The credit facility of TransitNEXT General Partnership in the aggregate maximum principal amount of $149.0 million bears interest at a rate of CDOR plus an applicable margin and is repayable at the latest on February 10, 2024. The credit facility is secured by all assets of TransitNEXT. In addition, a wholly-owned entity indirectly holding TransitNEXT entered into a term loan facility agreement. The aggregate principal amount of the term loan facility is $99.7 million and cannot be drawn until substantial completion of the Trillium project is achieved. The term loan facility bears interest at a rate of:

i) 4.82% prior to August 10, 2026; and *ii)* CDOR plus an applicable margin from and after August 10, 2026. The maturity of the term loan facility is the earlier of: *i)* the date that is 4 years after the substantial completion date of the Trillium project; and *ii)* March 29, 2028. The term loan facility is secured by all assets of such entity indirectly holding TransitNEXT and the interests and securities issued by the entity indirectly holding TransitNEXT have also been pledged to the project lenders.

D) Repayment of Principal of Short-Term Debt and Long-Term Debt

The future principal payments of SNC-Lavalin's recourse, limited recourse and non-recourse short-term and long-term debt are summarized below and reconciled to their net carrying amount:

At December 31, 2021	Recourse	Limited recourse	Non-recourse	Total
2022	99,770	-	15,378	115,148
2023	700,000	-	143,643	843,643
2024	300,000	400,000	7,163	707,163
2025	-	-	7,163	7,163
2026	-	-	256	256
Total [1]	$1,099,770	$400,000	$173,603	$1,673,373
Net unamortized deferred financing costs and unamortized discounts	(5,668)	-	(3,534)	(9,202)
Net carrying amount of short-term debt and long-term debt	$ 1,094,102	$400,000	$170,069	$1,664,171

(1) Excludes repayment of principal of senior bonds of InPower BC General Partnership, which are included in "Liabilities of disposal groups classified as held for sale" in the consolidated statement of financial position as at December 31, 2021 (see Notes 5A and 39).

21. OTHER NON-CURRENT FINANCIAL LIABILITIES

(IN THOUSANDS OF CANADIAN DOLLARS)

	December 31 2021	December 31 2020
Federal charges settlement (PPSC) payable (Note 18)	106,684	154,332
Contingent consideration payable to seller related to Linxon acquisition	15,020	15,181
Derivative financial instrument used for hedges - unfavourable fair value	940	3,929
Derivative financial instrument related to share unit plans - unfavourable fair value (Note 23C)	239	4,627
Other	14,636	15,792
Other non-current financial liabilities	$ 137,519	$ 193,861

22. PROVISIONS

(IN THOUSANDS OF CANADIAN DOLLARS)

	Pension, other long-term benefits and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other [1]	Total
Balance at January 1, 2021	565,556	103,984	89,083	396,188	1,154,811
Additional provisions recognized in the year	18,236	26,182	14,693	196,729	255,840
Amounts used during the year	(92,554)	(41,843)	(44,355)	(46,830)	(225,582)
Unused amounts reversed during the year	-	(26,458)	-	(20,485)	(46,943)
Remeasurement recognized in equity	(464,878)	-	-	-	(464,878)
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	1,641	118	(879)	(541)	339
Increase in post-employment benefit assets	222,436	-	-	-	222,436
Balance at December 31, 2021	$ 250,437	$ 61,983	$ 58,542	$ 525,061	$ 896,023

(1) Other provisions include mainly provisions recognized for legal proceedings and claims, indemnification from past disposals of PS&PM businesses, warranty and other project provisions, environmental liabilities and other asset retirement obligations. Due to the nature of these provisions, the Company does not provide information on each individual component separately.

Presented on the statement of financial position as follows:

	Total
Current portion of provisions	$ 425,613
Non-current portion of provisions	$ 470,410

The expected timing of outflows of economic benefits relating to the Company's provisions are as follows: *i)* most of the provisions for legal proceedings and claims relate to matters that are subject to significant uncertainties, including uncertainties over the timing of resolution, which could extend to several years; *ii)* forecasted losses on certain contracts are expected to be incurred over the period of a contract duration, usually up to 3 years; *iii)* most of the accrued restructuring costs are expected to be disbursed within the next 12 months; *iv)* warranty expenditures are expected to take place within the next 5 years; and *v)* most of the other provisions are expected to be resolved over the next 10 years. The main assumptions used to determine the provision for pension, other long-term benefits and other post-employment benefits and other information, including the expected level of future funding payments in respect of those arrangements, are given in Note 32.

23. SHARE CAPITAL

A) Authorized

The Company is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

The issued and outstanding share capital of the Company consists only of fully paid common shares without nominal value. All common shares are equally eligible to receive dividends, subject to the prior rights of the holders of preferred shares. Each common share carries one vote at the shareholders' meeting of the Company.

Subject to the prior rights of the holders of preferred shares, upon the liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, all the Company's assets available for payment or distribution to the holders of the common shares shall be paid or distributed equally, share for share, to the holders of such common shares.

B) Stock Option Plan

The main features of the stock option plan are summarized below:

	2013 Stock option plan
Grant date	Sixth trading day following the approval by the Company's Board of Directors
Exercise price of stock options	The greater of: i) the average closing price for the five trading days preceding the grant date and ii) the closing price on the first trading day immediately preceding the grant date
Vesting of stock options	Graded vesting in three equal tranches: two years, three years and four years, respectively, after the grant date
Expiry of stock options	Six years after the grant date
Other provisions	In the event of cessation of employment, except in the event of death or if the optionee is eligible to retire, unvested options are cancelled immediately and vested options remain exercisable for a specified period not exceeding 30 days. In the event the optionee is eligible to retire, both vested and unvested options continue to run their normal course. In the event of death, vested options of the optionee remain exercisable by his/her legal representatives within a period of one year following such death and unvested options of the optionee are cancelled as of the date of death.

As at December 31, 2021, 2,787,863 stock options remained available for future grants under the 2013 stock option plan (2020: 2,787,863 stock options).

There were no stock options outstanding in 2021 and 2020. The stock option compensation cost recorded in the year ended December 31, 2021 was $nil (2020: $nil).

C) Share Unit Plans

As at December 31, 2021 and 2020, the Company had five share unit compensation plans for executives, namely the 2019 PSU plan, the 2019 RSU plan, the 2017 PSU plan, the 2009 DSU plan, and the RSU plan, and a share unit compensation plan, the DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc. The terms and conditions of the executive plans are summarized below:

	2009 Dsu Plan	2019 RSU Plan / RSU Plan	2019 RSU Plan / 2017 PSU Plan
Grant date	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
Number of units	Determined at grant date, without any further changes	Determined at grant date without any further changes	Subject to performance conditions, the number of units granted shall be adjusted depending on the total shareholder return compared to peers, as defined in the plan
Vesting of units	Units vest at a rate of 20% per year at the end of each calendar year following the grant date	Units vest in full three years following their grant date	Units vest in full at the end of the third calendar year following the grant date
Payment	Units are redeemable for cash by the Company within thirty days following the first anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company no later than March 15th of the year following the end of the vesting period	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting on January 1st of the calendar year during which the grant of such award was made and ending on the vesting date
Redemption price	Average closing price per share on the Toronto Stock Exchange on the first anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
Forfeiture	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
Other provisions	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a pro rata basis, with payment being made no later than March 15th of the year following the event	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a pro rata basis, with payment being made no later than two and a half months following the event

The terms and conditions of the DSU plan are as follows: each member of the Board of Directors of SNC-Lavalin Group Inc. (the "member") receives an annual retainer consisting of: (a) a lump sum credited in DSU plan units, and (b) a cash award payment. Each member may elect to receive 100% of the cash award payment, as well as 100% of their committee chair retainer, meeting fees and travel fees, if applicable, in either cash or DSU plan units. DSU plan units track the price of SNC- Lavalin's common shares on the Toronto Stock Exchange.

They accumulate during a member's term in office and are redeemed in cash when the member leaves the Board of Directors. For the purposes of redeeming DSU plan units, the value of a unit on any given date is equivalent to the average of the closing price for a common share on the Toronto Stock Exchange for the five trading days immediately prior to such date. DSU plan units are credited on a quarterly basis and do not carry voting rights. Furthermore, additional DSU plan units accumulate as dividend equivalents whenever cash dividends are paid on common shares.

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2021 and 2020.

	Number of Granted Share Units	Weighted Average Fair Value per Share Unit (in Dollars)	Weighted Average Fair Value per Share Unit (in Dollars)	Weighted Average Fair Value per Share Unit (in Dollars)
2019 PSU plan	841,434	28.69	802,180	26.09
2019 RSU plan	748,350	28.70	1,042,570	25.16
DSU plan	37,931	28.66	82,030	26.56
2009 DSU plan	64,144	31.44	71,204	21.62

The Company has entered into derivative financial instruments with investment grade financial institutions to limit the Company's exposure to the variability of the units caused by fluctuations in its share price. The derivative financial instruments, the fair value of which fluctuates in accordance with the movement in the Company's share price, are required to be classified as at FVTPL. As such, they are measured at fair value on the consolidated statement of financial position under "Other current financial assets" (see Note 11) and "Other non-current financial assets" (see Note 16) if the fair value of a derivative financial instrument is favourable or under "Other current financial liabilities" (see Note 18) and "Other non-current financial liabilities" (see Note 21) if the fair value of a derivative financial instrument is unfavourable.

The compensation expense related to the share unit plans was $36.8 million for the year ended December 31, 2021 (2020: $10.1 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was $13.4 million as at December 31, 2021 (2020: $7.8 million), while the share unit plans' liabilities amounted to $61.0 million as at December 31, 2021 (2020: $38.8 million).

D) Weighted Average Number of Outstanding Shares – Basic and Diluted

The weighted average number of outstanding shares in 2021 and 2020 used to calculate the basic and diluted earnings per share were as follows:

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

Weighted average number of outstanding shares	2021	2020
Basic	175,554	175,554
Diluted	175,554	175,554

In 2021 and 2020, no dilutive effect of stock options has been calculated as no stock options were outstanding during these periods.

E) Dividends

During the year ended December 31, 2021, the Company recognized as distributions to its equity shareholders dividends of $14.0 million or $0.08 per share (2020: $14.0 million or $0.08 per share).

24. OTHER COMPONENTS OF EQUITY

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

(IN THOUSANDS OF CANADIAN DOLLARS)

	December 31 2021	December 31 2020
Exchange differences on translating foreign operations	(329,121)	292,568
Cash flow hedges	(4,148)	(17,450)
Share of other comprehensive loss of investments accounted for by the equity method	-	(1,044)
Other components of equity	(333,269)	274,074
Presented on the statement of financial position as follows: **Other components of equity**	(333,269)	(320,067)
Other components of equity of disposal groups classified as held for sale (Note 6D)	-	594,141

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

A) Items that will be Reclassified Subsequently to Net Income

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

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

		2021	2020
Exchange differences on translating foreign operations:	Balance at beginning of year	$292,568	$365,600
	Current year losses	(49,487)	(41,466)
	Reclassification to net income	(572,817)	(28,305)
	Net investment hedge – current year gains (losses)	615	(3,261)
Balance at end of year		**$ (329,121)**	**$ 292,568**
Cash flow hedges:	Balance at beginning of year	(17,450)	(11,652)
	Current year gains	11,979	6,256
	Income taxes relating to current year gains	(566)	(1,638)
	Reclassification to net income	2,360	(12,460)
	Income taxes relating to amounts reclassified to net income	(471)	2,044
Balance at end of year		**$ (4,148)**	**$ (17,450)**
Share of other comprehensive income (loss) of investments accounted for by the equity method:	Balance at beginning of year	(1,044)	125
	Current year share	1,419	(1,590)
	Income taxes relating to current year share	(375)	421
Balance at end of year		**-**	**$ (1,044)**
Other components of equity		(333,269)	274,074
Presented on the statement of financial position as follows:	Other components of equity	(333,269)	(320,067)
	Other components of equity of disposal groups classified as held for sale (Note 6D)	-	594,141

B) Items that will not be Reclassified Subsequently to Net Income

Remeasurement recognized in other comprehensive income

The following table presents changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the years ended December 31, 2021 and 2020:

(IN THOUSANDS OF CANADIAN DOLLARS)

		2021			2020		
		Before Tax	Income Tax [1]	Net of Tax	Before Tax	Income Tax [1]	Net of Tax
Cumulative amount at January 1		(166,186)	35,253	(130,933)	(49,588)	6,184	(43,404)
Remeasurement recognized during the year:	Defined benefit pension plans	451,902	(93,898)	358,004	(111,311)	29,180	(82,131)
	Other post-employment benefits	12,976	(764)	12,212	(5,287)	(111)	(5,398)
Total		**$ 464,878**	**$ (94,662)**	**$ 370,216**	**$ (116,598)**	**$ 29,069**	**$ (87,529)**
Cumulative amount at December 31		**$ 298,692**	**$ (59,409)**	**$ 239,283**	**$ (166,186)**	**$ 35,253**	**$ (130,933)**

(1) For the year ended December 31, 2021, an amount of deferred income tax liability of $106.3 million (2020: deferred income tax asset of $18.5 million) is included in deferred income taxes while the remaining balance of income tax recovery of $11.6 million (2020: $10.6 million) is included in current income taxes.

Equity instruments designated at fair value through other comprehensive income

The following table presents changes in fair value of the equity instruments designated at fair value through other comprehensive income for the years ended December 31, 2021 and 2020:

(IN THOUSANDS OF CANADIAN DOLLARS)

	2021			2020		
	Before Tax	Income Tax	Net of Tax	Before Tax	Income Tax	Net of Tax
Cumulative amount at January 1	(9,782)	105	(9,677)	(2,035)	65	(1,970)
Gains (losses) recognized during the year	5,749	-	5,749	(7,747)	40	(7,707)
Cumulative amount at December 31	$ (4,033)	$ 105	$ (3,928)	$ (9,782)	$ 105	$ (9,677)

25. CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Selling expenses	128	97
General and administrative expenses	144,945	175,836
Corporate selling, general and administrative expenses	$ 145,073	$ 175,933

26. RESTRUCTURING AND TRANSFORMATION COSTS

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Restructuring costs	49,222	63,324
Transformation costs	20,895	-
Restructuring and transformation costs	$ 70,117	$ 63,324

1. In 2021

The restructuring costs of $49.2 million recognized in 2021 were mainly related to actions taken in the EDPM and Nuclear segments, partly for severances, and also included $25.2 million of non-cash charges, notably $16.9 million of impairment of right-of-use assets and $8.3 million of impairment of property and equipment.

2. In 2020

The Company incurred $63.3 million of restructuring costs in 2020. 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.

27. NET FINANCIAL EXPENSES

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

		2021	2020
Interest on debt:	Recourse	35,298	45,956
	Limited recourse	15,827	17,160
	Non-recourse	20,411	20,609
Interest on lease liabilities		18,024	21,174
Other		24,296	19,804
Financial expenses		113,856	124,703
Financial income		(4,809)	(11,257)
Net foreign exchange losses (gains)		1,403	550
Financial income and net foreign exchange losses (gains)		**$(3,406)**	**$(10,707)**
Net financial expenses		**$110,450**	**$113,996**

(1) Net change in other provisions includes changes in all provisions, except for: i) pension, other long-term benefits and other post-employment benefits, which change is included in "Other"; ii) forecasted losses on certain contracts, which change is separately presented in the table above; iii) restructuring, which change is separately presented in the table above; and iv) reversal of a provision related to a disposal of a Capital investment, which change is separately presented in the table above.

28. STATEMENTS OF CASH FLOWS

A) Other Reconciling Items

The following table presents the items to reconcile net income (loss) to cash flows from operating activities presented in the statements of cash flows the years ended December 31, 2021 and 2020 (table opposite):

	2021	2020
Depreciation of property and equipment and amortization of other non-current non-financial assets	$183,148	$246,975
Depreciation of right-of-use assets	88,166	107,318
Income taxes recognized in net income	(69,190)	3,980
Net financial expenses recognized in net income	110,614	114,257
Share-based expense (Note 23C)	36,801	10,079
Income from Capital investments accounted for by the equity method	(85,002)	(87,349)
Dividends and distributions received from Capital investments accounted for by the equity method	76,584	93,176
Income from PS&PM investments accounted for by the equity method	(56,329)	(47,186)
Dividends and distributions received from PS&PM investments accounted for by the equity method	55,965	38,262
Net change in provisions related to forecasted losses on certain contracts	(42,119)	20,653
Adjustments on gain on disposals of Capital investments (Note 5A)	(5,000)	(25,000)
Restructuring and transformation costs recognized in net income	87,613	121,128
Restructuring and transformation costs paid	(59,133)	(124,450)
Net loss (gain) on disposals of PS&PM businesses (Notes 6C et 6G)	(572,429)	1,262
Loss (gain) arising on financial instruments at fair value through profit or loss	(3,725)	61,859
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal groups classified as held for sale to fair value less cost to sell	(6,232)	277,660
Net change in other provisions [1]	68,725	231,355
Other	(80,695)	(67,928)
Other reconciling items	**$(272,238)**	**$976,051**

B) Net Change in Non-Cash Working Capital Items

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows the years ended December 31, 2021 and 2020:

	2021	2020
Decrease in trade receivables	42,036	196,175
Decrease (increase) in contract assets	(163,760)	361,597
Decrease (increase) in inventories	(941)	69,500
Decrease (increase) in other current financial assets	150,207	(29,454)
Increase in other current non-financial assets	(41,466)	(32,968)
Decrease in trade payables and accrued liabilities	(63,528)	(330,717)
Increase (decrease) in contract liabilities	(14,186)	6,803
Increase (decrease) in other current financial liabilities	75,082	(64,893)
Increase (decrease) in other current non-financial liabilities	(80,663)	53,205
Net change in non-cash working capital items	**$(97,219)**	**$229,248**

C) Changes In Liabilities Arising from Financing Activities

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

	Recourse debt [1]	Limited Recourse Debt	Non-Recourse Debt [2]	Lease liabilities [3]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [4]	Other non-current non- financial liabilities [4]
Balance at January 1, 2021	1,170,965	400,000	431,545	496,610	-	193,861	219
Changes arising from cash flows: Increase	99,950	-	21,089	-	-	3,605	50
Changes arising from cash flows: Repayment	(177,214)	-	(24,252)	(99,775)	(14,044)	(1,679)	(265)
Total – changes arising from cash flows	**$(77,264)**	**-**	**$(3,163)**	**$(99,775)**	**$(14,044)**	**$1,926**	**$(215)**

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

		Recourse debt [1]	Limited Recourse Debt	Non-Recourse Debt [2]	Lease liabilities [3]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [4]	Other non-current non- financial liabilities [4]
Balance at January 1, 2021		1,170,965	400,000	431,545	496,610	-	193,861	219
Total – changes arising from cash flows		**$(77,264)**	**-**	**$(3,163)**	**$(99,775)**	**$(14,044)**	**$1,926**	**$(215)**
Non-cash changes:	Declaration of dividends to SNC-Lavalin shareholders	-	-	-	-	14,044	-	-
	Effect of foreign currency exchange differences	(180)	-	(716)	(2,543)	-	(4,344)	33
	Amortization of deferred financing costs and discounts and increase from the passage of time	3,690	-	2,107	-	-	7,634	-
	Change in fair value of derivatives used for hedges	-	-	-	-	-	(7,385)	-
	Change in fair value of contingent consideration related to the Linxon transaction	-	-	-	-	-	(131)	-
	Reclassification of deferred financing costs from "Other non-current nonfinancial assets"	(3,109)	-	-	-	-	-	-
	Net increase of lease liabilities	-	-	-	102,766	-	-	-
	Reclassification of payable related to federal charges settlement (PPSC) to "Other current financial liabilities"	-	-	-	-	-	(54,042)	-
	Reclassification to liabilities of disposals groups classified as held for sale (Note 20C)	-	-	(259,704)	-	-	-	-
Balance at December 31, 2021		**$1,094,102**	**$400,000**	**$170,069**	**$497,058**	**-**	**$137,519**	**$37**

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

Changes Arising from Cash Flows - Recourse Debt and Non-Recourse Debt

2021.

