



SNC • LAVALIN

Q2

**Interim Condensed Consolidated
Financial Statements** (unaudited)

As at and for the six-month periods ended
June 30, 2019 and 2018

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	June 30 2019	December 31 2018
ASSETS			
Current assets			
Cash and cash equivalents		\$ 580,625	\$ 634,084
Restricted cash		11,806	12,722
Trade receivables		1,528,206	1,503,824
Contract assets		1,891,719	1,751,068
Inventories		145,640	104,205
Other current financial assets		305,692	247,291
Other current non-financial assets		471,049	404,819
Total current assets		4,934,737	4,658,013
Property and equipment		478,994	482,619
Right-of-use assets	2B	411,820	–
Capital investments accounted for by the equity method	4	387,792	357,249
Capital investments accounted for by the cost method	4	10,548	10,663
Goodwill	15	3,360,160	5,369,723
Intangible assets related to business combinations		711,033	920,586
Deferred income tax asset		627,764	652,155
Non-current portion of receivables under service concession arrangements		359,447	327,299
Other non-current financial assets		61,370	30,023
Other non-current non-financial assets		121,835	131,362
Total assets		\$ 11,465,500	\$ 12,939,692
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 2,353,537	\$ 2,352,944
Contract liabilities		923,304	972,959
Other current financial liabilities		279,885	298,701
Other current non-financial liabilities		375,032	424,861
Current portion of provisions		317,589	381,848
Current portion of lease liabilities	2B	106,527	–
Short-term debt and current portion of long-term debt:			
Recourse		1,819,385	1,116,587
Non-recourse		76,372	60,168
Total current liabilities		6,251,631	5,608,068
Long-term debt:			
Recourse		1,172,043	1,171,433
Limited recourse		1,000,000	980,303
Non-recourse		395,952	339,537
Other non-current financial liabilities		41,497	53,505
Non-current portion of provisions		761,693	706,386
Non-current portion of lease liabilities	2B	467,312	–
Other non-current non-financial liabilities		451	61,508
Deferred income tax liability		268,083	363,087
Total liabilities		10,358,662	9,283,827
Equity			
Share capital		1,805,080	1,805,080
Retained earnings (Accumulated deficit)		(970,021)	1,346,624
Other components of equity	8	269,351	499,199
Equity attributable to SNC-Lavalin shareholders		1,104,410	3,650,903
Non-controlling interests		2,428	4,962
Total equity		1,106,838	3,655,865
Total liabilities and equity		\$ 11,465,500	\$ 12,939,692

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

SIX MONTHS ENDED JUNE 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

NUMBER OF COMMON SHARES)	2019						Non-controlling interests	Total equity
	Equity attributable to SNC-Lavalin shareholders							
	Share Capital		Retained earnings (Accumulated deficit)	Other components of equity (Note 8)	Total			
	Common shares (in thousands)	Amount						
Balance at beginning of the period	175,554	\$ 1,805,080	\$ 1,346,624	\$ 499,199	\$ 3,650,903	\$ 4,962	\$ 3,655,865	
Transitional adjustments on adoption of a new accounting standard (Note 2B)	—	—	(25,495)	—	(25,495)	—	(25,495)	
Adjusted balance at beginning of the period	175,554	1,805,080	1,321,129	499,199	3,625,408	4,962	3,630,370	
Net loss for the period	—	—	(2,135,625)	—	(2,135,625)	(1,411)	(2,137,036)	
Other comprehensive loss for the period	—	—	(120,414)	(229,848)	(350,262)	(1,193)	(351,455)	
Total comprehensive loss for the period	—	—	(2,256,039)	(229,848)	(2,485,887)	(2,604)	(2,488,491)	
Dividends declared (Note 7)	—	—	(35,111)	—	(35,111)	—	(35,111)	
Additional non-controlling interests arising on acquisition of Linxon	—	—	—	—	—	40	40	
Capital contributions by non-controlling interests	—	—	—	—	—	30	30	
Balance at end of the period	175,554	\$ 1,805,080	\$ (970,021)	\$ 269,351	\$ 1,104,410	\$ 2,428	\$ 1,106,838	