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

		Increase of debt	Repayment of debt	Payment for debt issue costs
Recourse debt:	Revolving Facility	99,950	-	(2,198)
	Series 3 Debentures [Note 20C (iii)]	-	(175,000)	-
	Series 6 Debentures	-	-	(16)
Total - Recourse debt		**$99,950**	**$(175,000)**	**$(2,214)**
Non-recourse debt:	Senior Bonds – InPower BC General Partnership	-	(17,239)	-
	Credit facility – TransitNEXT General Partnership	21,089	-	-
	Senior Secured Notes of a PS&PM investment	-	(7,013)	-
Total - Non-recourse debt		**$21,089**	**$(24,252)**	**-**
Total		**$121,039**	**$(199,252)**	**$(2,214)**

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

	December 31 2021	December 31 2020
Recourse short-term debt	96,853	174,960
Recourse long-term debt	997,249	996,005
Total	**$1,094,102**	**$1,170,965**

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

	December 31 2021	December 31 2020
Recourse short-term debt	14,021	$31,262
Recourse long-term debt	156,048	400,283
Total	**$170,069**	**$431,545**

iii. Lease liabilities were presented in the Company's consolidated statements of financial position as follows:

	December 31 2021	December 31 2020
Current portion of lease liabilities	91,317	97,409
Non-current portion of lease liabilities	405,741	399,201
Total	**$497,058**	**$496,610**

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

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021
Other non-current financial	1,926
Other non-current non-financial liabilities	(215)
Total	**$1,711**

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

		Recourse debt [1]	Limited Recourse Debt	Non-Recourse Debt [2]	Lease liabilities [3]	Dividends declared to SNC-Lavalin shareholders	Other non-current financial liabilities [4]	Other non-current non- financial liabilities [4]
Balance at January 1, 2020		1,172,663	400,000	485,118	611,750	-	232,569	551
Changes arising from cash flows:	Increase	1,297,600	-	31,625	-	-	7,272	611
	Repayment	(1,300,729)	-	(87,172)	(118,651)	(14,044)	(5,906)	(984)
Total – changes arising from cash flows		**$(3,129)**	**-**	**$(55,547)**	**$(118,651)**	**(14,044)**	**1,366**	**$(373)**
Non-cash changes:	Declaration of dividends to SNC-Lavalin shareholders	-	-	-	-	14,044	-	-
	Effect of foreign currency exchange differences	-	-	48	1,392	-	78	41
	Amortization of deferred financing costs and discounts and increase from the passage of time	1,431	-	1,926	-	-	6,950	-
	Change in fair value of derivatives used for hedges	-	-	-	-	-	6,211	-
	Change in fair value of contingent consideration related to the Linxon transaction	-	-	-	-	-	1,095	-
	Reclassification of payable related to federal charges settlement (PPSC) to “Other current financial liabilities”	-	-	-	-	-	(54,408)	-
	Reclassification to liabilities of disposal groups classified as held for sale	-	-	-	(20,472)	-	-	-
	Net increase of lease liabilities	-	-	-	23,856	-	-	-
	Disposal of a PS&PM business	-	-	-	(1,265)	-	-	-
Balance at December 31, 2020		**$1,170,965**	**$400,000**	**$431,545**	**$496,610**	**-**	**$193,861**	**$219**

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

Changes Arising from Cash Flows - Recourse Debt and Non-Recourse Debt

2020.

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

		Increase of debt	Repayment of debt	Payment for debt issue costs
Recourse debt:	Revolving Facility	1,000,000	(1,000,000)	-
	Series 3 Debentures [Note 20C (iii)]	297,600	-	(729)
	Series 6 Debentures	-	(300,000)	-
Total - Recourse debt		**$1,297,600**	**$(1,300,000)**	**$(729)**
Non-recourse debt:	Senior Bonds – InPower BC General Partnership	-	(63,130)	-
	Credit facility – TransitNEXT General Partnership	-	(16,495)	-
	Senior Secured Notes of a PS&PM investment	31,625	-	-
		-	(7,547)	-
Total - Non-recourse debt		**$31,625**	**$(87,172)**	**-**
Total		**$1,329,225**	**$(1,387,172)**	**$(729)**

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

	December 31 2021	December 31 2020
Recourse short-term debt	174,960	299,518
Recourse long-term debt	996,005	873,145
Total	**$1,170,965**	**$1,172,663**

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

	December 31 2021	December 31 2020
Recourse short-term debt	31,262	93,664
Recourse long-term debt	400,283	391,454
Total	**$431,545**	**$485,118**

iii. Lease liabilities were presented in the Company's consolidated statements of financial position as follows:

	December 31 2021	December 31 2020
Current portion of lease liabilities	97,409	131,075
Non-current portion of lease liabilities	399,201	480,675
Total	**$496,610**	**$611,750**

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

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021
Other non-current financial liabilities	1,366
Other non-current non-financial liabilities	(373)
Other	(52)
Total	**$941**

D) 2020 Debentures

The unsecured Series 1 Debentures in the principal amount of $300 million bore interest at a rate of 2.689% per annum and matured on November 24, 2020 (the "2020 Debentures"). $40 million in principal amount of the 2020 Debentures was repurchased in August 2020 using a portion of the proceeds of the issuance of the Series 6 Debentures and the remaining $260 million in principal of the outstanding 2020 Debentures was repaid in full at maturity in November 2020.

29. INCOME TAXES

A) Deferred Income Tax Asset and Deferred Income Tax Liability

Deferred income tax asset (liability) arising from temporary differences and unused tax losses can be summarized as follows:

			January 1 2020	Reclassification to a disposal groups classified as held for sale	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	December 31 2020
Current:	Contract assets		5,751	-	-	14,267	637	20,655
	Retentions on supplier contracts		4,831	-	-	6,276	-	11,107
	Accrued employee compensation		32,477	-	-	4,911	(34)	37,354
	Current liabilities		91,401	-	-	28,617	(187)	119,831
	Other		(1,633)	-	-	(6,753)	-	(8,386)
Non-current:	Property and equipment, and goodwill		(122,706)	-	-	18,106	3,136	(101,464)
	Right-of-use assets		(43,516)	-	-	2,953	84	(40,479)
	Other non-current financial assets		(19,424)	33,574	-	5,617	(15)	19,752
	Provisions		(33,367)	-	-	(61,110)	182	(94,295)
	Capital investments accounted for by the equity method and at fair value through other comprehensive income		(147,647)	-	(375)	(46,767)	-	(194,789)
	Lease liabilities		67,337	-	-	(5,574)	(20)	61,743
	Pension plans and other post-employment benefits		104,646	-	(106,288)	(147)	(2,536)	(4,325)
	Other		44,236	-	(1,037)	(30,781)	(517)	11,901
Unused tax losses			319,104	-	-	141,327	(5,172)	455,259
Deferred income tax asset, net			**$301,490**	**$33,574**	**$(107,700)**	**$70,942**	**$(4,442)**	**$293,864**
Presented on the statement of financial position as follows:		**Deferred income tax asset**	**$655,838**	**-**	**-**	**-**	**-**	**$658,061**
		Deferred income tax liability	**$354,348**	**-**	**-**	**-**	**-**	**$364,197**

Deferred income taxes for the comparative period of 2020 can be summarized as follows:

		January 1 2020	Reclassification to a disposal groups classified as held for sale	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	December 31 2020
Current:	Contract assets	(30,462)	426	-	36,406	(619)	5,751
	Retentions on supplier contracts	7,509	-	-	(2,678)	-	4,831
	Accrued employee compensation	33,113	(525)	-	574	(685)	32,477
	Current liabilities	67,291	(731)	-	25,040	(199)	91,401
	Other	5,808	-	-	(7,415)	(26)	(1,633)
Non-current:	Property and equipment, and goodwill	(111,805)	(358)	-	(13,346)	2,803	(122,706)
	Right-of-use assets	(77,192)	(918)	-	34,342	252	(43,516)
	Other non-current financial assets	(41,808)	-	40	22,608	(264)	(19,424)
	Provisions	(21,620)	-	-	(10,703)	(1,044)	(33,367)
	Capital investments accounted for by the equity method and at fair value through other comprehensive income	(116,316)	-	421	(31,752)	-	(147,647)
	Lease liabilities	100,842	955	-	(33,962)	(498)	67,337
	Pension plans and other post-employment benefits	82,337	-	18,458	(344)	4,195	104,646
	Other	40,592	238	406	2,333	667	44,236
Unused tax losses		233,228	(3,851)	-	94,778	(5,051)	319,104
Deferred income tax asset, net		**$171,517**	**$(4,764)**	**$19,325**	**$115,881**	**$(469)**	**$301,490**
Presented on the statement of financial position as follows:	**Deferred income tax asset**	**$520,451**	-	-	-	-	**$655,838**
	Deferred income tax liability	**$348,934**	-	-	-	-	**$354,348**

As at December 31, 2021, the Company had $2,958.3 million (2020: $2,495.6 million) of non-capital tax loss carryforwards, of which $2,526.5 million will expire in varying amounts from 2022 to 2042 (2020: $1,992.2 million expiring from 2021 to 2041). As at December 31, 2021, a deferred income tax asset of $455.3 million (2020: $319.1 million) has been recognized on $1,858.0 million (2020: $1,347.3 million) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized. As at December 31, 2021, the Company had $773.7 million of the unrecognized non-capital tax losses carryforwards that will expire in varying amounts from 2022 to 2042 (2020: $783.3 million expiring in varying amounts from 2021 to 2041).

As at December 31, 2021, the Company had $299.8 million (2020: $83.6 million) of capital tax loss carryforwards on which no deferred income tax asset has been recognized of which $139.3 million will expire in 2027 (2020: $nil), while the remaining capital tax loss carryforwards have no expiry date.

As at December 31, 2021, a deferred income tax liability has not been recognized on taxable temporary differences of $525.4 million (2020: $620.6 million) associated with investments in subsidiaries, associates and interests in joint arrangements, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

B) Income Taxes

The relationship between the expected income taxes based on the Canadian effective tax rate of SNC-Lavalin at 26.2% (2020: 26.3%) and the reported income taxes in net income can be reconciled as follows:

		2021		2020	
		Amount	%	Amount	%
Earnings (loss) before income taxes from continuing operations		83,648	-	(405,968)	-
Canadian tax rate for SNC-Lavalin		-	26.2	-	26.3
Expected income taxes from continuing operations		21,876	-	(106,597)	-
Increase (decrease) resulting from:	Effect of federal charges settlement (PPSC)	2,049	2.4	2,327	(0.6)
	Effect of differences of foreign tax rates compared to Canadian rates	(23,539)	(28.1)	2,124	(0.5)
	Effect of Canadian provincial tax rate differences	318	0.4	(1,948)	0.5
	Effect of adjustments to deferred tax attributable to tax rate changes	2,526	3.0	(5,737)	1.4
	Net income and losses not affected by tax	(12,815)	(15.3)	6,350	(1.6)
	Effect of benefit from a previously unrecognized tax loss used to reduce current tax expense	(436)	(0.5)	(9,672)	2.4
	Non-deductible loss on revaluation of contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR	-	-	7,580	(1.9)
	Effect of benefit for losses carried back to prior years at higher tax rate	-	-	(5,373)	1.3
	Effect of reversal of a previous write-down of deferred income tax asset	-	-	(7,499)	1.8
	Effect of write-down of previously recognized deferred income tax asset (liability)	16,418	19.6	55,023	(13.6)
	Non-taxable income from certain Capital investments accounted for by the equity method and at fair value through other comprehensive income	(15,029)	(18.0)	(16,742)	4.1
	Non-deductible impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(1,594)	(1.9)	1,600	(0.4)
	Non-deductible loss on disposal of a PS&PM business	(1,892)	(2.3)	1,870	(0.5)
	Other permanent differences for tax purposes	4,112	4.9	(413)	0.1
	Other	(14,025)	(16.7)	18,068	(4.3)
Income taxes from continuing operations at effective tax rate		$(22,031)	(26.3)%	$(59,039)	14.5%

SNC-Lavalin's income taxes from continuing operations were comprised of the following:

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Current income taxes	71,577	63,674
Deferred income taxes	(93,608)	(122,713)
Income tax recovery	$(22,031)	$(59,039)

30. FINANCIAL INSTRUMENTS

A) Classification and Fair Value of Financial Instruments

The following tables present the carrying value of SNC-Lavalin's financial assets as at December 31, 2021 and 2020 by category and classification, with the corresponding fair value, when available. Financial assets classified as held for sale as at December 31, 2021 and 2020 are not included in the tables below (see Notes 6D and 39)

CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY AT DECEMBER 31, 2021

		FVTPL [1]	FVTOCI [2]	Amortized cost	Derivatives used for hedges	Total	Fair value
Cash and cash equivalents		608,446	-	-	-	608,446	608,446
Restricted cash		13,398	-	-	-	13,398	13,398
Trade receivables		-	-	1,145,932	-	1,145,932	1,145,932
Other current financial assets:	Derivative financial instruments	-	-	-	17,761	17,761	17,761
	Financial assets at FVTPL	6,201	-	-	-	6,201	6,201
	Other [3]	-	-	114,409	-	114,409	114,409
Capital investments at fair value through other comprehensive income		-	41,327	-	-	41,327	41,327
Non-current portion of receivables under service concession arrangements [3]		-	-	304,189	-	304,189	315,409
Other current financial assets:	Derivative financial instruments	-	-	-	4,630	4,630	4,630
	Other [3]	-	-	20,779	-	20,779	20,779
Total		$628,045	$41,327	$1,585,309	$22,391	$2,277,072	-

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

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

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

CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY AT DECEMBER 31, 2020

		FVTPL [1]	FVTOCI [2]	Amortized cost	Derivatives used for hedges	Total	Fair value
Cash and cash equivalents		932,902				932,902	932,902
Restricted cash		29,300				29,300	29,300
Trade receivables				1,199,166		1,199,166	1,199,166
Other current financial assets:	Derivative financial instruments				41,956	41,956	41,956
	Financial assets at FVTPL	6,200				6,200	6,200
	Other [3]			209,276		209,276	209,276
Capital investments at fair value through other comprehensive income			9,666			9,666	9,666
Non-current portion of receivables under service concession arrangements [3]				433,914		433,914	433,914
Other current financial assets:	Derivative financial instruments				1,973	1,973	1,973
	Other [3]			29,425		29,425	29,425
Total		**$968,402**	**$9,666**	**$1,871,781**	**$43,929**	**$2,893,778**	

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

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

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

The following tables present the carrying value of SNC-Lavalin's financial liabilities as at December 31, 2021 and 2020 by category and classification, with the corresponding fair value, when available. Financial liabilities classified as held for sale as at December 31, 2021 and 2020 are not included in the tables below (see Notes 6D et 39).

CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY AT DECEMBER 31, 2021

		Derivatives used for hedges	FVT L [1]	Amortized cost	Total	Fair value
Trade payables and accrued liabilities				1,652,514	1,652,514	1,652,514
Other current financial liabilities:	Derivative financial instruments	16,496			16,496	16,496
	Other			189,274	189,274	189,274
Provisions				58,542	58,542	58,542
Lease liabilities				497,058	497,058	Not applicable
Short-term debt and long-term debt: [2]	Recourse			1,094,102	1,094,102	1,094,102
	Limited recourse			400,000	400,000	400,000
	Non-recourse			170,069	170,069	170,069
Other non-current financial liabilities		1,179	15,020	121,320	137,519	137,519
Total		$17,675	$15,020	$4,182,879	$4,215,574	

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

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

CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY AT DECEMBER 31, 2020

		Derivatives used for hedges	FVT L [1]	Amortized cost	Total	Fair value
Trade payables and accrued liabilities		-	-	1,730,398	1,730,398	1,730,398
Other current financial liabilities:	Derivative financial instruments	16,006	-	-	16,006	16,006
	Other	-	-	171,748	171,748	171,748
Provisions		-	-	89,083	89,083	89,083
Lease liabilities		-	-	496,610	496,610	Not applicable
Short-term debt and long-term debt: [2]	Recourse	-	-	1,170,965	1,170,965	1,170,965
	Limited recourse	-	-	400,000	400,000	400,000
	Non-recourse	-	-	431,545	431,545	431,545
Other non-current financial liabilities		8,556	15,181	170,124	193,861	193,861
Total		**$24,526**	**$15,181**	**$4,660,473**	**$4,700,216**	**-**

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

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

Financial Instruments Measured at Fair Value

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

Level	Basis for determination of fair value	Financial Instruments
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash, derivatives, life insurance policies, which are included in "Other current financial assets" and equity investments measured at FVTOCI
Level 3	Inputs for the asset or liability that are not based on observable market data	Contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR included in "Other noncurrent financial assets" and contingent consideration payable to seller related to Linxon acquisition included in "Other non-current financial liabilities"

Assets and liabilities not measured at fair value and for which the fair value is disclosed

The methodology used to determine the fair value of the following Company's assets and liabilities not measured at fair value is based on the following hierarchy:

Level	Basis for determination of fair value	Financial Instruments
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Trade receivables, receivables under service concession arrangements, trade payables and accrued liabilities, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, other non-current financial assets, other current financial liabilities, provisions and other non-current financial liabilities
Level 3	Inputs for the asset or liability that are not based on observable market data	None

For the years ended December 31, 2021 and 2020, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

Level 3 Financial Instruments

The following table presents changes in fair value of Level 3 financial instruments for the year ended December 31, 2021:

Level	Contingent consideration receivable from the acquirer of the 10.01% interest in highway 407 ETR	Contingent consideration payable to seller related to Linxon acquisition
Balance as at January 1, 2021	–	15,181
Unrealized net gains [1]	–	(131)
Effect of foreign currency exchange differences	–	(30)
Total		$15,020

Assumptions

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

The principal assumptions used in measuring fair value of Level 3 financial instruments as at December 31, 2021 were as follows: i) the discount rate, which was 7.80% for contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR and 11.42% for contingent consideration payable to the seller related to the Linxon acquisition; and ii) the expected future cash flows of Highway 407 ETR and Linxon.

Sensitivity Analysis

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

The following impact on net income has been calculated changing one of these assumptions to another reasonably possible alternative assumption for the year ended December 31, 2021:

IMPACT ON NET INCOME

		Contingent consideration receivable from the acquirer of the 10.01% interest in highway 407 ETR	Contingent consideration payable to seller related to Linxon acquisition
Increase (decrease)	If the discount rate is 100 basis points lower. Assuming all other variables remain the same	–	$(870)
	If the discount rate is 100 basis points higher. Assuming all other variables remain the same	–	$793
	If the expected future cash flows are 1% lower. Assuming all other variables remain the same	–	–
	If the expected future cash flows are 1% higher. Assuming all other variables remain the same	–	–

(1) Included in "Loss (gain) arising on financial instruments at fair value through profit or loss" in the consolidated income statement.