SIX MONTHS ENDED JUNE 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2018							
Equity attributable to SNC-Lavalin shareholders							
	Share Capital						
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 8)	Total	Non-controlling interests	Total equity
Balance at beginning of the period	175,488	\$ 1,801,733	\$ 3,145,424	\$ 277,974	\$ 5,225,131	\$ (1,909)	\$ 5,223,222
Transitional adjustments on adoption of new accounting standards	—	—	(327,387)	5,448	(321,939)	369	(321,570)
Adjusted balance at beginning of the period	175,488	1,801,733	2,818,037	283,422	4,903,192	(1,540)	4,901,652
Net income for the period	—	—	161,083	—	161,083	413	161,496
Other comprehensive income for the period	—	—	54,367	2,399	56,766	3	56,769
Total comprehensive income for the period	—	—	215,450	2,399	217,849	416	218,265
Dividends declared (Note 7)	—	—	(100,753)	—	(100,753)	—	(100,753)
Shares issued under stock option plans	66	3,347	(646)	—	2,701	—	2,701
Capital contributions by non-controlling interests	—	—	—	—	—	129	129
Balance at end of the period	175,554	\$ 1,805,080	\$ 2,932,088	\$ 285,821	\$ 5,022,989	\$ (995)	\$ 5,021,994

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
EARNINGS (LOSS) PER SHARE AND NUMBER OF SHARES)

		SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	Note	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾
Revenues from:					
E&C		\$ 2,209,431	\$ 2,469,920	\$ 4,500,447	\$ 4,837,117
Capital investments accounted for by the consolidation or cost methods		11,363	10,682	24,333	23,598
Capital investments accounted for by the equity method		63,383	46,517	122,590	97,798
		2,284,177	2,527,119	4,647,370	4,958,513
Direct cost of activities		2,399,334	2,311,537	4,663,834	4,514,158
Total segment EBIT ⁽²⁾		(115,157)	215,582	(16,464)	444,355
Corporate selling, general and administrative expenses		19,808	18,695	26,052	44,029
Impairment loss arising from expected credit losses		96	124	455	654
Loss (gain) arising on financial assets (liabilities) at fair value through profit or loss		10,385	(4,574)	21,521	(398)
Net 2012 class action lawsuits settlement expense		—	88,000	—	88,000
Restructuring costs		41,794	1,053	52,161	2,581
Acquisition-related costs and integration costs		3,964	12,789	9,022	23,491
Amortization of intangible assets related to business combinations		48,738	52,787	100,283	109,514
Gain on disposal of a Capital investment	4A	—	(62,714)	—	(62,714)
Loss from adjustment on disposals of E&C businesses		91	312	174	312
Impairment of intangible assets related to business combinations	15	72,831	—	72,831	—
Impairment of goodwill	15	1,801,015	—	1,801,015	—
EBIT ⁽²⁾		(2,113,879)	109,110	(2,099,978)	238,886
Financial expenses	5	96,629	47,140	154,852	87,329
Financial income and net foreign exchange losses (gains)	5	(3,681)	(10,040)	(9,482)	(8,204)
Earnings (loss) before income taxes		(2,206,827)	72,010	(2,245,348)	159,761
Income taxes		(88,107)	(11,211)	(108,312)	(1,735)
Net income (loss) for the period		\$ (2,118,720)	\$ 83,221	\$ (2,137,036)	\$ 161,496
Net income (loss) attributable to:					
SNC-Lavalin shareholders		\$ (2,118,320)	\$ 83,011	\$ (2,135,625)	\$ 161,083
Non-controlling interests		(400)	210	(1,411)	413
Net income (loss) for the period		\$ (2,118,720)	\$ 83,221	\$ (2,137,036)	\$ 161,496
Earnings (loss) per share (in \$)					
Basic		\$ (12,07)	\$ 0,47	\$ (12,17)	\$ 0,92
Diluted		\$ (12,07)	\$ 0,47	\$ (12,17)	\$ 0,92
Weighted average number of outstanding shares (in thousands)	6				
Basic		175,554	175,534	175,554	175,528
Diluted		175,554	175,612	175,554	175,605

⁽¹⁾ Comparative figures have been revised (see Note 2C)

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

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

THREE MONTHS ENDED JUNE 30

(IN THOUSANDS OF CANADIAN DOLLARS)

	2019			2018		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income (loss) for the period	\$ (2,118,320)	\$ (400)	\$ (2,118,720)	\$ 83,011	\$ 210	\$ 83,221
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 8)	(127,640)	(16)	(127,656)	(94,563)	(1)	(94,564)
Cash flow hedges (Note 8)	5,061	(3,105)	1,956	(13,918)	–	(13,918)
Share of other comprehensive loss of investments accounted for by the equity method (Note 8)	(1,287)	–	(1,287)	(869)	–	(869)
Income taxes (Note 8)	(4,302)	–	(4,302)	3,926	–	3,926
Total of items that will be reclassified subsequently to net income	(128,168)	(3,121)	(131,289)	(105,424)	(1)	(105,425)
Financial assets at fair value through other comprehensive income (Note 8)	33	–	33	(487)	–	(487)
Income taxes (Note 8)	(7)	–	(7)	25	–	25
Remeasurement on defined benefit plans (Note 8)	(96,577)	–	(96,577)	40,507	–	40,507
Income taxes (Note 8)	16,013	–	16,013	(6,957)	–	(6,957)
Total of items that will not be reclassified subsequently to net income	(80,538)	–	(80,538)	33,088	–	33,088
Total other comprehensive loss for the period	(208,706)	(3,121)	(211,827)	(72,336)	(1)	(72,337)
Total comprehensive income (loss) for the period	\$ (2,327,026)	\$ (3,521)	\$ (2,330,547)	\$ 10,675	\$ 209	\$ 10,884

SIX MONTHS ENDED JUNE 30

(IN THOUSANDS OF CANADIAN DOLLARS)

	2019			2018		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income (loss) for the period	\$ (2,135,625)	\$ (1,411)	\$ (2,137,036)	\$ 161,083	\$ 413	\$ 161,496
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 8)	(221,405)	(134)	(221,539)	9,247	3	9,250
Cash flow hedges (Note 8)	(2,939)	(1,059)	(3,998)	(9,248)	–	(9,248)
Share of other comprehensive loss of investments accounted for by the equity method (Note 8)	(2,611)	–	(2,611)	(99)	–	(99)
Income taxes (Note 8)	(2,893)	–	(2,893)	2,499	–	2,499
Total of items that will be reclassified subsequently to net income	(229,848)	(1,193)	(231,041)	2,399	3	2,402
Financial assets at fair value through other comprehensive income (Note 8)	55	–	55	(189)	–	(189)
Income taxes (Note 8)	12	–	12	25	–	25
Remeasurement on defined benefit plans (Note 8)	(144,772)	–	(144,772)	65,757	–	65,757
Income taxes (Note 8)	24,291	–	24,291	(11,226)	–	(11,226)
Total of items that will not be reclassified subsequently to net income	(120,414)	–	(120,414)	54,367	–	54,367
Total other comprehensive income (loss) for the period	(350,262)	(1,193)	(351,455)	56,766	3	56,769
Total comprehensive income (loss) for the period	\$ (2,485,887)	\$ (2,604)	\$ (2,488,491)	\$ 217,849	\$ 416	\$ 218,265

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

(IN THOUSANDS OF CANADIAN DOLLARS)		SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	Note	2019	2018	2019	2018
Operating activities					
Net income (loss) for the period		\$ (2,118,720)	\$ 83,221	\$ (2,137,036)	\$ 161,496
Income taxes received (paid)		8,106	(27,088)	10,754	(3,408)
Interest paid from E&C		(64,221)	(38,701)	(123,953)	(89,415)
Interest paid from Capital investments		(979)	(324)	(9,660)	(7,132)
Other reconciling items	9A	2,037,037	76,992	2,035,169	170,894
		(138,777)	94,100	(224,726)	232,435
Net change in non-cash working capital items	9B	(228,826)	(154,485)	(391,732)	(439,569)
Net cash used for operating activities		(367,603)	(60,385)	(616,458)	(207,134)
Investing activities					
Acquisition of property and equipment		(28,019)	(37,347)	(61,306)	(68,668)
Payments for Capital investments		–	–	(9,967)	–
Net cash inflow on acquisition of businesses	14	1,920	–	5,539	–
Change in restricted cash position		42,915	4,123	(1,558)	4,123
Increase in receivables under service concession arrangements		(68,753)	(33,841)	(106,221)	(76,957)
Recovery of receivables under service concession arrangements		52,204	18,117	61,702	37,336
Decrease in short-term and long-term investments		–	–	–	1,707
Net cash inflow on disposal of a Capital investment accounted for by the equity method	4A	–	92,214	–	92,214
Other		(5)	9,256	(2,290)	5,770
Net cash generated from (used for) investing activities		262	52,522	(114,101)	(4,475)
Financing activities					
Increase in debt	9C	533,064	956,129	1,195,830	1,874,849
Repayment of debt and payment for debt issue costs	9C	(151,618)	(825,592)	(418,213)	(1,565,321)
Payment of lease liabilities		(27,336)	–	(57,571)	–
Proceeds from exercise of stock options		–	1,078	–	2,701
Dividends paid to SNC-Lavalin shareholders	7, 9C	(17,556)	(50,376)	(35,111)	(100,753)
Other	9C	(962)	1,947	(3,254)	4,631
Net cash generated from financing activities		335,592	83,186	681,681	216,107
Increase (decrease) from exchange differences on translating cash and cash equivalents		(2,476)	(753)	(4,581)	10,340
Net increase (decrease) in cash and cash equivalents		(34,225)	74,570	(53,459)	14,838
Cash and cash equivalents at beginning of period ⁽¹⁾		614,850	646,838	634,084	706,570
Cash and cash equivalents at end of period		\$ 580,625	\$ 721,408	\$ 580,625	\$ 721,408