B) Nature and extent of risks arising from Financial Instruments and related Risk Management

Nature of Risk	Description
Credit	Risk that SNC-Lavalin will incur a financial loss if the other party to a financial instrument fails to discharge an obligation. The maximum exposure to credit risk for SNC-Lavalin at the end of a given period usually corresponds to the carrying amount of its financial assets exposed to such risk, as presented in Note 30A
Liquidity	Possibility that SNC-Lavalin will encounter difficulties in meeting the obligations associated with its financial liabilities
Market	Variability in the fair value or future cash flows of a financial instrument caused by a change in market prices in items such as currency rates, interest rates and equity prices

Credit Risk

For SNC-Lavalin, credit risk arises from:

- Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.
- Derivative financial instruments with a favourable fair value, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with high-grade financial institutions, which are expected to satisfy their obligations under the contracts.
- Trade receivables, as detailed in Note 8A, and contract assets, as detailed in Note 8B. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project.
- The Company's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. The amounts of trade receivables presented in the consolidated statements of financial position are net of an allowance for expected credit losses, estimated by the Company and based, in part, on the age of specific and aggregated receivable balances, on the financial situation of specific customers and the current and expected collection trends. When assessing the credit risk associated with its trade receivables, the Company also considers the other financial and non- financial assets and liabilities recognized with the same customer or within the same project to provide additional indications on the Company's exposure to credit risk. As such, in addition to the age of its trade receivables, the Company also considers the age of its contract assets, as well as the existence of any contract liabilities on the same project or with the same customer.
- In addition to providing for individual balances of trade receivables and other financial assets upon certain events, the Company has an internal policy in place which requires it to record, by default, an allowance on any trade receivable or contract asset that has been outstanding longer than a specific threshold period, unless it can be demonstrated that the recovery of such trade receivable is not at risk or only partially at risk, in which case the allowance is adjusted accordingly. Moreover, the Company records an amount of additional expected credit losses on trade receivables and contract assets for balances that are not provided for and for which no impairment indicator exist as at period end, but for which it can be reasonably expected that credit losses might occur in the future. Such analysis incorporates the Company's past experience, adjusted as needed to better reflect anticipated conditions.
- Generally, trade receivables and contract assets are written off if they are no longer subject to enforcement activity. As such, the amount of trade receivables and contract assets that have been written off but are still being pursued is minimal.
- The Company does not generally hold collateral as security.
- Other current financial assets, as detailed in Note 11, and other non-current financial assets, as detailed in Note 16. The current portion of receivables under service concession arrangements is within normal terms of payment and there were no significant amounts that were past due as at December 31, 2021 and 2020.

Liquidity Risk

SNC-Lavalin monitors its liquidity risk arising from financial instruments on an ongoing basis by ensuring that it has access to sufficient resources to meet its obligations.

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed. Due to the nature of the Company's activities, the fact that its operations are conducted through multiple entities and joint operations and that it operates in many countries, 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, may transfer cash balances between subsidiaries, joint arrangements or investees and use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

SNC-Lavalin's consolidated statement of financial position included $138.0 million at December 31, 2021 (2020:

$457.2 million) of liabilities from Capital investments that are accounted for by the consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the Capital investments and are secured by the respective concession's assets, including $319.9 million of financial assets at December 31, 2021 (2020: $492.2 million), and by SNC-Lavalin's shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin, assuming its Capital investments accounted for by the consolidation method were unable to meet their obligations, corresponds to the carrying amount invested in these entities.

SNC-Lavalin's future principal payments on its short-term debt and long-term debt are presented in Note 20.

i. Maturity Analysis of Financial Letters of Credit

A draw on letters of credit or bank guarantees (Note 30C) 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. The following table presents a maturity analysis for the financial letters of credit outstanding as at December 31, 2021 and 2020:

Maturity	December 31, 2021	December 31, 2020
Not later than 1 year	42,033	41,985
Later than 1 year and not later than 5 years	55,594	59,240
Later than 5 years	247	450
Total	$97,874	$101,675

ii. Maturity Analysis of Trade Payables and Accrued Liabilities

As at December 31, 2021, 98% (2020: 98%) of the outstanding balance of "Trade payables and accrued liabilities" of$1,652.5 million (2020: $1,730.4 million) had a maturity of not later than 1 year.

Market risk

i) Currency risk

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets (liabilities) of its foreign operations.

The Company manages foreign currency risk by matching, when possible, the cash receipts in a foreign currency and the cash disbursements in the same foreign currency, for revenue-generating projects in which foreign currencies are involved. Derivative financial instruments with financial institutions, usually forward foreign exchange contracts, are also used to hedge the cash flows in foreign currencies.

The following table summarizes the major forward foreign exchange contracts that were outstanding for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2021

Buy	Sell	Maturity
CA$ 552,415	US$ 438,174	2022-2024
CS$ 32,112	€ 21,342	2022-2023
US$ 512,608	CA$ 650,203	2022-2023
€ 43,151	CA$ 64,160	2022
CA$ 298,883	£ 174,893	2022
AU$ 13,834	CA$ 12,761	2022
£ 300,004	CA$ 511,408	2022
INR 5,830,000	£ 54,737	2022-2024
US$ 80,042	£ 60,294	2022
CHF 22,540	US$ 24,704	2022-2023

AT DECEMBER 31, 2020

Buy	Sell	Maturity
CA$ 906,041	US$ 691,385	2021-2023
CA$ 23,322	€ 14,844	2021-2023
US$ 361,387	CA$ 461,795	2021-2022
€ 51,472	CA$ 80,371	2021-2022
CA$ 204,887	£ 120,000	2021
AU$ 47,088	CA$ 45,444	2021
£ 227,287	CA$ 387,786	2021
INR 8,314,500	£ 78,936	2021-2023
US$ 68,022	£ 50,847	2022
CHF 30,068	US$ 33,692	2021-2022

As at December 31, 2021, the forward foreign exchange contracts used for hedging purposes by the Company had a net unfavourable fair value of $3.0 million (2020: net favourable fair value of $28.7 million). The majority of the forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar

Currency Sensitivity Analysis

The following impact on equity for the year ended December 31, 2021 has been calculated from the Company's net financial assets (liabilities) denominated in US dollars and British pounds.

As at December 31, 2021, a 10% appreciation in the Canadian dollar relative to: i) the US dollar would increase the Company's net income by $18.1 million (10% depreciation in the Canadian dollar relative to the US dollar would decrease the Company's net income by $18.1 million); and ii) the British pound would decrease the Company's net income by $5.5 million (10% depreciation in the Canadian dollar relative to the British pound would increase the Company's net income by $5.5 million).

		Impact on equity	
		CA$/US$ (1)(2)	CA$/£ (1)(3)
Increase (decrease)	10% appreciation in the Canadian dollar. Assuming all other variables remain the same	$ (141,152)	$ (268,214)
	10% deppreciation in the Canadian dollar. Assuming all other variables remain the same	$ 141,152	$ 268,214

(1) The Company's exposure to other currencies is not significant.

(2) Includes mainly $153.6 million of change in exchange differences on translating foreign operations

(3) Includes mainly $229.6 million of change in exchange differences on translating foreign operations

ii. Interest Rate Risk

Cash and cash equivalents, and restricted cash, usually involve limited interest rate risk due to their short-term nature.

Non-Recourse Debt

Unlike PS&PM activities, Capital investments are often capital intensive due to the ownership of assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company. These investments usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing interest rates provides a measure of stability and predictability to the financing cash outflows of the Company's Capital investments, which are usually structured to match the expected timing of their cash inflows.

In 2021 and 2020, a subsidiary of the Company from PS&PM activities issued senior secured notes to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract. The senior secured notes bear interest at a variable rate which exposes the Company to interest rate risk. Also, in relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of non-controlling interest of 49% in Linxon granted an interest-free loan and provided a working capital revolving credit facility to Linxon. The working capital revolving credit facility bears interest at a variable rate which exposes the Company to interest rate risk.

Limited Recourse Debt

SNC-Lavalin's limited recourse debt, being the CDPQ Loan, bears interest at a variable rate which exposes the Company to interest rate risk.

Recourse Debt

SNC-Lavalin's Revolving Facility bears interest at a variable rate which exposes the Company to interest rate risk.

SNC-Lavalin's Series 4 Debentures and Series 6 Debentures bear interest at a fixed rate and are measured at amortized cost; therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

SNC-Lavalin's Term Loan bears interest at a variable rate which exposes the Company to interest rate risk. SNC-Lavalin's Series 3 Debentures bore interest at a variable rate which exposed the Company to interest rate risk until the repayment of these debentures in March 2021.

Interest Rate Swap

TransitNEXT General Partnership entered into an interest rate swap agreement with financial institutions related to its credit facility in the aggregate maximum principal amount of $149.0 million, which bears interest at a rate of CDOR plus an applicable margin, to hedge the variability of the interest rate. Under the interest rate swap agreement, TransitNEXT pays interest at a fixed rate and receives interest at a rate of CDOR. The interest rate swap agreement expires in August 2022. This hedge is classified as a cash flow hedge.

Interest Rate Sensitivity Analysis

For floating rate debt, the analysis is prepared assuming the amount of the debt outstanding at the end of the reporting period was outstanding for the whole year. A 1% (100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower than the base rate and all other variables were held constant, the Company's net income for the year ended December 31, 2021 would decrease/increase by $8.5 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates decreased in 2021 mainly due to repayment of its floating rate Series 3 Debentures.

iii. Equity Price Risk

SNC-Lavalin limits its exposure arising from the share unit plans caused by fluctuations in its share price, through financial arrangements with investment high-grade financial institutions described in Note 23C.

iv. Commodity Price Risk

In 2019, the Company entered into a copper commodity swap agreement with a financial institution related to its standardized EPC contracts for power substations executed through its Linxon subsidiary to hedge the variability of the copper price. The copper commodity agreement was for 1,308 metric tons at an average price of US$5,805 (approximately CA$7,617) per metric ton with gradual settlement dates until September 2020. This hedge was classified as a cash flow hedge.

C) Letters of Credit

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. The amount outstanding under certain letters of credit decreases in relation to the percentage of completion of projects. As at December 31, 2021, SNC-Lavalin had outstanding letters of credit of $1,547.3 million (2020: $1,700.8 million)

31. CAPITAL MANAGEMENT

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between: *i)* having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time, *ii)* maximizing return on equity.

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital 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 of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest rate risk. Accordingly, the other components of equity are not representative of the Company's financial position.

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

THE COMPANY'S CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 WAS AS FOLLOWS:

	December 31, 2021	December 31, 2020
Equity attributable to SNC-Lavalin shareholders	2,973,367	2,557,505
Less: Other components of equity	(333,269)	(320,067)
Less: Other components of equity of disposal groups classified as held for sale	-	594,141
Plus: Recourse debt	1,094,102	1,170,965
Total amount of capital	**$ 4,400,738**	**$ 3,454,396**

The Company has paid quarterly dividends for 32 consecutive years. Dividend policy is determined by the Board of Directors of the Company.

Covenants On Recourse And Limited Recourse Debt

The Company's unsecured recourse debentures are subject to affirmative and negative covenants, as defined in the underlying indentures related thereto.

The Company's Revolving Facility and Term Loan are committed and subject to affirmative, negative and financial covenants, including a requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to EBITDA ratio, as defined in the Credit Agreement, not exceeding a certain limit.

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and do not correspond to the Company's financial measures as presented above and/or to the specific terms used in the Company's Management's Discussion and Analysis for the year ended December 31, 2021.

The CDPQ Loan is subject to affirmative and negative covenants, as well as financial covenants, notably not to exceed, on a rolling 12-month and consolidated basis, a maximum net recourse debt to EBITDA ratio, as defined under the CDPQ Loan Agreement.

In case of an event of default, the Company's debentures, the Revolving Facility, the Term Loan and the CDPQ Loan are subject to customary accelerated repayment terms.

In 2021, the Company complied with all of the covenants, as amended from time to time, related to its debentures, Revolving Facility, Term Loan and CDPQ Loan.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

A) Pension Plans

SNC-Lavalin has defined contribution and defined benefit pension plans. The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was $252.0 million in 2021 (2020: $248.8 million).

Defined Contribution Pension Plans

SNC-Lavalin's contributions to its defined contribution plans are recorded as expenses in the year in which they are incurred and totaled $171.0 million in 2021 (2020: $170.4 million).

Defined Benefit Pension Plans

SNC-Lavalin has a number of defined benefit pension plans, which are mostly closed to new entrants, and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for all the plans. The measurement date used for the benefit obligation and plan assets is December 31 of each year. All of SNC-Lavalin's defined benefit pension plans are partly funded, except for two plans, of which one plan is unfunded and one plan is secured by a letter of credit.

The defined benefit plans are administered by committees composed of a number of representatives from employer's representatives, active employees, inactive employees and independent members. Members of the committees are required by law and by their articles of association to act in the best interest of the pension plans and all their relevant stakeholders, i.e. active employees, inactive employees, retirees and employers. The pension plan committees are responsible for the investment policy with regard to the assets of the pension plans, which are held by a trustee legally separated from SNC-Lavalin.

SNC-Lavalin's defined benefit pension plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, compensation risk and longevity risk.

Nature of Risk	Description
Investment	The present value of the defined benefit pension plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on the plans' assets is below this rate, it will create a plan deficit.
Interest	A decrease in the bond interest rate will increase the plans' liabilities; however, this will be partially offset by an increase in the return on the plans' debt securities.
Compensation	The present value of the defined benefit pension plan obligation is calculated by reference to the final pensionable earnings of the plans' participants.
Longevity	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plans' participants both during and after their employment. An increase in the life expectancy of the plans' participants will increase the plans' liability.

The two main defined benefit pension plans of the Company are the Atkins Pension Plan and the U.K. Railways Pension Scheme (the "Railways Pension Scheme"), both of which are funded final salary schemes in the U.K. The latest actuarial valuations were performed on March 31, 2019 for the Atkins Pension Plan and on December 31, 2019 for the Railways Pension Scheme.

The following tables set forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

YEAR ENDED DECEMBER 31, 2021

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	3,452,866	808,555	321,123	4,582,544
Current service cost	172	3,794	1,995	5,961
Interest cost	40,696	9,657	4,180	54,533
Past service cost	-	-	(290)	(290)
Benefits paid	(104,326)	(22,762)	(14,010)	(141,098)
Contributions by plan participants	-	1,552	429	1,981
Remeasurement:				
Actuarial losses (gains) arising from changes in demographic assumptions	8,105	(1,380)	(2,554)	4,171
Actuarial gains arising from changes in financial assumptions	(282,284)	(17,416)	(13,117)	(312,817)
Actuarial losses (gains) arising from experience adjustments	41,213	8,105	(3,900)	45,418
Effect of foreign currency exchange differences	(60,075)	(14,473)	(10,368)	(84,916)
Pension benefit obligation at end of year exchange differences	**$3,096,367**	**$775,632**	**$283,488**	**$4,155,487**

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	3,235,788	559,420	291,496	4,086,704
Interest income	38,627	6,898	3,840	49,365
Remeasurement:				
Return on plan assets (excluding interest income)	125,709	69,493	(5,301)	189,901
Administration costs	-	(1,380)	(313)	(1,693)
Benefits paid	(104,326)	(22,762)	(14,010)	(141,098)
Contributions by the employer	65,355	7,243	8,350	80,948
Contributions by plan participants	-	1,552	429	1,981
Effect of foreign currency exchange differences	(59,502)	(10,599)	(9,878)	(79,979)
Fair value of pension plan assets at end of year	**$3,301,651**	**$609,865**	**$274,613**	**$4,186,129**

AT DECEMBER 31, 2021

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	3,096,367	775,632	283,488	4,155,487
Fair value of pension plan assets	3,301,651	609,865	274,613	4,186,129
Funded status	(205,284)	165,767	8,875	(30,642)
Additional liability due to minimum funding requirements	-	-	1,227	1,227
Net accrued pension benefit liability (asset)	(205,284)	165,767	10,102	(29,415)
Presented on the statement of financial position as follows:	-	-	-	-
Other non-current non-financial assets (Note 17)	-	-	-	230,763
Non-current portion of provisions				**$201,348**

The following tables set forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

YEAR ENDED DECEMBER 31, 2021

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	3,073,604	703,654	306,073	4,083,331
Current service cost	172	3,784	2,074	6,030
Interest cost	61,228	14,103	5,872	81,203
Past service cost	3,994	-	(1,577)	2,417
Benefits paid	(110,590)	(23,047)	(29,379)	(163,016)
Contributions by plan participants	-	1,720	552	2,272
Remeasurement:				
Actuarial losses (gains) arising from changes in demographic assumptions	(54,005)	(22,187)	(921)	(77,113)
Actuarial gains arising from changes in financial assumptions	485,528	126,241	32,252	644,021
Actuarial losses (gains) arising from experience adjustments	(78,084)	(12,211)	(3,964)	(94,259)
Effect of foreign currency exchange differences	71,019	16,498	10,141	97,658
Pension benefit obligation at end of year exchange differences	**$ 3,452,866**	**$ 808,555**	**$ 321,123**	**$ 4,582,544**

(1) Relates to November 20, 2020 U.K. High Court ruling for the Atkins Pension Plan (see Note 3)

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	2,845,134	527,527	276,560	3,649,221
Interest income	57,273	10,491	5,299	73,063
Remeasurement:				
Return on plan assets (excluding interest income)	314,226	26,142	20,970	361,338
Administration costs	-	(1,376)	(329)	(1,705)
Benefits paid	(110,590)	(23,047)	(29,379)	(163,016)
Contributions by the employer	63,464	6,192	8,707	78,363
Contributions by plan participants	-	1,720	552	2,272
Effect of foreign currency exchange differences	66,281	11,771	9,116	87,168
Fair value of pension plan assets at end of year	**$ 3,235,788**	**$ 559,420**	**$ 291,496**	**$ 4,086,704**

AT DECEMBER 31, 2020

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	3,452,866	808,555	321,123	4,582,544
Fair value of pension plan assets	3,235,788	559,420	291,496	4,086,704
Net accrued pension benefit liability	**$ 217,078**	**$ 249,135**	**$ 29,627**	**$ 495,840**
Presented on the statement of financial position as follows:				
Other non-current non-financial assets (Note 17)	-	-	-	$ 8,327
Non-current portion of provisions				**$ 504,167**

SNC-Lavalin's net defined benefit pension costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31, 2021

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Current service cost	172	3,794	1,995	5,961
Net interest expense	2,069	2,759	340	5,168
Administration costs	–	1,380	313	1,693
Past service cost	–	–	(290)	(290)
Components of benefit pension costs recognized in net income	$2,241	$7,933	$2,358	$12,532

YEAR ENDED DECEMBER 31, 2020

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Current service cost	172	3,784	2,074	6,030
Net interest expense	3,955	3,612	573	8,140
Administration costs	–	1,376	329	1,705
Past service cost [1]	3,994	–	(1,577)	2,417
Components of benefit pension costs recognized in net income	$8,121	$8,772	$1,399	$18,292

(1) Relates to November 20, 2020 U.K. High Court ruling for the Atkins Pension Plan (see Note 3)

SNC-Lavalin's net defined benefit pension costs recognized in other comprehensive income were comprised of:

YEAR ENDED DECEMBER 31, 2021

		Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Remeasurement on the net defined benefit liability:	Return on plan assets (excluding interest income)	(125,709)	(69,493)	5,301	(189,901)
	Actuarial losses (gains) arising from changes in demographic assumptions	8,105	(1,380)	(2,554)	4,171
	Actuarial gains arising from changes in financial assumptions	(282,284)	(17,416)	(13,117)	(312,817)
	Actuarial losses (gains) arising from experience adjustments	41,213	8,105	(3,900)	45,418
	Variation in liability due to minimum funding requirements	–	–	1,227	1,227
Components of reversal of benefit pension costs recognized in other comprehensive income		$(358,675)	$7,933	$2,358	$(451,902)

YEAR ENDED DECEMBER 31, 2020

		Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Remeasurement on the net defined benefit liability:	Return on plan assets (excluding interest income)	(314,226)	26,142	(20,970)	(361,338)
	Actuarial gains arising from changes in demographic assumptions	54,005	(22,187)	(921)	(77,113)
	Actuarial losses arising from changes in financial assumptions	485,528	126,241	32,252	644,021
	Actuarial gains arising from experience adjustments	78,084	(12,211)	(3,964)	(94,259)
Components of benefit pension costs recognized in other comprehensive income		$39,213	65,701	$6,397	$111,311

SNC-Lavalin expects to make contributions of $85.7 million in 2022 to its defined benefit pension plans.

The following tables present the fair value of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

YEAR ENDED DECEMBER 31, 2021

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Asset category				
Equity securities	520,224	250,275	46,270	816,769
Debt securities	2,307,734	248,223	164,993	2,720,950
Other [1]	473,693	111,367	63,350	648,410
Total	**$ 3,301,651**	**$ 609,865**	**$ 274,613**	**$ 4,186,129**

YEAR ENDED DECEMBER 31, 2020

	Atkins Pension Plan	Railways Pension Scheme	Other Plans	Total
Asset category				
Equity securities	739,564	229,448	44,284	1,013,296
Debt securities	2,012,764	226,834	175,067	2,414,665
Other [1]	483,460	103,138	72,145	658,743
Total	**$ 3,235,788**	**$ 559,420**	**$ 291,496**	**$ 4,086,704**

The fair values of the above equity and debt instruments are mainly determined based on quoted prices in active markets.