⁽¹⁾ The amount of \$646.8 million as at March 31, 2018 and the amount of \$706.6 million as at December 31, 2017 included \$1 thousand and \$39 thousand, respectively, of cash and cash equivalents comprised within “Assets of disposal group classified as held for sale and assets held for sale”.

See accompanying notes to interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Notes to Interim Condensed Consolidated Financial Statements

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

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, Canada H2Z 1Z3. SNC-Lavalin Group Inc. is a public company 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 SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company provides consulting, design, engineering, construction management as well as sustaining capital and operations and maintenance expertise, which together are referred to as “E&C”, and is currently working on projects around the world. SNC-Lavalin also makes select investments that are complementary to its other activities, which are referred to as “Capital investments” or “Capital” in these financial statements.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

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

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

The IFRS accounting policies that are set out in Note 2 to the Company’s annual audited consolidated financial statements for the year ended December 31, 2018 were consistently applied to all periods presented, except for the change in an accounting policy and the accounting policy affected by a new standard adopted in the six-month period ended June 30, 2019, as described in Notes 2B and 2C.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3 in the Company’s annual audited consolidated financial statements for the year ended December 31, 2018 and remained unchanged for the six-month period ended June 30, 2019, except for the new judgments and estimates related to the adoption of IFRS 16, *Leases*, effective January 1, 2019, as described in Note 2D.

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) the 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, 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) liability resulting from a contingent consideration arrangement in a business combination, which is measured at its acquisition-date fair value. 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 consolidated 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 realisable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

These interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s 2018 annual audited consolidated financial statements.

These Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 31, 2019.

2. BASIS OF PREPARATION (CONTINUED)

B) NEW STANDARD, AMENDMENTS AND AN INTERPRETATION ADOPTED IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

The following standard, amendments to existing standards and interpretation have been adopted by the Company on January 1, 2019:

- IFRS 16, *Leases*, (“IFRS 16”) provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It superseded IAS 17, *Leases*, (“IAS 17”) and its associated interpretative guidance.
- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9, *Financial Instruments*) allow financial assets with a prepayment option that could result in the option’s holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28, *Investments in Associates and Joint Ventures*) clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IFRS 3, *Business Combinations*, state that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business.
- Amendments to IFRS 11, *Joint Arrangements*, state that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Amendments to IAS 12, *Income Taxes*, clarify that all income tax consequences of dividends (i.e., distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- Amendments to IAS 23, *Borrowing Costs*, clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19, *Employee Benefits*) specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*, sets out how to determine the accounting for tax positions when there is uncertainty over the income tax treatment. The interpretation requires an entity to: i) determine whether uncertain tax positions are assessed separately or as a group; and ii) assess whether it is probable that a tax authority will accept an uncertain tax treatment as filed, or proposed to be filed, by an entity in its tax filings.

Except for IFRS 16, the amendments and interpretation listed above did not have a significant impact on the Company’s financial statements.

2. BASIS OF PREPARATION (CONTINUED)

ADOPTION OF IFRS 16

The Company adopted IFRS 16, *Leases*, on January 1, 2019. Until that date, the Company classified leases as operating or finance leases, in accordance with IAS 17, *Leases*, based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the lessee. Under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. 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 measured at cost, unless it qualifies for fair value measurement, less accumulated depreciation and impairment losses 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. 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.

Based on the change in accounting for leases, depreciation expense on the right-of-use asset and interest expense on the lease liability are replacing the corresponding operating lease expense that was recognized under IAS 17.