(1) As at December 31, 2021 and 2020, the asset category "Other" includes mainly property and cash.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2021:

YEAR ENDED DECEMBER 31, 2021

		Atkins Pension Plan	Railways Pension Scheme	Other Plans
Accrued pension benefit obligation				
Discount rate		**1.93 %**	**1.93 %**	**1.85 %**
Rate of compensation increase [2]		**3.11 %**	**3.11 %**	**1.96 %**
Inflation [3]		**3.11 %**	**3.11 %**	**2.23 %**
Longevity at age 65 for current pensioners	Men	**22.9 years**	**22.2 years**	**23.0 years**
	Women	**24.9 years**	**23.3 years**	**25.0 years**
Longevity at age 65 for future pensioners (current age 45)	Men	**24.2 years**	**23.5 years**	**24.7 years**
	Women	**26.4 years**	**24.7 years**	**26.6 years**

(2) The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.75% as at December 31, 2021.

(3) The inflation assumption shown for the Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.72% as at December 31, 2021.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2020:

YEAR ENDED DECEMBER 31, 2020

		Atkins Pension Plan	Railways Pension Scheme	Other Plans
Accrued pension benefit obligation				
Discount rate		1.20 %	1.20 %	1.32 %
Rate of compensation increase [1]		2.80 %	2.80 %	1.77 %
Inflation [2]		2.80 %	2.80 %	1.94 %
Longevity at age 65 for current pensioners	Men	22.9 years	22.2 years	23.1 years
	Women	24.9 years	23.2 years	25.0 years
Longevity at age 65 for future pensioners (current age 45)	Men	24.2 years	23.5 years	24.7 years
	Women	26.3 years	24.6 years	26.7 years

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2021, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the defined benefit pension obligation would decrease by an estimated amount of $759.4 million (increase by an estimated amount of $763.5 million).

(1) The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.51% as at December 31, 2020.

(2) The inflation assumption shown for Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.1% as at December 31, 2020.

If the rate of compensation increase is 100 basis points higher (lower), the defined benefit pension obligation would increase by an estimated amount of $16.2 million (decrease by an estimated amount of $16.2 million).

If the rate of inflation is 100 basis points higher (lower), the defined benefit pension obligation would increase by an estimated amount of $571.2 million (decrease by an estimated amount of $571.0 million).

If longevity increases by 1 year, the defined benefit pension obligation would increase by an estimated amount of $168.5 million.

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit pension obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit pension obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same method applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The weighted average duration of the pension benefit obligation as at December 31, 2021 was 17.0 years for the Atkins Pension Plan (2020: 18.0 years), 16.2 years for Railways Pension Scheme (2020: 17.4 years) and 17.8 years for the other plans (2020: 18.2 years).

B. Other long-term benefits and other post-employment benefits

SNC-Lavalin has a number of other long-term benefit and other post-employment benefit plans, which are all defined benefit plans and include mainly termination indemnities, medical and dental care benefits, and life insurance benefits. SNC-Lavalin's other long-term benefit and other post-employment benefit plans are unfunded plans.

YEAR ENDED DECEMBER 31

	2021	2020
Change in obligation:		
Obligation at beginning of year	61,389	98,471
Current service cost	11,979	18,799
Past service cost	-	53
Loss (gain) arising from settlement	(486)	1,252
Interest cost	1,974	3,208
Remeasurement	(621)	(956)
Benefits paid	(11,606)	(31,888)
Actuarial losses (gains) (Note 24)	(12,976)	5,287
Effect of foreign currency exchange differences	(564)	(1,000)
Reclassification to liabilities of disposal groups classified as held for sale	-	(31,837)
Obligation at end of year	**$ 49,089**	**$ 61,389**

(1) Remeasurement relates to other long-term employee benefit plans of SNC-Lavalin for which remeasurement is not recognized in other comprehensive income, but rather in the income statement.

SNC-Lavalin's net defined other long-term benefit and other post-employment benefit costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31

	2021	2020
Current service cost	11,979	18,799
Past service cost	-	53
Loss (gain) arising from settlement	(486)	1,252
Interest cost	1,974	3,208
Remeasurement [1]	(621)	(956)
Components of other long-term benefit and other post-employment benefit costs recognized in net income	**$ 12,846**	**$ 22,356**

(1) Remeasurement relates to other long-term employee benefit plans of SNC-Lavalin for which remeasurement is not recognized in other comprehensive income, but rather in the income statement.

The following is a summary of the significant weighted average assumptions used in measuring SNC-Lavalin's accrued other long-term benefit and other post-employment benefit obligation:

	DECEMBER 31 2021	DECEMBER 31 2020
Accrued other long-term benefit and other post-employment benefit obligation		
Discount rate	4.56 %	3.26 %
Rate of compensation increase [2]	4.47 %	4.51 %

(2) Rate of compensation increase applies only to termination indemnities.

33. CONTINGENT LIABILITIES

Class Actions

Ruediger Class Action

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

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

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

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

The authorization hearing on the amended Ruediger Class Action Motion is scheduled for April 2022.

Drywall Class Action

On June 5, 2019, a Statement of Claim was filed against SNC-Lavalin and certain of its directors and officers (collectively, the "Drywall Defendants") with the Ontario Superior Court of Justice (the "Drywall Class Action"), on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through May 2, 2019 (the "Drywall Class Period").

The Drywall Class Action claim alleges that disclosures by SNC-Lavalin during the Drywall Class Period contained misrepresentations related to: (i) its IFRS 15 reporting systems and controls compliance; (ii) its revenue recognition in respect of the Mining & Metallurgy segment being non-compliant with IFRS 15; (iii) revenue from the Company's Codelco project in Chile having been overstated in 2018 due to non-compliance with IFRS 15; (iv) the failure of the Company's disclosure controls and procedures and its internal control over financial reporting which led to a $350 million write-down on the Codelco project; (v) when IFRS 15 was applied to the Mining & Metallurgy segment results in 2019, this led to the Company disbanding its Mining & Metallurgy segment; and (vi) the Company's financial statements during the Drywall Class Period being materially non-compliant with IFRS.

The Drywall Class Action sought leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under the *Securities Act* (Ontario). The plaintiffs in the proposed action claimed damages and sought the condemnation of the Drywall Defendants to pay the class members $1.2 billion or such other compensatory damages as the court may award, with interest and additional indemnity as well as full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution.

On October 15, 2019, the plaintiffs in the Drywall Class Action delivered a proposed Amended Statement of Claim that contemplated expanding the Drywall Class Period to include SNC-Lavalin's July 22, 2019 and August 1, 2019 press releases and increased the claim for damages from $1.2 billion to $1.8 billion. On November 5, 2019, the plaintiffs delivered a motion record for leave under the *Securities Act* (Ontario) and certification under the *Class Proceedings Act* (Ontario). The leave and certification hearing was scheduled for October 19 to 23, 2020 and prior to the hearing, the plaintiffs agreed to dismiss the Drywall Class Action on the basis that the claims asserted therein can be brought in the Ruediger Class Action and on October 20, 2021, the Drywall Class Action was dismissed.

Peters Class Action

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

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

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

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

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

Pyrrhotite Case

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

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

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

Given that SNC-Lavalin's external insurers initially refused to comply with terms contained in the relevant policies of insurance and the orders of the Quebec Superior Court and the Quebec Court of Appeal requiring them to pay a substantial portion of the

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

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

In parallel to the Wave 1 claims, notices of additional potential claims have been made and continue to be made against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims that relate to damaged residential buildings have been given priority by the Court and a trial date has been set in May and June 2022, for those claims. The remaining claims will be dealt with separately. SNC-Lavalin expects some insurance coverage for the Wave 2 claims. In addition, SNC-Lavalin has filed a separate recourse in warranty claim against Lafarge with respect to the Wave 2 claims. SNC- Lavalin's liability exposure on all Wave 2 claims remains subject to several uncertainties.

Dubai Civil Case

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

Australian Arbitration

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

General litigation risk

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

SNC-Lavalin maintains insurance coverage for various aspects of its business and operations. The Company's insurance programs have varying coverage limits and maximums, and insurance companies may deny claims the Company might

make. In addition, SNC-Lavalin has elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under these programs. As a result, the Company may be subject to future liability in respect of lawsuits or investigations for which it is only partially insured, or completely uninsured.

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

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

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

Jacques Cartier Bridge Criminal Charges (Canada)

On September 23, 2021, the Royal Canadian Mounted Police (the "RCMP") represented by the Province of Quebec's Directeur des Poursuites Criminelles et Penales ("DPCP") laid charges against the Company's subsidiary, SNC-Lavalin Inc. and indirect subsidiary, SNC-Lavalin International Inc. Each entity has been jointly charged (along with a former employee of the Company, Normand Morin) with the following counts: 1) forgery under Section 366 of the Criminal Code (Canada) (the "Criminal Code"), 2) fraud under Section 380 of the Criminal Code, and 3) fraud against the government under Section 121 of the Criminal Code. Each entity has also been charged with one count of conspiracy to commit the aforementioned crimes (the "Criminal Charges"). On the same date, the DPCP gave notice to SNC-Lavalin Inc. and SNC-Lavalin International Inc. of an invitation to negotiate a remediation agreement in accordance with Part XXII.1. of the Criminal Code with respect to the Criminal Charges and on October 1, 2021, both entities formally accepted the invitation. These Criminal Charges follow the RCMP's formal investigation relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier Bridge by a consortium which included SNC-Lavalin Inc. and which has previously led to a guilty plea on certain criminal charges in 2017 by the former head of the Canada Federal Bridges Corporation. Another former employee of the Company, Kamal Francis was also charged separately with similar offenses.

Due to the inherent uncertainties of these proceedings, it is not possible to predict whether the parties will be able to successfully negotiate and enter into a remediation agreement or the final outcome of the Criminal Charges, which could possibly result in a conviction on one or more of the Criminal Charges. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company's customers or other third parties as a result of the Criminal Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

The Criminal Charges and potential outcomes thereof, and any negative publicity associated therewith, could adversely affect the Company's business, results of operations and reputation and could subject the Company to sanctions, fines and other penalties, some of which may be significant. In addition, potential consequences of the Criminal Charges could include, in respect of the Company or one or more of its subsidiaries, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain governments (such as the Government of Canada and/or Canadian provincial governments) or by certain administrative organizations under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual consolidated revenue and of its revenue in Canada from government and government-related contracts. As a result, suspension, prohibition or debarment, whether discretionary or mandatory, from participating in certain government and

government-related contracts (in Canada, Canadian provinces or elsewhere) would likely have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

Ongoing and potential investigations

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

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

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

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

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

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

The Company's senior management and Board of Directors have been required to devote significant time and resources to the investigations described above and ongoing related matters, as well as the investigations leading to the settlements described below, which have distracted and may continue to distract from the conduct of the Company's daily business, and significant expenses have been and may continue to be incurred in connection with such investigations including substantial fees of lawyers and other advisors. In addition, the

Company and/or other employees or additional former employees of the Company could become the subject of these or other investigations by law enforcement and/or regulatory authorities in respect of the matters described above or below, or other matters, which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

World Bank Settlement

On April 17, 2013, the Company announced a settlement in connection with the previously announced investigations by the World Bank Group relating to a project in Bangladesh and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). According to the terms of the World Bank Settlement, the Company and certain of its other affiliates continued to be eligible to bid on and be awarded World Bank Group-financed projects as long as they complied with all of the terms and conditions imposed upon them under the terms of the World Bank Settlement, including an obligation not to evade the sanction imposed. The World Bank Settlement also required that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms. On April 17, 2021, the Company received confirmation that the World Bank Group's Integrity Officer determined that the Company and its sanctioned affiliates had satisfied the conditions of the World Bank Settlement and were therefore removed from the World Bank Group list of sanctioned entities effective April 17, 2021.

Other legal proceedings

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

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

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

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

34. LEASES

Right-of-use assets

YEAR ENDED DECEMBER 31, 2021 (IN THOUSANDS OF CANADIAN DOLLARS)

	Office Real Estate	Equipment	Total
Depreciation expense on right-of-use assets	71,828	13,763	85,591
Additions	$ 85,369	$ 11,329	$ 96,698

YEAR ENDED DECEMBER 31, 2021 (IN THOUSANDS OF CANADIAN DOLLARS)

	Office Real Estate	Equipment	Total
Depreciation expense on right-of-use assets	91,697	15,621	107,318
Additions	$ 33,506	$ 6,926	$ 40,432
Net book Value:			
As at December 31, 2021	328,654	26,983	355,637
As at December 31, 2020	$ 320,621	$ 26,203	$ 346,824

Lease liabilities

The table below presents the future gross lease liabilities payments from continuing operations as at December 31, 2021 and 2020:

MATURITY (IN THOUSANDS OF CANADIAN DOLLARS)

	December 31, 2021 (1)	December 31, 2020 (1)
Not later than 1 year	118,492	124,137
Later than 1 year and not later than 5 years	288,529	281,070
Later than 5 years	230,575	218,794
	$ 637,596	$ 624,001

Amounts recognized in the income statement from continuing operations

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Depreciation expense on right-of-use assets	85,591	99,475
Interest expense on lease liabilities (Note 27)	18,024	21,174
Expense relating to short-term leases	481	1,317
Gain arising from sale and leaseback transactions	1,671	-
Expense relating to variable lease payments not included in the measurement of the lease liabilities	33,071	28,561
Income from subleasing right-of-use assets	7,368	5,594
Impairment losses on right-of-use assets (2)	$ 16,916	$ 13,485

Amounts Recognized In The Statement Of Cash Flows

Total cash outflows for leases amounted to $161.1 million for the year ended December 31, 2021 (2020: $182.4 million).

Operating leases

Operating leases, in which the Company is the lessor, relate mainly to equipment owned by the Company. For the year ended December 31, 2021, the lease income on operating leases amounted to $14.3 million (2020: $14.5 million).

(1) Excludes future gross lease liabilities payments related to lease liabilities reclassified to "Liabilities of disposal groups classified as held for sale" in the consolidated statement of financial position as at December 31, 2021 and 2020.

(2) Included in "Restructuring and transformation costs" in the consolidated income statements

35. REMUNERATION

A) Employee remuneration

Expenses recognized for employee benefits, including expenses recognized for key management remuneration and directors' fees, are analyzed as follows:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Short-term benefits [1]	3,430,676	3,704,686
Share-based payments	36,801	10,079
Defined contribution pension plans	171,040	170,472
Defined benefit pension plans, other long-term benefits and other post-employment benefits	25,378	40,648
	$ 3,663,895	$ 3,925,885

(1) Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses, non-monetary benefits and termination benefits that are expected to be settled within twelve months after the end of the annual reporting period.

B) Key management remuneration and directors' fees

The Company's key management include all employees that are classified at the executive levels, corresponding mainly to the vice-presidents and above, and all members of the Company's Board of Directors.

In 2021, the number of individuals included as key management was 138 people (2020: 143 people).

Expenses recognized for key management remuneration and directors' fees, even if the services were provided only for a portion of the year, are detailed as follows:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
Short-term benefits [2]	83,565	80,354
Share-based payments	31,099	7,505
Termination benefits	5,708	5,067
Defined benefit and defined contribution pension plans, other long-term benefits and other post-employment benefits	3,962	1,764
	$ 124,334	$ 94,690

(2) Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits that are expected to be settled within twelve months after the end of the annual reporting period.

36. RELATED PARTY TRANSACTIONS

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

For the years ended December 31, 2021 and 2020, SNC-Lavalin recognized the following transactions with its related parties:

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2021	2020
PS&PM revenue from contracts with investments accounted for by the equity method	554,173	556,541
Income from Capital investments accounted for by the equity method	85,002	87,349
Dividends and distributions received from Capital investments accounted for by the equity method	76,584	93,176
Income from PS&PM investments accounted for by the equity method	56,329	47,186
Dividends and distributions received from PS&PM investments accounted for by the equity method	$ 55,965	$ 38,262

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

YEARS ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	December 31, 2021	December 21, 2020
Trade receivables from investments accounted for by the equity method	114,435	177,598
Retentions on client contracts from investments accounted for by the equity method [1]	116,190	110,169
Remaining commitment to invest in Capital investments accounted for by the equity method [2] (Note 5C)	24,921	24,921
Dividends and distributions receivable from Capital investments accounted for by the equity method [3]	$ 290	$ 2,400

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

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

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

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

37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2021 and 2020, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out here:

	December 31, 2021	December 21, 2020	
Subsidiaries	%	%	Country
Atkins China Limited	100.0	100.0	China
Atkins Danmark A/S	100.0	100.0	Denmark
Atkins International Holdings Limited	100.0	100.0	United Kingdom
Atkins Limited	100.0	100.0	United Kingdom
Atkins North America, Inc.	100.0	100.0	United States
Atkins Nuclear Secured Holdings Corporation	100.0	100.0	United States
Atkins Renewable Resources Corporation (previously, Kentz US Resources Corporation)	100.0	100.0	United States
Atkins US Holdings Inc. (previously, AUSHI LLC)	100.0	100.0	United States
Candu Energy Inc.	100.0	100.0	Canada
Faithful+Gould, Inc.	-	100.0	United States
Faithful+Gould Limited	100.0	100.0	United Kingdom
Faithful+Gould Saudi Arabia Limited	51.0	51.0	Saudi Arabia
InPower BC General Partnership	100.0	100.0	Canada
Kentz Canada Holdings Limited	100.0	100.0	Canada
Kentz Corporation Limited	100.0	100.0	Jersey
Kentz Pty Ltd.	-	100.0	Australia
Linxon Gulf LLC (1)	49.0	49.0	United Arab Emirates

(1) Although the Company holds less than 50% of the equity shares of Linxon Gulf LLC, the Company exercises control over this entity based on its contractual agreements.

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2021 and 2020, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out below:

Subsidiaries	December 31, 2021 %	December 21, 2020 %	Country
Linxon India Private Limited	99.0	99.0	India
Linxon Pvt Ltd	51.0	51.0	United Kingdom
Linxon Sweden AB	100.0	100.0	Sweden
Linxon Switzerland Ltd	100.0	100.0	Switzerland
Linxon UK Ltd.	100.0	100.0	United Kingdom
Protrans BC Operations Ltd.	100.0	100.0	Canada
Saudi Arabian Kentz Co. Ltd.	-	75.0	Saudi Arabia
SNC-Lavalin (GB) Holdings Limited	100.0	100.0	United Kingdom
SNC-Lavalin (GB) Limited	100.0	100.0	United Kingdom
SNC-Lavalin (Guernsey) Holdings Ltd.	100.0	100.0	Guernsey
SNC-Lavalin Algérie EURL	100.0	100.0	Algeria
SNC-Lavalin Arabia Co. Ltd.	100.0	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	-	100.0	Australia
SNC-Lavalin Capital Inc.	100.0	100.0	Canada
SNC-Lavalin Colombia S.A.S.	-	100.0	Colombia
SNC-Lavalin Construction Inc.	100.0	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors Inc.	100.0	100.0	United States
SNC-Lavalin Constructors International Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors (Pacific) Inc.	100.0	100.0	Canada
SNC-Lavalin Engineering India Private Limited	-	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	-	100.0	United States
SNC-Lavalin Europe B.V.	100.0	100.0	Netherlands
SNC-Lavalin GEM Ontario Inc.	100.0	100.0	Canada
SNC-Lavalin GEM Québec Inc.	100.0	100.0	Canada
SNC-Lavalin Highway Holdings Inc.	100.0	100.0	Canada
SNC-Lavalin Inc.	100.0	100.0	Canada
SNC-Lavalin International Inc.	100.0	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	100.0	France
SNC-Lavalin Investments Inc.	100.0	100.0	Canada
SNC-Lavalin Major Projects Inc.	100.0	100.0	Canada
SNC-Lavalin Nuclear Inc.	100.0	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	100.0	Canada

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2021 and 2020, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out below:

Subsidiaries	December 31, 2021 %	December 21, 2020 %	Country
SNC-Lavalin Peru S.A.	100.0	100.0	Peru
SNC-Lavalin Polska Sp. Z o.o.	100.0	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	100.0	100.0	Brazil
SNC-Lavalin Rail & Transit Limited	100.0	100.0	United Kingdom
SNC-Lavalin Romania S.A.	100.0	100.0	Romania
SNC-Lavalin Stavibel Inc.	100.0	100.0	Canada
SNC-Lavalin UK Limited	-	100.0	United Kingdom
The Atkins North America Holdings Corporation	100.0	100.0	United States
The SNC-Lavalin Corporation	100.0	100.0	United States
TransitNEXT General Partnership	100.0	100.0	Canada
WS Atkins International Limited	100.0	100.0	United Kingdom
WS Atkins Limited (previously, WS Atkins plc)	100.0	100.0	United Kingdom

Joint Ventures	December 31, 2021 %	December 21, 2020 %	Country
Capital investments:			
407 East Development Group General Partnership	50.0	50.0	Canada
407 International Inc. (1)	6.76	6.76	Canada
Crosslinx Transit Solutions General Partnership	25.0	25.0	Canada
Rideau Transit Group General Partnership	40.0	40.0	Canada
Signature on the Saint-Laurent Group General Partnership	50.0	50.0	Canada
TC Dôme S.A.S. (2)	51.0	51.0	France
Other:			
Canadian National Energy Alliance Ltd.	50.0	50.0	Canada
Central Plateau Cleanup Company LLC	22.0	22.0	United States
Comprehensive Decommissioning International, LLC	40.0	40.0	United States

(1) Although the Company holds less than 20% of the equity shares of 407 International Inc., the Company exercises joint control over this entity based on its contractual agreements.

(2 Although the Company's ownership interest in TC Dôme S.A.S. is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

Joint Operations			
407 East Construction General Partnership	50.0	50.0	Canada
Crosslinx Transit Solutions Constructors G.P.	25.0	25.0	Canada
NouvLR General Partnership	24.0	24.0	Canada
Signature on the Saint Lawrence Construction General Partnership	45.0	45.0	Canada
SLN-Aecon JV	40.0	40.0	Canada
SNC-Dragados-Pennecon G.P.	40.0	40.0	Canada

Associates	December 31, 2021 %	December 21, 2020 %	Country
Capital investments:			
Myah Tipaza S.p.A.	25.5	25.5	Algeria
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	26.0	Algeria
SNC-Lavalin Infrastructure Partners LP	20.0	20.0	Canada

38. GOVERNMENT GRANTS

In the year ended December 31, 2021, the Company participated in various government assistance programs related to COVID-19, mainly in Canada (2020: mainly in Canada and the United Kingdom). The main programs resulted in governments subsidizing a portion of salaries paid by qualifying employers who experienced a decrease in activities exceeding a certain threshold or subsidizing salaries of employees that were no longer providing services to their employers but continued to receive compensation.

In the year ended December 31, 2021, SNC-Lavalin recognized these government grants as a reduction of "Direct costs of activities" in the amount of $43.7 million (2020: $75.3 million) and as a reduction of "Corporate selling, general and administrative expenses" in the amount of $3.4 million (2020: $3.6 million) in the consolidated income statement, as an offset of costs for which the grants were intended to compensate.

39. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

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

(IN THOUSANDS OF CANADIAN DOLLARS)

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

40. EVENT AFTER THE REPORTING PERIOD

Disposal of Inpower BC General Partnership and its related Holding Companies

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

2021 MANAGEMENT'S DISCUSSION AND ANALYSIS

March 2, 2022

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

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

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

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

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

Performance

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

Liquidity

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

Other

- Organic revenue
- Organic revenue growth

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

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on March 2, 2022. The assumptions are set out throughout this MD&A (particularly in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report Our Results"). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to, matters relating to: (a) ongoing and additional impacts of the COVID-19 pandemic; (b) execution of the Company's "Pivoting to Growth Strategy" unveiled in September 2021; (c) fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently; (d) remaining performance obligations; (e) contract awards and timing; (f) being a provider of services to government agencies; (g) international operations; (h) nuclear liability; (i) ownership interests in investments; (j) dependence on third parties; (k) supply chain disruptions; (l) joint ventures and partnerships; (m) information systems and data and compliance with privacy legislation; (n) competition; (o) professional liability or liability for faulty services; (p) monetary damages and penalties in connection with professional and engineering reports and opinions; (q) gaps in insurance coverage; (r) health and safety; (s) qualified personnel; (t) work

stoppages, union negotiations and other labour matters; (u) extreme weather conditions and the impact of natural or other disasters and global health crises; (v) divestitures and the sale of significant assets; (w) intellectual property; (x) liquidity and financial position; (y) indebtedness; (z) impact of operating results and level of indebtedness on financial situation; (aa) security under the CDPQ Loan Agreement (as hereinafter defined); (bb) dependence on subsidiaries to help repay indebtedness; (cc) dividends; (dd) post-employment benefit obligations, including pension-related obligations; (ee) working capital requirements; (ff) collection from customers; (gg) impairment of goodwill and other assets; (hh) the impact on the Company of legal and regulatory proceedings, investigations and litigation settlements; (ii) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations; (jj) reputation of the Company; (kk) inherent limitations to the Company's control framework; (ll) environmental laws and regulations; (mm) global economic conditions; (nn) inflation; (oo) fluctuations in commodity prices; and (pp) income taxes.

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

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

1. OUR BUSINESS

1.1 DESCRIPTION OF OUR BUSINESS

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

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

1.2 STRATEGIC PLAN AND OPERATIONAL REALIGNMENT

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

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

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

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

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

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

2. HOW WE ANALYZE AND REPORT OUR RESULTS

2.1 HOW WE REPORT OUR RESULTS

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

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

PS&PM

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

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

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

- **Resources** provides a full suite of delivery services primarily to the mining & metallurgy sector, covering the project lifecycle from project development through project delivery and support services. Resources ceased bidding for new EPC projects under the LSTK construction contracting model in July 2019. Resources is now focused on providing engineering, EPCM, project management consultancy ("PMC"), commissioning and technical support services through a lower risk contracting model and operational delivery is focused on key regions and global clients. Resources also includes the operating phase of a Build-Own-Operate ("BOO") contract in the United States. In the past, Resources included services and LSTK projects in Oil & Gas, which are presented as discontinued operations for both 2021 and 2020 and were disposed of in the third quarter of 2021. The Resources segment derives its revenues from reimbursable and engineering services contracts (2021: 88%) and LSTK construction contracts (2021: 12%).
- **Infrastructure EPC Projects** includes lump-sum turnkey ("LSTK") construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. In July 2019, the Company decided to cease bidding on new LSTK construction contracts. The Infrastructure EPC Projects segment derives its revenues from LSTK construction contracts (2021: 97%; 2020: 97%) and reimbursable and engineering services contracts (2021: 3%; 2020: 3%).

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

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

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

PS&PM Breakdown

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

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

(1) Nuclear includes certain legacy LSTK construction contracts.

Capital

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

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

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

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

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

AT DECEMBER 31 (IN MILLIONS $)

	2021	2020
Highway 407 ETR [1]	-	-
Others [2]	620.0	426.7
Total	$620.0	$426.7

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

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

Accounting methodology for capital investments

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

Revenues included in the company's consolidated income statement

Consolidation

Revenues that are recognized and reported by the Capital investments.

Equity method

SNC-Lavalin's **share of net results** of the Capital investment or **dividends** from its Capital investments for which the carrying amount is $nil, which are recognized when the Company's right to receive payment has been established.

At fair value through other comprehensive income

Dividends and distributions from the Capital investments.

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

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

Additional financial information on capital investments

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

Consolidated statement of financial position and related notes

- The net book value of Capital investments accounted for by the equity method and at fair value through other comprehensive income, distinctively.
- Non-recourse debt from Capital investments controlled by the Company.

Consolidated statement of cash flows and related notes

- For Capital investments controlled by the Company: Repayment and increase of non-recourse debt from Capital investments.

Other notes to the audited annual consolidated financial statements

- Net income attributable to SNC-Lavalin shareholders from Capital.

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

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

Project/Market Level

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

Sector Level

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

Consolidated Level

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

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

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

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

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

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

Variations from plan may arise mainly from the following:

Source of variation	Explanation
Level of activity	Variation depends on the number of newly awarded, ongoing, completed or near- completed projects, and on the progress made on each of these projects in the period.
Changes in the estimated costs to complete each individual project ("cost reforecasts")	Variation of the estimated costs to complete projects for contracts having revenue recognized over time using the percentage of completion method results in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution and other factors, such as COVID-19.
Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders and claims, as well as the change in estimates on the recovery of trade receivables and contract assets may impact the financial results of the Company.
Changes in the results of its Capital investments	Variation in the financial results of each Capital investment accounted for under the consolidation or equity methods will impact the financial results of the Company. Additions to the Company's Capital investments portfolio, or divestitures from it, can also impact the Company's results.
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance that can be recurring or not.
Acquisition-related costs and integration costs	Business acquisitions might require the Company to incur significant acquisition- related costs and integration costs, which have an impact on actual and future results.
Restructuring and transformation costs, goodwill and other intangible assets impairment	Changes made to the way the Company operates, closure of certain locations where it conducts business, modifications to its offerings and changes in market perspectives might result, among other factors, in restructuring and transformation costs, goodwill and other intangible assets impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, such as the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company, the recoverability of deferred tax assets as well as tax assessments made by authorities.
Financial expense	Variation in interest rates could have an impact on the Company's results, as some of its financing bears interest at a variable rate.
Foreign exchange	As the Company operates in many countries, foreign currency exchange rates can cause variances to estimates as the budgets and forecasts are prepared at specific rates. It should be noted that the Company has a foreign exchange hedging policy that limits the volatility in results caused by foreign exchange fluctuations.
Unforeseen impacts related to ongoing and continued duration of COVID-19 pandemic	Despite the continuation of vaccination campaigns in various regions and countries, the duration, scope, severity and full impacts of COVID-19 (including subsequent waves and variants thereof) continue to remain inherently uncertain and difficult to quantify and account for and plan for in the Company's budgeting and planning processes and COVID-19 particularly impacted certain infrastructure projects. Refer to the updated risk factor entitled "Ongoing and additional impacts of the COVID-19 pandemic" in Section 14 of this MD&A for a description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs.

3. 2021 EXECUTIVE SUMMARY

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

Financial highlights

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

	2021	2020	Change %
Income Statements			
Revenues	7,371.3	7,007.5	5.2%
EBIT	194.1	(292.0)	N/A
EBITDA[1]	460.6	28.7	1505.0%
Net income (loss) from continuing operations	105.7	(346.9)	N/A
Net income (loss) from discontinued operations	566.4	(609.3)	N/A
Net income (loss)	672.1	(956.3)	N/A
Diluted gain (loss) per share from continuing operations ("Diluted EPS") (in $)	0.57	(2.03)	N/A
Revenues from PS&PM from continuing operations	7,237.1	6,878.1	5.2%
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM	593.4	(1,011.0)	N/A
Adjusted net income (loss) attributable to SNC Lavalin shareholders from PS&PM [1]	152.1	(188.4)	N/A
Diluted EPS from PS&PM (in $)	0.15	(2.29)	N/A
Adjusted diluted EPS from PS&PM (in $) [1]	0.87	(1.07)	N/A
EBIT from PS&PM (% of revenues from PS&PM)	1.4%	(5.1)%	N/A
Adjusted EBITDA from PS&PM (% of revenues from PS&PM) [1]	6.0%	1.6%	270.1%

	2021	2020	Change %
Financial Position & Cash Flows			
Cash and cash equivalents (at December 31)	608.4	932.9	(34.8)%
Limited recourse (at December 31)	400.0	400.0	-%
Recourse debt (at December 31)	1,094.1	1,171.0	(6.6)%
Net limited recourse and recourse debt to Adjusted EBITDA ratio [1]	1.7	3.2	(47.1)%
Net cash generated from operating activities	134.2	121.5	(10.5)%
Free cash flow (usage) [1]	(15.9)	(17.0)	(6.6)%
Additional Indicator			
Revenue backlog (at December 31)	$12,597.0	$13, 187.8	(4.5)%

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

- Revenues in 2021 increased compared to 2020, mainly from Infrastructure EPC Projects, Infrastructure Services and EDPM.
- Net income from continuing operations totaled $105.7 million in 2021, compared to a net loss from continuing operations of $346.9 million in 2020, mainly reflecting:
  - a lower loss from Resources and Infrastructure EPC Projects, combined with a higher contribution mainly from EDPM;
  - a lower level of unallocated general and administrative expenses in 2021, including the favourable impact of cost transformation initiatives in 2021, combined with a $58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation was recognized in 2020;
  - the recognition, in 2020, of a negative fair value revaluation of $57.2 million of the Highway 407 ETR contingent consideration receivable. Such contingent consideration, which is payable over a period of 10 years by the acquirer of the 10.01% ownership interest in Highway 407 ETR sold by the Company in August 2019, remained valued at $nil throughout 2021; and
  - an income tax recovery of $22.0 million in 2021, compared to an income tax recovery of $59.0 million in 2020.

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

- Net income from discontinued operations totaled $566.4 million in 2021, compared to a net loss from discontinued operations of $609.3 million in 2020, mainly due to the gain on disposal of the Oil & Gas business in 2021, while such discontinued operations were negatively impacted in 2020 by a $271.6 million write down in the value of the disposal group presented as held for sale, combined with unfavourable reforecasts on certain LSTK construction projects. The gain on disposal in 2021 was mainly due to the reclassification to net income of the cumulative exchange differences on translating foreign operations upon disposal of the Oil & Gas business.
- Cash and cash equivalents of $608.4 million and revenue backlog of $12.6 billion as at December 31, 2021 as compared to cash and cash equivalents of $932.9 million and revenue backlog of $13.2 billion as at December 31, 2020;
- Net cash generated from operating activities of $134.2 million in 2021, compared to $121.5 million in 2020.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

Covid-19 pandemic update

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

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

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

Disposal – Oil and Gas Business

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

4. FINANCIAL PERFORMANCE ANALYSIS

4.1 SELECTED ANNUAL FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

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

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

4.2 INCOME STATEMENT

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

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

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

4.2.1 Analysis of revenues

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

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

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

4.2.2 Analysis of consolidated net income, ebit and ebitda

4.2.2.1. Net income (loss) from continuing operations analysis

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

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

Net Income (Loss) from PS&PM

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

Net Income from Capital

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

4.2.2.2 Net income (loss) from discontinued operations

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

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

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

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

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

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

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

Net financial expenses in 2021 were in line with 2020.

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

4.2.2.3 Consolidated ebit, ebitda and adjusted ebitda analysis

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

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

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

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

4.2.3 Analysis of other line items in the income statement

4.2.3.1. Corporate selling, general and administrative expenses analysis

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021			2020		
	From PS&PM	From Capital	Total	From PS&PM	From Capital	Total
Corporate selling, general and administrative expenses	$116.9	$28.2	$145.1	$147.7	$28.2	$175.9

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

4.2.3.2 Loss (gain) arising on financial instruments at fair value through profit or loss

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021	2020
Loss (gain) arising on financial instruments at fair value through profit or loss	$(3.7)	$61.9

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

4.2.3.3 Restructuring and transformation costs

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021	2020
Restructuring costs	49.2	63.3
Transformation costs	20.9	-
Restructuring and transformation costs	$70.1	$63.3

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

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

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

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

4.2.3.4 Amortization of intangible assets related to business combinations

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021	2020
Amortization of intangible assets related to business combinations	$89.5	$126.8

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

4.2.3.5 Adjustments on gain on disposals of capital investments and loss on disposals of ps&pm businesses

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021	2020
Adjustments on gain on disposals of Capital investments	(5.0)	(25.0)
Loss on disposals of PS&PM businesses	$0.6	$7.5

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

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

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

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

4.2.3.6 Net financial expenses

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

4.2.3.7 Income taxes analysis

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021			2020		
	From PS&PM	From Capital	Total	From PS&PM	From Capital	Total
Earnings (loss) from continuing operations before income taxes	4.1	79.6	83.6	(445.9)	40.0	(406.0)
Income tax expense (recovery)	(28.4)	6.4	(22.0)	(53.4)	(5.6)	(59.0)
Effective income tax rate (%)	(694.3)%	8.0 %	(26.3)%	12.0 %	(14.0)%	14.5 %

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

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

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

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

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

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

4.2.4 ANALYSIS OF SEGMENT RESULTS AND PERFORMANCE

4.2.4.1 EDPM

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

	2021	2020	Change %
Revenues from EDPM	3,848.8	3,721.1	3.4%
Segment Adjusted EBIT from EDPM	431.8	302.3	42.9%
Segment Adjusted EBIT to revenues ratio from EDPM (%)	11.2%	8.1%	-
Additional Information			
Segment Adjusted EBITDA from EDPM (1)	514.3	400.9	28.3%
Backlog at year end	3,137.8	2,864.4	9.5%
Booking-to-revenue ratio (1)	1.07	1.06	-

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

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

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

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

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

Other key performance indicator

AS AT (IN NUMBER OF DAYS)

	December 31, 2021	December 31, 2020
DSO for the EDPM segment [1]	53 days	64 days

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

4.2.4.2 Nuclear

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

	2021	2020	Change %
Revenues from Nuclear	904.7	928.6	(2.6%)
Segment Adjusted EBIT from Nuclear	135.9	140.1	(3.0%)
Segment Adjusted EBIT to revenues ratio from Nuclear (%)	15.0%	15.1%	-
Additional Information			
Segment Adjusted EBITDA from Nuclear [1]	147.9	153.9	(3.9%)
Backlog at year end	834.9	890.6	(6.3%)
Booking-to-revenue ratio [1]	0.94	0.71	-

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

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

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

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

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

4.2.4.3 Infrastructure services

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

	2021	2020	Change %
Revenues from Infrastructure Services	1,416.6	1,325.3	6.9%
Segment Adjusted EBIT from Infrastructure Services	92.7	97.2	(4.6%)
Segment Adjusted EBIT to revenues ratio from Infrastructure Services (%)	6.5%	7.3%	-
Additional Information			
Segment Adjusted EBITDA from Infrastructure Services [1]	103.0	108.3	(5.0%)
Backlog at year end	6,972.5	7,098.5	(1.8%)
Booking-to-revenue ratio [1]	0.91	0.82	-

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

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

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

4.2.4.4 Resources

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

	2021	2020	Change %
Revenues from Resources	171.8	162.9	5.4%
Segment Adjusted EBIT from Resources	(39.4)	(171.1)	(77.0%)
Segment Adjusted EBIT to revenues ratio from Resources (%)	(23.0%)	(105.0%)	-
Additional Information			
Segment Adjusted EBITDA from Resources [1]	(29.2)	(159.1)	(81.7%)
Backlog at year end	139.9	161.6	(13.4%)
Booking-to-revenue ratio [1]	0.87	0.41	-

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

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

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

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

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

4.2.4.5 Infrastructure epc projects

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

	2021	2020	Change %
Revenues from Infrastructure EPC Projects	895.3	740.2	21.0%
Segment Adjusted EBIT from Infrastructure EPC Projects	(250.9)	(359.7)	(32.0%)
Segment Adjusted EBIT to revenues ratio from Infrastructure EPC Projects (%)	(28.0%)	(48.6%)	-
Additional Information			
Segment Adjusted EBITDA from Infrastructure EPC Projects [1]	(233.7)	(342.1)	(31.7%)
Backlog at year end	$1,365.3	$2,014.0	(32.2%)

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

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

In 2021, Segment Adjusted EBIT from Infrastructure EPC Projects was negative $250.9 million (negative Segment Adjusted EBITDA of $233.7 million), compared to a negative Segment Adjusted EBIT of $359.7 million (negative Segment Adjusted EBITDA of $342.1 million) in 2020. The negative Segment Adjusted EBIT in 2021 was mainly due to unfavourable cost reforecasts, primarily driven by COVID-19, supply chain disruptions and inflation, causing project productivity losses, delays and cost increases on the last remaining LSTK projects. Productivity impacts due to COVID-19 increased significantly with the Omicron variant, including materially higher workforce absenteeism levels on some projects for periods of time. In addition, delays on certain equipment deliveries and significant increases in inflation impacted direct labour, materials and other costs across the projects.

The impact of these were higher than foreseen by the Company in previous periods, and as a result, the forecasted costs to complete the LSTK projects had to be increased. The negative Segment Adjusted EBIT in 2020 was mainly due to unfavourable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

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

4.2.4.6 Capital

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021	2020
Revenues from Captial:	134.1	129.4
Segment Adjusted EBIT from Capital investments:		
From Highway 407 ETR	40.6	38.0
From other Capital investments [2]	78.7	78.6
Segment Adjusted EBIT from Capital	**$119.3**	**$116.6**

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

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

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

(2) 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.

Capital investments portfolio

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

Name	Ownership Interest	Accounting Method	Subject To Ifric 12	Held Since	Maturity Of Concession Agreement	Status	Description Of Activities
407 East development group general partnership ("407 edggp")	50%	Equity	Yes	2012	2045	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
Inpower bc general partnership ("inpower bc")	100%	Consolidation	Yes	2014	2033	In operation	Designs, builds, partially finances, maintains and rehabilitates the John Hart Generating Replacement Facility in Canada.
Rideau transit group partnership ("rideau")	40%	Equity	Yes	2013	2043	In operation	Designs, builds, finances and maintains the Confederation Line, City of Ottawa's light rail transit system.
Carlyle global infrastructure opportunity fund l.P	4.5%	At fair value through other comprehensive income	Not applicable	2018	Not applicable	Not applicable	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	Not applicable	In operation	Myah Tipaza owns, operates and maintains a 120,000 m3/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	Not applicable	In Operation	Owns, operates and maintains a 1,227 MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20 year take-or-pay agreement.
Tc dôme s.A.S. ("Tc dôme")	51%	Equity	Yes	2008	2043	In Operation	Operates a 5.3-km electric cog railway in France.
Signature on the saint- Laurent group general Partnership ("ssl")	50%	Equity	Yes	2015	2049	In Operation	Designs, builds, finances, operates and maintains the New Champlain Bridge Corridor project.
Crosslinx transit solutions general partnership ("eglinton Crosstown")	25%	Equity	Yes	2015	2051	Under Construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19 km light rail line.
SNC-Lavalin Infrastructure Partners lp	20%	Equity	No	2017	Not applicable	Not applicable	Holds the participations in Rainbow Hospital Partnership, Chinook Roads Partnership, InTransit BC Limited Partnership, Okanagan Lake Concession Limited Partnership and McGill Healthcare Infrastructure Group.

5. BACKLOG (REMAINING PERFORMANCE OBLIGATIONS)

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

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

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

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

(IN MILLIONS $) BY SEGMENT AND GEOGRAPHIC AREA

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

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

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

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

BACKLOG RECONCILIATION

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

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

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

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

(2) Non-IFRS financial ratio. Please refer to Section 13 for further information on this financial measure.

BACKLOG BY TYPES OF CONTRACTS

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

AT DECEMBER 31, 2021 (IN MILLIONS $)

	Reimbursable and engineering services contracts		Standardized epc contracts		Lstk construction contracts	
By Segment						
EDPM	3,137.8	100%	-	-%	-	-%
Nuclear	810.5	97%	-	-%	24.4	3%
Infrastructure Services	6,004.2	86%	968.3	14%	-	-%
SNCL Engineering Services - Total	**9,952.5**	**91%**	**968.3**	**9%**	**24.4**	**-%**
Resources	107.1	77%	-	-%	32.8	23%
Infrastructure EPC Projects	231.2	17%	-	-%	1,134.1	83%
SNCL Projects - Total	**338.3**	**22%**	**-**	**-%**	**1,116.9**	**78%**
PS&PM - Total	**10,290.7**	**83%**	**968.3**	**8%**	**1,191.3**	**10%**
Capital [1]	146.6	100%	-	-%	-	-%
Total from continuing operations [2]	$10,437.3	83%	$968.3	8%	$1,191.3	9%

AT DECEMBER 31, 2021 (IN MILLIONS $)

	Reimbursable and engineering services contracts		Standardized epc contracts		Lstk construction contracts	
By Segment						
EDPM	2,864.4	100%	-	-%	-	-%
Nuclear	840.0	94%	-	-%	50.6	6%
Infrastructure Services	5,997.4	84%	1,101.1	16%	-	-%
SNCL Engineering Services - Total	9,701.8	89%	1,101.1	10%	50.6	-%
Resources	89.3	55%	-	-%	72.3	45%
Infrastructure EPC Projects	248.2	12%	-	-%	1,765.8	88%
SNCL Projects - Total	337.5	16%	-	-%	1,838.1	84%
PS&PM - Total	10,039.3	77%	1,101.1	8%	1,888.7	14%
Capital [1]	158.7	100%	-	-%	-	-%
Total from continuing operations [2]	$10,198.0	77%	$1,101.1	8%	$1,888.7	14%

BACKLOG PHASING

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

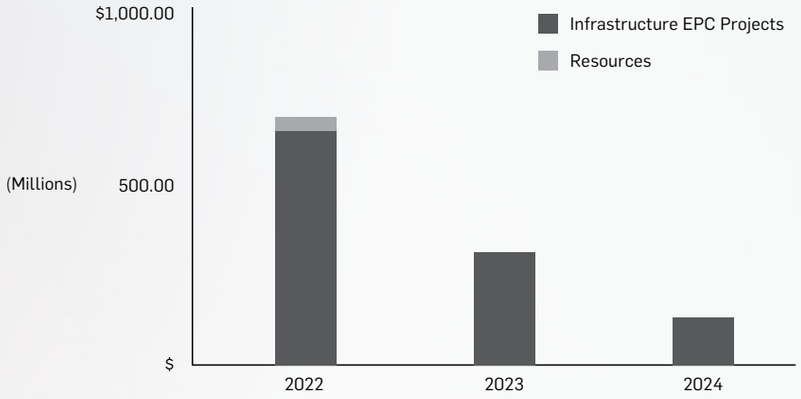
The LSTK construction contracts included in the backlog of the Resources and Infrastructure EPC Projects segments have expected completions varying between 2022 and 2024. The Company will fulfill the contractual obligations of its current LSTK construction projects. It may be necessary for the Company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

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

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

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

BACKLOG PHASING – LSTK construction contracts



6. GEOGRAPHIC BREAKDOWN OF REVENUES

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

AMERICAS

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

EUROPE

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

MIDDLE EAST AND AFRICA

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

ASIA PACIFIC

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

7. FOURTH QUARTER RESULTS

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

- **Revenues totaled $1,944.9 million in the fourth quarter of 2021**, compared to $1,697.9 million in the corresponding quarter of 2020, mainly reflecting an increase in EDPM, Infrastructure EPC Projects, Infrastructure Services, and Capital partially offset by a decrease in Nuclear and Resources.
- **For the fourth quarter of 2021, net loss attributable to SNC-Lavalin shareholders was $52.9 million ($0.30 per diluted share),** compared to a net loss attributable to SNC-Lavalin shareholders of $702.7 million ($4.00 per diluted share) for the fourth quarter of 2020, reflecting mainly a write down of $277.7 million in the value of disposal groups presented as held for sale, primarily in discontinued operations, in the fourth quarter of 2020, a higher contribution in the fourth quarter of 2021 from EDPM and Capital combined with a lower loss from Infrastructure EPC Projects and Resources, a decrease in corporate selling, general and administrative expenses, which included a $58.3 million negative adjustment to the provision for the Pyrrhotite Case litigation in the fourth quarter of 2020, and a lower income tax expense from continuing operations.
- **For the fourth quarter of 2021, Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM was $25.6 million ($0.15 per diluted share)**, compared to an adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM of $268.7 million ($1.53 per diluted share) for the comparable quarter in 2020, mainly due to a higher contribution from EDPM, combined with a lower loss from Infrastructure EPC Projects and Resources.

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

AS AT (IN MILLIONS $)

		December 31, 2021	September 30, 2021	Change (%)
Additional Indicator	Cash and cash equivalents	608.4	519.8	17.1%
	Revenue backlog	12,597.0	12,757.1	(1.3%)

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

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

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

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

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

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

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

8. LIQUIDITY AND CAPITAL RESOURCES

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

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

8.1 CASH FLOWS ANALYSIS

Summary of Cash Flows

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

Operating Activities

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

(IN MILLIONS $)

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

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

Investing Activities

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

(IN MILLIONS $)

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

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

Financing Activities

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

(IN MILLIONS $)

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

The changes in cash flows related to financing activities between 2021 and 2020 were primarily explained by the elements in the table above. Notably, the following transactions on recourse debt took place during 2021 and 2020:

- In 2021, the Company drew down $100.0 million under its committed revolving facility (the "Credit Agreement"). In the first quarter of 2020, the Company drew down $1.0 billion under its Credit Agreement in order to secure access to liquidity while financial markets were facing challenges at the onset of the COVID-19 pandemic. The Company subsequently repaid$500.0 million of this draw-down in the second quarter of 2020 and the remaining balance in the third quarter of 2020.
- In the first quarter of 2021, the Company repaid in full at maturity the Series 3 Debentures for an aggregate principal amount of $175.0 million.
- In the third quarter of 2020, the Company issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of $300 million. A portion of the net proceeds from this issuance was used to fund the repurchase, through open market purchases, of $40 million of the outstanding 2020 Debentures, for which the remaining $260 million principal amount was repaid in full at maturity in the fourth quarter of 2020.
- In 2020, the credit facility of InPower BC General Partnership was repaid in full, resulting in a cash outflow of $63.1 million.

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

Free Cash Flow (Usage)

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

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

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

8.2 CAPITAL STRUCTURE MANAGEMENT

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

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

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

8.3 CAPITAL RESOURCES

AT DECEMBER 31 (IN MILLIONS $)

	2021	2020
Cash and cash equivalents	608.4	932.9
Unused portion of committed revolving credit facilities[1], [2]	2,292.7	2,394.7

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

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

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

such, statements regarding the Company's future liquidity are uncertain and subject to the risks and uncertainties relating to the COVID-19 pandemic. See also Section 14, "Risks and Uncertainties" of the 2021 Annual MD&A, for a more specific overview of the risks and uncertainties relating to the Company caused by the COVID-19 pandemic.

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

8.4 DEBT AND FINANCING AGREEMENTS

Non-Recourse Debt, Limited Recourse Debt And Recourse Debt

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

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

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

Repayment of Series 3 Debentures and 2020 Debentures

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

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

Amendments to the Revolving Credit Facility

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

Issuance of Series 6 Debentures

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

8.5 CAPITAL MANAGEMENT INDICATORS

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

Net Limited Recourse And Recourse Debt To Adjusted EBITDA Ratio

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

AT DECEMBER 31 (IN MILLIONS $, EXCEPT FOR RATIO)

	2021	2020
Limited recourse	400.0	400.0
Recourse debt	1,094.1	1,171.0
Less: Cash and cash equivalents	608.4	932.9
Net limited recourse and recourse debt [1]	885.7	638.1
Adjusted EBITDA (trailing 12 months) [1]	525.0	200.1
Net limited recourse and recourse debt to Adjusted EBITDA ratio [1]	1.7	3.2

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

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

Return on Average Shareholders' Equity ("Roase")

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

8.6 CREDIT RATINGS

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

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

8.7 DIVIDENDS DECLARED

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

YEARS ENDED DECEMBER 31 (IN MILLIONS $)

	2021	2020	2019
Dividends per share declared to SNC-Lavalin shareholders [2]	0.080	0.080	0.240
Dividend decrease (%)	–	67	79

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

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

8.8 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

Contractual Obligations

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

(IN MILLIONS $)

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

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

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

Financial Instruments

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

Derivative financial instruments

SNC-Lavalin enters or may enter into derivative financial instruments, namely:

- Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates;
- Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements;
- Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company's share price; and
- Commodity swap agreements for certain contracts to hedge the variability of commodity prices.

Refer to Note 30 to the 2021 Annual Financial Statements for further details.

All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

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

9. FINANCIAL POSITION

9.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

Assets

AT DECEMBER 31 (IN MILLIONS $)

		2021	2020	Change ($)	Explanations
Current Assets	Cash and cash equivalents	608.4	932.9	(324.5)	See discussion in Section 8.1.
	Restricted cash	13.4	29.3	(15.9)	Decrease in restricted cash is mainly due to the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021.
	Trade receivables	1,145.9	1,199.2	(53.2)	Decrease is mainly due to variation on multiple projects.
	Contract assets	1,119.0	1,090.1	28.9	Increase is mainly due to variation on multiple projects.
	Inventories	17.0	16.1	0.9	Not a significant change compared to prior year.
	Other current financial assets	138.4	257.4	(119.1)	Decrease includes a decrease in fair value of favourable derivative financial instruments, the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021 and a decrease in the balance of recovery of costs expected from suppliers and subcontractors and in other various current assets.
	Other current non-financial assets	246.2	253.3	(7.2)	Decrease is mainly due to a decrease in prepaid expenses and other, partially offset by an increase in Income taxes and other taxes receivable.
	Assets of disposal groups classified as held for sale	343.9	273.2	70.7	Increase mainly reflects the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021, partially offset by the disposal in 2021 of the assets of the Oil & Gas business that were classified as held for sale as at December 31, 2020.
Total current assets		$3,632.3	$4,051.6	$(419.3)	

	2021	2020	Change ($)	Explanations
Property and equipment	333.5	$375.9	(42.4)	Decrease is mainly due to disposals/retirements/salvage as well as impairment of certain assets in 2021, as the additions were in line with the amount of deprecation during the year.
Right-of-use-assets	355.6	346.8	8.8	Increase reflects additions during the year, partially offset by depreciation expense and impairment.
Capital investments accounted for by the equity method	380.7	378.7	2.0	Not a significant change compared to prior year.
Capital investments at fair value through other comprehensive income	41.3	9.7	31.7	Increase is mainly due to capital contributions made to Carlyle Global Infrastructure Opportunity Fund, L.P.
Goodwill	3,382.9	3,429.5	(46.5)	Decrease is due to foreign currency translation.
Intangible assets related to business combinations	445.7	544.1	(98.3)	Decrease is mainly due to amortization expense recognized in 2021.
Deferred income tax asset	658.1	655.8	2.2	Not a significant change compared to prior year.
Non-current portion of receivables under service concession arrangements	304.2	433.9	(129.7)	Decrease is mainly due to classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021, partially offset by an increase from the progress made on the construction of the TransitNEXT project.
Other non-current financial assets	25.4	31.4	(6.0)	Not a significant change compared with prior year.
Other non-current non-financial assets	316.2	83.0	233.2	Increase is mainly due to the Atkins Pension Plan being in surplus as at December 31, 2021.
Total assets	$9,876.0	$10,340.3	$(464.3)	

Liabilities

AT DECEMBER 31 (IN MILLION $)

		2021	2020	Change ($)	Explanations
Current Liabilities	Trade payables and accrued liabilities	1,652.5	1,730.4	(77.9)	Decrease is principally attributable to variations in multiple projects and accrued expenses.
	Contract liabilities	838.2	837.0	1.2	Not a significant change compared to prior year.
	Other current financial liabilities	205.8	187.8	18.0	Increase is mainly due to an increase in retentions on supplier contracts.
	Other current non-financial liabilities	328.1	473.8	(145.7)	Decrease mainly reflects a decrease in taxes payable, partially offset by an increase in share unit plans' liabilities.
	Current portion of provisions	425.6	401.6	24.0	Refer to Note 22 to the 2021 Annual Financial Statements for details.
	Current portion of lease liabilities	91.3	97.4	(6.1)	Decrease is mainly due to certain leases which matured or are close to maturity at the end of 2021.
Short-term debt and current portion of long-term debt:	Recourse	96.9	175.0	(78.1)	Decrease is mainly due to repayment of Series 3 Debentures in full at maturity in the first quarter of 2021, partially offset by the amount of draw down on the revolving facility.
	Non-recourse	14.0	31.3	(17.2)	Decrease is mainly reflecting the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021.
Liabilities of disposal groups classified as held for sale		298.9	340.3	(41.4)	Decrease mainly reflects the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021, offset by the derecognition of liabilities held for sale related to the Oil & Gas business upon its disposal in 2021.
Total current liabilities		**$3,951.3**	**$4,274.4**	**$(323.1)**	

		2021	2020	Change ($)	Explanations
Long-term debt	Recourse	997.2	996.0	1.2	Not a significant change compared to prior year.
	Limited recourse	400.0	400.0	–	No variance compared to prior year.
	Non-recourse	156.0	400.3	(244.2)	Decrease is mainly reflecting the classification of InPower BC General Partnership and its related holding companies as a disposal group held for sale as at December 31, 2021.
Other non-current financial liabilities		137.5	193.9	(56.3)	Decrease is mainly due to decrease in the non-current portion of the federal charges settlement (PPSC) liability initially recognized in 2019.
Non-current portion of provisions		470.4	753.2	(282.8)	Refer to Note 22 to the 2021 Annual Financial Statements for details.
Non-current portion of lease liabilities		405.7	399.2	6.5	Not a significant change compared to prior year.
Other non-current non-financial liabilities		–	0.2	(0.2)	Not a significant balance.
Deferred income tax liability		364.2	354.3	9.8	Not a significant change compared to prior year.
Total liabilities		**$6,882.5**	**$7,771.6**	**$(889.1)**	

Equity

AT DECEMBER 31 (IN MILLIONS $)

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

Working Capital

AT DECEMBER 31 (IN MILLIONS $)

	2021	2020	Change ($)	Explanations
Working Capital[1]	(319.0)	(222.9)	(96.1)	Decrease is due to the variance of multiple current assets and liabilities, notably the decrease of cash and cash equivalents, other current financial assets and other current non-financial liabilities.
Current ratio[1]	0.92	0.95	(0.03)	

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

10. RELATED PARTY TRANSACTIONS

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

11. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

12. ACCOUNTING POLICIES AND CHANGES

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

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

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

13.1 PERFORMANCE

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

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

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

Adjusted net income (loss) attributable to SNC-Lavalin shareholders is a non-IFRS financial measure and is defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, adjusted for certain specific items that are significant but are not, based on management's judgement, reflective of the Company's underlying operations. These adjustments are restructuring and transformation costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the fair value

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

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

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

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

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

Segment Adjusted EBITDA to segment net revenue ratio is a non-IFRS ratio used to analyze the profitability of the Company's segments and management believes that it facilitates period-to-period comparisons, as well as comparison with peers. This ratio is calculated by dividing the amount of Segment Adjusted EBITDA of a given period by the amount of segment net revenue for the same period. While this MD&A does not actually disclose this ratio, the Company is providing, at Section 13.5.3 of this MD&A, the details of the calculation of this ratio as both the press release issued by the Company announcing the results as well as other documents made publicly available by the Company for the year ended December 31, 2021 make reference to this ratio when disclosing the Company's forward-looking financial targets. In addition, as previously disclosed,

beginning in respect of the first quarter of 2022, the Company will be changing its segment reporting and this non-IFRS ratio will be disclosed for the new Engineering Services segment in the Company's future public financial documents, with comparative figures restated to reflect the new operating and reportable segments and lines of business.

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

13.2 LIQUIDITY

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

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

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

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

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

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

13.3 OTHER

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

13.4 RECONCILIATIONS

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

13.4.1 Adjusted Diluted Eps and Adjusted Net Income (Loss) Attributable to SNC-Lavalin Shareholders

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

	2021 Before Taxes	2021 Taxes	2021 After Taxes	2021 Diluted EPS in $	2020 Before Taxes	2020 Taxes	2020 After Taxes	2020 Diluted EPS in $
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	–	–	(15.3)	(0.09)	–	–	(332.9)	(1.84)
Restructuring and transformation costs	30.9	(6.7)	24.2	–	31.8	(8.9)	23.0	–
Amortization of intangible assets related to business combination	23.4	(5.2)	18.1	–	23.2	(4.3)	18.9	–
Adjustments on gain on disposals of Capital investments	(5.0)	1.4	(3.7)	–	(25.0)	–	(25.0)	–
GMP Equalization	–	–	–	–	4.0	(0.8)	3.2	–
Adjustment to provision for the Pyrrhotite Case litigation	–	–	–	–	48.3	(11.7)	36.6	–
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(1.3)	–	(1.3)	–	6.1	–	6.1	–
Total adjustments	**49.2**	**(10.5)**	**38.7**	**0.22**	**88.3**	**(25.8)**	**62.7**	**0.36**
Adjusted net income (loss) attributable to SNC-Lavalin shareholders	–	–	23.4	0.13	–	–	(260.2)	(1.48)
Net income attributable to SNC-Lavalin shareholders from Capital	–	–	52.6	0.30	–	–	33.5	0.19
Adjustments on gain on disposals of Capital investments already considered above	(5.0)	1.4	(3.7)		(25.0)	–	(25.0)	–
Total adjustments	**(5.0)**	**1.4**	**(3.7)**	**(0.02)**	**25.0**	**–**	**(25.0)**	**(0.14)**
Adjusted net income attributable to SNC-Lavalin shareholders from Capital	–	–	48.9	0.28	–	–	8.5	0.05
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM	–	–	(25.6)	(0.15)	–	–	(268.7)	(1.53)
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	–	–	100.2	0.57	–	–	(356.1)	(2.03)

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

13.4.2 Consolidated EBITDA and Adjusted Ebitda

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

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

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

13.4.3 Adjusted EBITDA to Revenue Ratio

2021

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

	From PS&PM	From Capital	Total
Revenues	1,879.7	65.2	1,944.9
ebit to revenue ratio (in %)	(5.0)	89.7	(1.8)
Booking-to-revenue ratio (in %)	0.3	82.1	3.0

2020

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

	From PS&PM	From Capital	Total
Revenues	1,675.3	22.6	1,697.9
EBIT to revenue ratio (in %)	(24.5)	163.7	(22.0)
Booking-to-revenue ratio (in %)	(14.8)	53.4	(13.9)

2021

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

	From PS&PM	From Capital	Total
Revenues	7,237.1	134.1	7,371.3
EBIT to revenue ratio (in %)	1.4	71.7	2.6
Booking-to-revenue ratio (in %)	6.0	68.0	7.1

2020

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

	From PS&PM	From Capital	Total
Revenues	6,878.1	129.4	7,007.5
EBIT to revenue ratio (in %)	(5.1)	43.5	(4.2)
Booking-to-revenue ratio (in %)	1.6	68.5	2.9

13.4.4 booking to revenue ratio

2021

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

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

2020

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

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

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

13.4.5 SEGMENT ADJUSTED EBITDA

2021

YEAR ENDED DECEMBER 31 (IN MILLIONS $)

Segment Adjusted EBITDA	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other(1)	Consolidated
Segment Adjusted EBIT (EBIT for consolidated figure)	431.8	135.9	92.7	(39.4)	(250.9)	119.3	(295.2)	194.1
Depreciation and amortization	82.5	12.0	10.3	10.3	17.2	0.1		
Segment Adjusted EBITDA	$514.3	$147.9	$103.0	$(29.2)	$(233.7)	$119.4		

2020

YEAR ENDED DECEMBER 31 (IN MILLIONS $)

Segment Adjusted EBITDA	EDPM	Nuclear	Infrastructure Services	Resources	Infrastructure EPC Projects	Capital	Less: Corporate and other(1)	Consolidated
Segment Adjusted EBIT (EBIT for consolidated figure)	302.3	140.1	97.2	(171.1)	(359.7)	116.6	(417.3)	(292.0)
Depreciation and amortization	98.6	13.8	11.1	12.0	17.5	0.2		
Segment Adjusted EBITDA	$400.9	$153.9	$108.3	$(159.1)	$(342.1)	$116.9		

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

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

13.4.6 ORGANIC REVENUE GROWTH

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

YEAR ENDED DECEMBER 31 (IN MILLIONS $)

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

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

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

13.5.1 IFRS Measures And Non-IFRS measures under new structure effective January 1, 2022

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

2021

YEAR ENDED DECEMBER 31 (IN MILLIONS $)

Revenues by Segment	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	3,848.8	–	–	–	3,848.8	–	–	3,848.8
Nuclear	–	904.7	–	–	904.7	–	–	904.7
Infrastructure Services	357.8	–	470.4	588.4	1,416.6	–	–	1,416.6
Resources	137.3	–	–	–	137.3	34.4	–	171.8
Infrastructure EPC Projects	22.6	–	–	–	22.6	872.8	–	895.3
Capital	–	–	–	–	–	–	134.1	134.1
Total from continuing operations	$4,366.4	$904.7	$470.4	$588.4	$6,330.0	$907.2	$134.1	$7,371.3

2021

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

Segment Adjusted EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	431.8	–	–	–	431.8	–	–	431.8
Nuclear	–	135.9	–	–	135.9	–	–	135.9
Infrastructure Services	19.9	–	54.6	18.2	92.7	–	–	92.7
Resources	9.3	–	–	–	9.3	(48.7)	–	(39.4)
Infrastructure EPC Projects	3.0	–	–	–	3.0	(253.9)	–	(250.9)
Capital	–	–	–	–	–	–	119.3	119.3
Total from continuing operations	$464.0	$135.9	$54.6	$18.2	$672.7	$(302.6)	$119.3	$489.3
Segment Adjusted EBIT to segment revenue ratio (in%)[1]	10.6 %	15.0 %	11.6 %	3.1 %	10.6 %	(33.4) %	89.0 %	6.6 %

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

2021

YEAR ENDED DECEMBER 31 (IN MILLIONS $)

Segment Adjusted EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	514.3	–	–	–	514.3	–	–	514.3
Nuclear	–	147.9	–	–	147.9	–	–	147.9
Infrastructure Services	24.2	–	56.7	22.1	103.0	–	–	103.0
Resources	11.3	–	–	–	11.3	(40.5)	–	(29.2)
Infrastructure EPC Projects	9.2	–	–	–	9.2	(242.9)	–	(233.7)
Capital	–	–	–	–	–	–	119.4	119.4
Total from continuing operations	**$558.9**	**$147.9**	**$56.7**	**$22.1**	**$785.7**	**$(283.4)**	**$119.4**	**$621.6**

2021

FIRST QUARTER (IN MILLIONS $)

Revenues by Segment	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	933.2	–	–	–	933.2	–	–	933.2
Nuclear	–	229.1	–	–	229.1	–	–	229.1
Infrastructure Services	79.3	–	141.6	131.9	352.8	–	–	352.8
Resources	32.9	–	–	–	32.9	24.1	–	56.9
Infrastructure EPC Projects	4.3	–	–	–	4.3	221.7	–	226.0
Capital	–	–	–	–	–	–	21.7	21.7
Total from continuing operations	**$1,049.6**	**$229.1**	**$141.6**	**$131.9**	**$1,552.3**	**$245.8**	**$21.7**	**$1,819.7**

2021

FIRST QUARTER (IN MILLIONS $, EXCEPT OTHERWISE NOTED)

Segment Adjusted EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	80.6	–	–	–	80.6	–	–	80.6
Nuclear	–	31.8	–	–	31.8	–	–	31.8
Infrastructure Services	1.9	–	12.4	6.1	20.4	–	–	20.4
Resources	3.2	–	–	–	3.2	(0.8)	–	2.3
Infrastructure EPC Projects	0.6	–	–	–	0.6	(11.1)	–	(10.5)
Capital	–	–	–	–	–	–	18.7	18.7
Total from continuing operations	**$86.2**	**$31.8**	**$12.4**	**$6.1**	**$136.6**	**$(11.9)**	**$18.7**	**$143.3**
Segment Adjusted EBIT to segment revenue ratio (in%)[1]	**8.2 %**	**13.9 %**	**8.8 %**	**4.6 %**	**8.8 %**	**(4.8) %**	**86.2 %**	**7.9 %**

2021

FIRST QUARTER (IN MILLIONS $)

Segment Adjusted EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	102.8	–	–	–	102.8	–	–	102.8
Nuclear	–	34.6	–	–	34.6	–	–	34.6
Infrastructure Services	2.8	–	12.9	7.3	23.0	–	–	22.9
Resources	3.6	–	–	–	3.6	1.3	–	4.9
Infrastructure EPC Projects	2.3	–	–	–	2.3	(9.4)	–	(7.0)
Capital	–	–	–	–	–	–	18.7	18.7
Total from continuing operations	**$111.5**	**$34.6**	**$12.9**	**$7.3**	**$166.3**	**$(8.1)**	**$18.7**	**$176.9**

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

2021

SECOND QUARTER (IN MILLIONS $)

Revenues by Segment	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	935.3	–	–	–	935.3	–	–	935.3
Nuclear	–	234.7	–	–	234.7	–	–	234.7
Infrastructure Services	86.6	–	104.4	143.4	334.4	–	–	334.3
Resources	35.0	–	–	–	35.0	5.7	–	40.7
Infrastructure EPC Projects	4.3	–	–	–	4.3	228.7	–	233.0
Capital	–	–	–	–	–	–	19.8	19.8
Total from continuing operations	$1,061.2	$234.7	$104.4	$143.4	$1,543.7	$234.4	$19.8	$1,797.8

2021

SECOND QUARTER (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)

Segment Adjusted ebit	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	$85.4	–	–	–	$85.4	–	–	$85.4
Nuclear	–	33.2	–	–	33.2	–	–	33.2
Infrastructure Services	5.8	–	13.4	7.3	26.5	–	–	26.4
Resources	3.4	–	–	–	3.4	(2.4)	–	1.0
Infrastructure EPC Projects	0.6	–	–	–	0.6	(22.9)	–	(22.2)
Capital	–	–	–	–	–	–	16.4	16.4
Total from continuing operations	$95.2	$33.2	$13.4	$7.3	$149.1	$(25.3)	$16.4	$140.3
Segment Adjusted EBIT to segment revenue ratio (in%)[1]	9.0 %	14.1 %	12.8 %	5.1 %	9.7 %	(10.8) %	82.8 %	7.8 %

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

2021

SECOND QUARTER (IN MILLIONS $)

Segment Adjusted EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	106.0	–	–	–	106.0	–	–	106.0
Nuclear	–	36.9	–	–	36.9	–	–	36.9
Infrastructure Services	6.7	–	13.9	8.4	29.0	–	–	29.0
Resources	3.8	–	–	–	3.8	(0.4)	–	3.4
Infrastructure EPC Projects	2.5	–	–	–	2.5	(21.8)	–	(19.3)
Capital	–	–	–	–	–	–	16.4	16.4
Total from continuing operations	$119.1	$36.9	$13.9	$8.4	$178.2	$(22.3)	$16.4	$172.4

2021

THIRD QUARTER (IN MILLIONS $)

Revenues by Segment	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	916.8	–	–	–	916.8	–	–	916.8
Nuclear	–	220.5	–	–	220.5	–	–	220.5
Infrastructure Services	83.9	–	109.8	148.9	342.6	–	–	342.6
Resources	34.4	–	–	–	34.4	10.4	–	44.7
Infrastructure EPC Projects	4.2	–	–	–	4.2	252.6	–	256.8
Capital	–	–	–	–	–	–	27.4	27.4
Total from continuing operations	$1,039.3	$220.5	$109.8	$148.9	$1,518.5	$263.0	$27.4	$1,808.8

2021

THIRD QUARTER (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)

Segment Adjusted EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	86.5	–	–	–	86.5	–	–	86.5
Nuclear	–	36.0	–	–	36.0	–	–	36.0
Infrastructure Services	3.6	–	17.3	1.6	22.5	–	–	22.5
Resources	2.4	–	–	–	2.4	(5.5)	–	(3.1)
Infrastructure epc Projects	0.6	–	–	–	0.6	(26.9)	–	(26.4)
Capital	–	–	–	–	–	–	23.6	23.6
Total from continuing operations	**$93.0**	**$36.0**	**$17.3**	**$1.6**	**$148.0**	**$(32.4)**	**$23.6**	**$139.2**
Segment Adjusted EBIT to segment revenue ratio (in%)(1)	**8.9 %**	**16.3 %**	**15.8 %**	**1.1 %**	**9.7 %**	**(12.3) %**	**86.1 %**	**7.7 %**

2021

THIRD QUARTER (IN MILLIONS $)

Segment Adjusted EBITDA	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	105.8	–	–	–	105.8	–	–	105.8
Nuclear	–	38.7	–	–	38.7	–	–	38.7
Infrastructure Services	4.9	–	17.8	2.4	25.1	–	–	25.2
Resources	2.9	–	–	–	2.9	(3.4)	–	(0.5)
Infrastructure EPC Projects	1.8	–	–	–	1.8	(22.6)	–	(20.8)
Capital	–	–	–	–	–	–	23.6	23.6
Total from continuing operations	**$115.4**	**$38.7**	**$17.8**	**$2.4**	**$174.3**	**$(26.0)**	**$23.6**	**$172.0**

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

2021

FOURTH QUARTER (IN MILLIONS $)

Segment Adjusted EBIT	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	1,063.5	–	–	–	1,063.5	–	–	1,063.5
Nuclear	–	220.4	–	–	220.4	–	–	220.4
Infrastructure Services	107.9	–	114.6	164.3	386.8	–	–	386.8
Resources	35.1	–	–	–	35.1	(5.7)	–	29.4
Infrastructure EPC Projects	9.8	–	–	–	9.8	169.7	–	179.5
Capital	–	–	–	–	–	–	65.2	65.2
Total from continuing operations	**$1,216.3**	**$220.4**	**$114.6**	**$164.3**	**$1,715.6**	**$164.1**	**$65.2**	**$1,944.9**

2021

THIRD QUARTER (IN MILLIONS $)

Revenues by Segment	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	179.3	–	–	–	179.3	–	–	179.3
Nuclear	–	34.8	–	–	34.8	–	–	34.8
Infrastructure Services	8.6	–	11.5	3.2	23.3	–	–	23.3
Resources	0.4	–	–	–	0.4	(40.0)	–	(39.6)
Infrastructure epc Projects	1.2	–	–	–	1.2	(193.0)	–	(191.8)
Capital	–	–	–	–	–	–	60.6	60.6
Total from continuing operations	**$189.5**	**$34.8**	**$11.5**	**$3.2**	**$239.0**	**$(233.0)**	**$60.6**	**$66.6**
Segment Adjusted EBIT to segment revenue ratio (in%)[1]	**15.6 %**	**15.8 %**	**10.0 %**	**1.9 %**	**13.9 %**	**(142.0) %**	**92.9 %**	**3.4 %**

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

2021

FOURTH QUARTER (IN MILLIONS $)

Revenues by Segment	Engineering Services	Nuclear	O&M	Linxon	Total SNC Services	Infrastructure LSTK Projects	Capital	Total
EDPM	199.6	–	–	–	199.6	–	–	199.6
Nuclear	–	37.7	–	–	37.7	–	–	37.7
Infrastructure Services	9.8	–	12.1	4.1	26.0	–	–	25.9
Resources	1.0	–	–	–	1.0	(37.9)	–	(37.0)
Infrastructure EPC Projects	2.5	–	–	–	2.5	(189.1)	–	(186.6)
Capital	–	–	–	–	–	–	60.6	60.6
Total from continuing operations	$212.9	$37.7	$12.1	$4.1	$266.8	$(277.0)	$60.6	$100.2

13.5.2 SEGMENT ADJUSTED EBITDA – 2021 QUARTERLY RESULTS

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

2021

FIRST QUARTER (IN MILLIONS $)

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

2021

SECOND QUARTER (IN MILLIONS $)

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

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

2021

THIRD QUARTER (IN MILLIONS $)

	Infrastructure EPC Projects	Capital	Less: Corporate and other(1)	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	(26.4)	23.6	(93.0)	46.1
Depreciation and amortization	5.5	–		
Segment Adjusted EBITDA	(20.8)	23.6		

2021

FOURTH QUARTER (IN MILLIONS $)

	Infrastructure EPC Projects	Capital	Less: Corporate and other[1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	(191.8)	60.6	(102.5)	(35.9)
Depreciation and amortization	5.2	–		
Segment Adjusted EBITDA	(186.6)	60.6		

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

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

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

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

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

2021[1]

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

Revenue - Engineering Services[2]	4,366.4
Direct costs for sub-contractors and other direct expenses that are recoverable directly from clients - Engineering Services	(1,076.0)
Segment net revenue - Engineering Services	3,290.4
Segment Adjusted EBITDA - Engineering Services[2]	558.9
Segment Adjusted EBITDA to segment net revenue ratio - Engineering Services (in %)	17.0 %

(1) Based on new organizational structure effective January 1, 2022.

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

13.5.4 BOOKING-TO-REVENUE RATIO - ENGINEERING SERVICES

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

2021

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

Opening Backlog	3,531.7
Plus: Contract bookings during the year	4,585.7
Less: Revenues from contracts with customers recognized during the year[1]	4,347.1
Backlog of business sold during the year	1.3
Ending backlog	3,769.0
Booking-to-revenue ratio (in %)	105.0 %

(1) Revenues under the scope of IFRS 15.

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

2021

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

Free cash flow (usage)[1]	(15.9)
Adjusted net income (loss) attributable to SNC-Lavalin shareholders[2]	221.6
Free cash flow (usage) to Adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio (in %)	(7.2) %

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

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

14. RISK AND UNCERTAINTIES

14.1 PRINCIPAL RISKS AND UNCERTAINTIES

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

Ongoing and Additional Impacts of the COVID-19 Pandemic

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

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

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

- Ongoing and future actions taken by governmental and non-governmental bodies to curtail activity in an effort to help slow the spread of COVID-19 and new and emerging variants thereof, including the implementation of mandatory quarantines, restrictions on travel, "stay-at-home" orders and restrictions on the types of businesses that may continue to operate and on the types of construction projects that may continue to progress. The Company's worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from (i) disruptions in the Company's supply chains, (ii) project delays resulting from temporary or partial project shutdowns, and (iii) the Company's inability to continue or resume projects as a result of extended or complete project shutdowns, which may, in each case, expose the Company to penalties or sanctions under contracts, business interruption claims or even the cancellation or termination of contracts altogether.
- If the COVID-19 pandemic persists for all or a substantial portion of 2022, it may continue to impact the health of the Company's personnel, partners and contractors, causing labour shortages due to illness making it difficult to recruit, attract and retain skilled personnel. In addition, we may experience difficulties with effectively training and integrating new employees, and in the short term, it may be even more difficult to do so remotely during the COVID-19 pandemic. Increased turnover rates of our employees could increase operating costs and create challenges for us in maintaining high levels of employee awareness of, and compliance with, our internal procedures and external regulatory compliance requirements, in addition to increasing our recruiting, training and supervisory costs.

- Resumption of operations by the Company where it operates after previously implemented restrictive measures have been loosened or eliminated has been and may continue to be delayed or constrained as a result of the lingering effects of the impacts of COVID-19 on the Company's employees, contractors, suppliers, third-party service providers and customers. Resumption may also continue to impose an additional financial burden on the Company as it seeks to resume projects with adequate safety measures in place, which safety measures may not be sufficient to mitigate the risk of infection and could result in increased illness among the Company's employees and contractors and associated business interruption, as well as lower productivity due to revised working conditions. The continued spread of the pandemic, including the emergence of variants and further resurgences of the SARS-CoV-2 virus, has caused and may continue to cause the reintroduction of previously loosened or eliminated restrictions or the imposition of new restrictions that could potentially be more onerous.
- Work-from-home measures implemented by the Company have impacted and may continue to impact the productivity of certain employees. In addition, the measures implemented by the Company present operational challenges as technology in employees' homes may not be as robust as in the Company's offices and, as such, could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than the Company's in-office technology. Moreover, having a significant portion of the Company's workforce working remotely from non-office-based locations has led to an increase in the number of potential points of attack and greater cybersecurity risks, including increased phishing attacks, introduction of malware, strain on the local technology networks for remote operations, and may cause impairment of the ability to perform critical functions. The Company could also face legal, reputational and financial risks if it fails to protect data from security breaches or cyberattacks.
- Having to systemically deal with, manage and implement a coherent response to the COVID-19 pandemic could divert management's attention from the Company's key strategic priorities, increase costs as the Company prioritizes health and safety matters and complies with mitigation measures imposed upon it for the benefit of its personnel and the continuation of ongoing projects, and cause the Company to reduce, delay, alter or abandon initiatives that may otherwise increase its long-term value.
- Public perception of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, a decrease in demand for the Company's services and worsening economic conditions. These impacts are expected to continue or worsen if "stay-at-home", "shelter-in-place", social distancing, travel restrictions and other similar orders, measures or restrictions remain in place for an extended period of time or are re-imposed after being lifted or eased. Although we have experienced, and may continue to experience, an increase in demand for certain of our services as a result of new projects that have arisen in response to the COVID-19 pandemic, there can be no assurance that any such increased demand would be sufficient to offset lost or delayed demand.
- Our clients may be unable to meet their payment obligations to us in a timely manner, including as a result of deteriorating financial condition or bankruptcy resulting from the COVID-19 pandemic and resulting economic impacts. Further, other third parties, such as suppliers, subcontractors, joint venture partners and other outside business partners, may experience significant disruptions in their ability to satisfy their obligations with respect to us, or they may be unable to do so altogether.

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

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

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

RISKS RELATING TO THE COMPANY'S OPERATIONS

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

Since mid-2019, the Company has been implementing a new strategic direction focused on the high-performing and growth areas of the business as it exits LSTK construction contracting. More recently, the Company unveiled in September 2021 a three-year global strategic growth plan and

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

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

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

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

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

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

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

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

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

Remaining performance obligations

The Company's remaining performance obligations are derived from contract awards that are considered firm or management's estimates of revenues to be generated from firm contract awards for reimbursable contracts, thus an indication of expected future revenues. Project delays, suspensions, terminations, cancellations or reductions in scope do occur from time to time in the Company's industry due to considerations beyond the control of SNC-Lavalin and may have a

material impact on the amount of reported remaining performance obligations with a corresponding adverse impact on future revenues and profitability. In addition, a number of project contracts have warranty periods and/or outstanding claims, that may result in legal proceedings extending for considerable periods of time beyond the actual performance and completion of the projects. Furthermore, many of the Company's contracts contain "termination for convenience" provisions, which permit the client to terminate or cancel the contract at its convenience upon providing the Company with notice a specified period of time before the termination date and/or paying the Company equitable compensation, depending on the specific contract terms. In the event a significant number of the Company's clients were to avail themselves of such "termination for convenience" provisions, or if one or more significant contracts were terminated for convenience, the Company's reported remaining performance obligations would be adversely affected with a corresponding adverse impact on expected future revenues and profitability.

Contract awards and timing

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

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

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

Being a provider of services to government agencies

SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting. SNC-Lavalin's failure to comply with the terms of one or more government contracts or government statutes, regulations and policies could result in the Company's contracts with government agencies being terminated or the Company being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties and the risk of public scrutiny of the Company's performance, and potential harm to its reputation, each of which could have a material

adverse effect on SNC- Lavalin's business. Other remedies that the Company's government clients may seek for improper activities or performance issues include sanctions such as forfeiture of profits and suspension of payments. In addition, virtually all of the Company's contracts with governments contain "termination for convenience" provisions, as described in the risk factor above entitled "Remaining performance obligations".

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

International operations

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

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

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

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

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

Nuclear liability

The Company's Nuclear segment supports clients across the entire Nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support & decommissioning and

waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. Such services can subject the Company to risks arising out of a nuclear, radiological or criticality incident, whether or not within the Company's control.

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

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

Ownership interests in investments

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

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

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

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

Dependence on third parties

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

In addition, in instances where SNC-Lavalin relies on a single contracted supplier or subcontractor or a small number of subcontractors, there can be no assurance that the marketplace can provide these

products or services on a timely basis, or at the costs the Company had anticipated. Furthermore, irrespective of the importance or number of project or Company subcontractors or suppliers, general global supply chain disruptions and issues outside the control of the Company could adversely affect ongoing operations also resulting in the aforementioned risks to the Company. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact SNC-Lavalin's business and/or reputation and, in the case of government contracts, could also result in fines, penalties, suspension or even debarment being imposed on the Company.

Supply chain disruptions

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

Joint ventures and partnerships

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

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

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

Information systems and data and compliance with privacy legislation

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

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

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

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

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

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

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

Competition

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

Professional liability or liability for faulty services

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

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

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

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

Gaps in insurance coverage

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

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

Health and safety

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

Qualified personnel

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

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

Work stoppages, union negotiations and other labour matters

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

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

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

Divestitures and the sale of significant assets

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

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

Intellectual property

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

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

Liquidity and financial position

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

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

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

Indebtedness

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

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

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

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

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

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

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

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

Impact of operating results and level of indebtedness on financial situation

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

Security under the CDPQ Loan Agreement

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

Dependence on subsidiaries to help repay indebtedness

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

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

The ability of the Company's subsidiaries to generate sufficient cash flow from operations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, including those discussed in this section, many of which are outside of the control of the Company or its subsidiaries. The cash flow and earnings of the Company's operating subsidiaries and the amount that they are able to distribute to the Company as dividends or otherwise may not generate sufficient cash flow from operations to satisfy the Company's debt obligations. Accordingly, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any such

alternatives would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of the Company's various debt instruments then in effect. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have a material adverse effect on its business, financial condition and results of operations.

Dividends

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

Post-employment benefit obligations, including pension-related obligations

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

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

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

Working capital requirements

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

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

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

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

Collection from customers

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

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

Impairment of goodwill and other assets

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

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

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

RISKS RELATED TO LITIGATION, INVESTIGATIONS, SETTLEMENTS AND REGULATORY MATTERS

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

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

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

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

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

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

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

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

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

With respect to the investigation by the Royal Canadian Mounted Police (the "RCMP") concerning the Jacques Cartier Bridge project, on September 23, 2021, the RCMP represented by the Province of Quebec's Directeur des Poursuites Criminelles et Pénales ("DPCP") laid charges against the Company's subsidiary, SNC-Lavalin Inc. and indirect subsidiary, SNC-Lavalin International Inc. Each entity has been jointly charged (along with a former employee of the Company, Normand Morin) with the following counts: 1) forgery under Section 366 of the Criminal Code (Canada) (the "Criminal Code"), 2) fraud under Section 380 of the Criminal Code, and 3) fraud against the government under Section 121 of the Criminal Code. Each entity has also been charged with one count of conspiracy to commit the aforementioned crimes (the "Criminal Charges"). On the same date, the DPCP gave notice to SNC-Lavalin Inc. and SNC-Lavalin International Inc. of an invitation to negotiate a remediation agreement in accordance with Part XXII.1. of the Criminal Code with respect to the Criminal Charges and on October 1, 2021, both entities formally accepted the invitation. These Criminal Charges follow the RCMP's formal investigation relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier Bridge by a consortium which included SNC-Lavalin Inc. and which has previously led to a guilty plea on certain criminal charges in 2017 by the former head of the Canada Federal Bridges Corporation. Another former employee of the Company, Kamal Francis was also charged separately with similar offenses.

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

If regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise as a result of ongoing or future investigations, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties, including temporary or permanent, mandatory or discretionary suspension, prohibition or debarment from participating in projects, or the revocation of authorizations or certifications, by certain administrative organizations or by governments (such as the Government of Canada and/or the Government

of Quebec) under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue from government and government-related contracts. Further, public and private sector bid processes in some instances assess whether the bidder, or an affiliate thereof, has ever been the object of any investigations, or sanctions or other actions resulting therefrom. In such instances, if the Company or one of its subsidiaries or investee entities must answer affirmatively to a query as to past or current investigations, or sanctions or other actions resulting therefrom, such answer may affect that entity's ability to be considered for the applicable project. In addition, the Company may not win contracts that it has bid upon due to a client's perception of the Company's reputation and/or perceived reputational advantages held by competitors as a result of such investigations, sanctions or other actions. Loss of bidding opportunities resulting from such investigations, sanctions or other actions, whether discretionary (including as a result of reputational factors) or mandatory, from participating in certain government, government-related and private contracts (in Canada, Canadian provinces or elsewhere) could materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's issued and traded securities.

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

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

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

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

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

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

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

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

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

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

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

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

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

Reputation of the Company

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework

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

Environmental laws and regulations

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

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

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

GLOBAL / MACROECONOMIC RISKS

Global economic conditions

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

Inflation

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

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

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

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

Fluctuations in commodity prices

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

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

Income taxes

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

15. CONTROLS AND PROCEDURES

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

15.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

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

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

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

15.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

16. QUARTERLY INFORMATION

(IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)

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

	2021 First Quarter	2021 Second Quarter	2021 Third Quarter	2021 Fourth Quarter	2021 Total	2020 First Quarter	2020 Second Quarter	2020 Third Quarter	2020 Fourth Quarter	2020 Total
Net income (loss) from continuing operations attributable to: SNC-Lavalin shareholders	67.7	29.2	18.6	(15.3)	100.2	1.0	(25.3)	(8.8)	(322.9)	(356.1)
Net income (loss) from continuing operations attributable to: Non-controlling interests	0.9	3.1	1.2	0.2	5.5	3.4	1.8	0.7	3.3	9.2
Net income (loss) from continuing operations	68.7	32.3	19.8	(15.1)	105.7	4.4	(23.5)	(8.1)	(319.7)	(346.9)
Basic earnings (loss) per share from continuing operations ($)	0.39	0.17	0.11	(0.09)	0.57	0.01	(0.14)	(0.05)	(1.84)	(2.03)
Diluted earnings (loss) per share from continuing operations ($)	0.39	0.17	0.11	(0.09)	0.57	0.01	(0.14)	(0.05)	(1.84)	(2.03)
Dividend declared per share ($)	0.02	0.02	0.02	0.02	0.08	0.02	0.02	0.02	0.02	0.08

17. EVENT AFTER THE REPORTING PERIOD

DISPOSAL OF INPOWER BC GENERAL PARTNERSHIP AND ITS RELATED HOLDING COMPANIES

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

GLOSSARY

Adjusted diluted earnings per share ("Adjusted diluted EPS") is defined as adjusted net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS is a non-IFRS ratio that is an indicator of the financial performance of the Company's activities and allows the Company to present the adjusted net income (loss) attributable to SNC-Lavalin shareholders on a diluted share basis.

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts. Adjusted EBITDA is based on EBITDA from continuing operations and excludes charges related to restructuring and transformation costs, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the adjustment to provision for the Pyrrhotite Case litigation, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the Guaranteed Minimum Pension ("GMP") equalization expenses and the reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell.

Adjusted EBITDA to revenue ratio is a non-IFRS ratio used to analyze the profitability of the Company and facilitate period-to- period comparisons, as well as comparison with peers. This ratio is calculated by dividing the amount of Adjusted EBITDA for a given period by the amount of revenue for the same period. This ratio is provided both on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except for the fair value revaluation of the Highway 407 ETR contingent consideration receivable and gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital.

Adjusted net income (loss) attributable to SNC-Lavalin shareholders is a non-IFRS financial measure and is defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, adjusted for certain specific items that are significant but are not, based on management's judgement, reflective of the Company's underlying operations. These adjustments are restructuring and transformation costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the adjustment to provision for the Pyrrhotite Case litigation, reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell, the GMP equalization expense, as well as income taxes and non-controlling interests on these adjustments.

Booking-to-revenue ratio is a non-IFRS ratio that corresponds to contract bookings divided by revenues, for a given period.

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

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).

Days Sales Outstanding ("DSO") for the EDPM segment is a supplementary financial measure that corresponds to the average number of days needed to convert the trade receivables and contract assets of the EDPM segment, all using a 12-month average balance; the result is then divided by the 12-month average revenue of the segment and multiplied by 365 days, in order to calculate a number of days.

EBIT is defined as earnings from continuing operations before net financial expenses (income) and income taxes.

EBITDA is a non-IFRS financial measure and is defined as earnings from continuing operations before net financial expenses (income), income taxes, depreciation and amortization.

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

Note: This glossary contains definitions of certain non-IFRS financial measures, non-IFRS financial ratios and supplementary financial measures. Please refer to the Company's 2021 Management's Discussion and Analysis for additional information on such measures and ratios, including detailed calculations and reconciliations of non-IFRS measures to the most comparable IFRS measures.

and airports), civil infrastructure, aerospace, defence and security and technology, including some of the world's most transformational projects. A significant portion of EDPM revenues are derived from the public sector, including national, provincial, state and local and municipal authorities.

EPC Type of agreement whereby the Company provides Engineering, Procurement and Construction.

EPCM Type of agreement whereby the Company provides services related to Engineering, Procurement, and Construction Management activities.

Free cash flow (usage) is a non-IFRS financial measure and is defined as net cash generated from (used for) operating activities less acquisition of property and equipment, payment of lease liabilities and the federal charges settlement included in operating activities.

Free cash flow (usage) to adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio is a non-IFRS ratio calculated by dividing free cash flow (usage) by adjusted net income (loss) attributable to SNC-Lavalin shareholders, both non-IFRS measures.

IFRS International financial reporting standards.

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.

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.

LSTK stands for lump-sum turnkey.

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.

Net limited recourse and recourse debt is a non-IFRS financial measure corresponding to the total amount of limited recourse and recourse debt, minus the amount of cash and cash equivalents at the end of a given period.

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

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.

Organic revenue is a non-IFRS financial measure corresponding to the amount of revenue of a given period, excluding the effect of acquisitions, disposals and foreign currency changes of the same period. **Organic revenue growth** is a non-IFRS ratio calculated by comparing the amount of organic revenue of a given period with the amount of organic revenue of the comparative period.

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

Reimbursable and engineering services contracts: Reimbursable and engineering services contracts include all revenue-generating contracts of the Company, except Standardized EPC contracts and LSTK construction contracts. 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. Reimbursable and engineering services contracts also include all O&M contracts, some of which are fixed-price agreements, with certain O&M contracts being subject to price- adjustment clauses such as inflation-driven indexation.

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

Return on Average Shareholders' Equity ("ROASE") is a supplementary financial measure and corresponds to the trailing 12-month net income (loss) attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

Segment Adjusted EBIT consists of revenues less i) direct cost of activities; ii) directly related selling, general and administrative expenses; and iii) corporate selling, general and administrative expenses that are directly and indirectly related to projects or segments. Corporate selling, general and administrative expenses that are not directly or indirectly related to projects or segments, impairment losses (reversal of impairment losses) arising from expected credit losses, gains (losses) arising on financial instruments at fair value through profit or loss, restructuring and transformation costs, amortization of intangible assets related to business combinations, acquisition-related costs and integration costs, gains (losses) on disposal(s) or adjustment on disposal(s) of PS&PM businesses, gains (losses) on disposal(s) or adjustment on disposal(s) of Capital investments, impairment of intangible assets related to business combinations, goodwill impairment, federal charges settlement (PPSC) and impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale are not allocated to the Company's segments.

Segment Adjusted EBITDA is a non-IFRS financial measure derived from Segment Adjusted EBIT and is used by management to evaluate the performance of the Company's segments but excluding certain items related to investing activities, through the exclusion of depreciation and amortization from direct costs of activities.

Segment Adjusted EBITDA to segment net revenue ratio is a non-IFRS ratio used to analyze the profitability of the Company's segments and is calculated by dividing the amount of Segment Adjusted EBITDA of a given period by the amount of segment net revenue for the same period.

Segment net revenue is a non-IFRS financial measure that consists of segment revenues less direct costs for sub-contractors and other direct expenses that are recoverable directly from clients.

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.

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.

INFORMATION FOR SHAREHOLDERS

Common Share Information

Listed: Toronto Stock Exchange
Symbol: SNC
Shares outstanding: 175.6 million
(December 31, 2021)
Market capitalization: $5.426 million
(December 31, 2021)

Registrar and Transfer Agent

If you would like to modify your address, eliminate multiple mailings, transfer SNC-Lavalin shares, or for other information on your shareholder account such as dividends and registration, please contact:

Computershare Investor Services Inc. 100 University Ave., 8th Floor, North Tower,Toronto ON, M5J 2Yl Telephone: 1-800-564-6253

www.investorcentre.com

Investor Relations

Denis Jasmin, Vice-President, Investor Relations
denis.jasmin@snclavalin.com 514-393-1000

Annual Meeting

The Annual Shareholders' Meeting will be held on Thursday, May 5, 2022. To learn more, go to www.snclavalin.com/en/investors/shareholder-information/general-information.

Corporate Governance

Our website provides information on our corporate governance practices and the mandates for the Board of Directors and the Board committees as well as various position descriptions. To learn more, go to www.snclavalin.com/en/about/leadership-and-governance/governance.

Sustainability

SNC-Lavalin puts sustainability at the heart of its business strategy and undertakes business activities in a way that is beneficial to the environment, society and global and local economies. Our sustainable business strategy is aligned with the UN Sustainable Development Goals and recognizes the importance of advancing the triple bottom line of environmental, social and economic sustainability. To learn more on our Sustainability, go to www.snclavalin.com/en/sustainability.

Code of Conduct

Our Code of Conduct seeks to promote integrity and transparency in the conduct of our business and in our relations with our colleagues, directors, shareholders and business partners, including customers, associates and suppliers. To learn more on our Code of Conduct, go to www.snclavalin.com/en/about/integrity.

Proxy Circular

The proxy circular contains information about our directors, Board committee reports and further details of our corporate governance practices. This document is available online at www.snclavalin.com.

Have Your Say

If you would like to ask a question, you can submit it at investors@snclavalin.com or at chairoftheboard@snclavalin.com. You can also send your question in by writing to the *Associate General Counsel and Corporate Secretary* at: Associate General Counsel and Corporate Secretary 455 Rene-Levesque Blvd. West, Montreal QC, H2Z 1Z3, Canada

Head Office

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We invite you to visit our website at www.snclavalin.com to learn more about SNC-Lavalin, our governance practices, our continuous disclosure materials and to obtain electronic copies of this and other reports.

Exemplaires en franqais

Pour télécharger la version française de ce rapport ou en demander un exemplaire, veuillez consulter la section lnvestisseurs au www.snclavalin.com.

At SNC-Lavalin, we recognize the importance of helping protect the environment.

Our financial report is available online. We invite you to visit our website at www.snclavalin.com for a list of our offices and to learn more about SNC-Lavalin.

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Reference in this presentation, 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 associate.

Statements made in this presentation that describe the Company's or management's estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "aims", "anticipates", "assumes", "believes", "cost savings", "estimates", "expects", "forecasts", "goal", "intends", "likely", "may", "objective", "outlook", "plans", "projects", "should", "synergies", "target", "vision", "will", or the negative thereof or other variations thereon.

Forwardlooking statements also include any other statements that do not refer to historical facts.

Forward-looking statements also include statements relating to the following: future revenues, economic performance, business and management strategies and the expansion and growth of the Company's operations and 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 and the forward-looking financial information made in this presentation are based on a number of assumptions believed by the Company to be reasonable as at the date hereof.

The assumptions are set out throughout the Company's 2021 annual Management Discussion and Analysis ("MD&A") (particularly in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results").

If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements and forward-looking financial information. 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 and forward-looking financial information.

These risk factors are set out in Section 14 of the Company's 2021 annual MD&A. The forwardlooking statements herein reflect the Company's expectations as at the date of this document and are subject to change after this date.

The Company does not undertake to update publicly or to revise any written or oral forwardlooking 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 statem