The Company has elected to apply IFRS 16 using the modified retrospective method, which consists of applying such standard retrospectively with the cumulative effect being recognized in retained earnings at the date of initial application. Under this method, the lessee could elect, on a lease-by-lease basis, to measure the right-of-use asset based on two methodologies. The first methodology consisted of recognizing a right-of-use asset at a value equal to the lease liability, adjusted for the amount of prepaid or accrued lease payments, at the date of transition. The second methodology consisted of measuring the right-of-use asset at the date of transition as if IFRS 16 had been applied since the commencement date of the lease, but discounted using a rate at the date of initial application. The Company used both methodologies when using the modified retrospective method.

The implementation of IFRS 16 allowed for certain optional practical expedients and optional exemptions at the date of initial application, such as the main options summarized in the following table:

OPTIONAL PRACTICAL EXPEDIENT OR EXEMPTION	BASIS FOR APPLICATION	COMPANY'S ELECTION AT THE DATE OF INITIAL APPLICATION
No reassessment on whether a contract is, or contains, a lease, based on current standards	All leases	Used such practical expedient
Use of the same discount rate for a portfolio of leases with similar characteristics	By portfolio of leases	Used such practical expedient when possible
Use of onerous lease provision instead of impairment review on the right-of-use asset	Lease by lease	Used on leases when applicable
Exemption from recognizing a right-of-use asset and a lease liability when the lease term ends within 12 months of the date of initial application	Lease by lease	Not applied to most of office real estate leases, applied to certain other leases
Exemption from recognizing a right-of-use asset and a lease liability when the underlying asset is of low value	Lease by lease	Did not recognize a right-of-use asset and a lease liability when the underlying asset is of low value
Exemption from recognizing a right-of-use asset and a lease liability when the lease is short term	By class of underlying asset	Not applied to office real estate leases, applied to certain other leases
Exclude initial direct costs from the measurement of the right-of-use asset on transition, when such asset is not deemed to be equal to the lease liability at the date of initial application	Lease by lease	Applied to all leases for which the right-of-use asset was not deemed equal to the lease liability at the date of initial application
Use of hindsight for lease terms for the measurement of the right-of-use asset on transition, when such asset is not deemed to be equal to the lease liability at the date of initial application	Lease by lease	Applied to all leases for which the right-of-use asset is not deemed equal to the lease liability at the date of initial application

2. BASIS OF PREPARATION (CONTINUED)

Since the Company elected to adopt IFRS 16 using the modified retrospective method, the following table summarizes the impacts of adopting IFRS 16 on the Company's consolidated statement of financial position as at January 1, 2019:

Impact on the consolidated statement of financial position

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	DECEMBER 31 2018	IFRS 16 ADOPTION	JANUARY 1 2019
ASSETS				
Right-of-use assets		\$ —	\$ 452,366	\$ 452,366
Deferred income tax asset		652,155	8,892	661,047
Other assets	(a)	12,287,537	26,573	12,314,110
Total assets		\$ 12,939,692	\$ 487,831	\$ 13,427,523
LIABILITIES				
Lease liabilities	(b), (c)	\$ —	\$ 614,152	\$ 614,152
Provisions	(d)	1,088,234	(19,042)	1,069,192
Deferred income tax liability		363,087	1,346	364,433
Other liabilities	(d)	7,832,506	(83,130)	7,749,376
Total liabilities		9,283,827	513,326	9,797,153
EQUITY				
Retained earnings		1,346,624	(25,495)	1,321,129
Other		2,309,241	—	2,309,241
Total equity		3,655,865	(25,495)	3,630,370
Total liabilities and equity		\$ 12,939,692	\$ 487,831	\$ 13,427,523

- Includes mainly net investments in subleases.
- Lease liabilities have been determined using incremental borrowing rates as at January 1, 2019 (weighted-average rate of 4.15%).
- The difference between the amount of lease liabilities and the \$840.4 million of future minimum lease payments under non-cancellable operating leases as at December 31, 2018 was mainly due to: (i) the discounting factors applied to the fixed lease payments; (ii) the exclusion of lease liabilities related to operating leases for which the Company had future committed payments but for which the leased space was not yet available as at January 1, 2019; and (iii) assumptions made on the probability of exercising early termination or renewal options.
- Includes mainly deferred lease incentives, deferred rent and provisions for onerous leases that were incorporated in the measurement of right-of-use assets and/or lease liabilities.

Procedures and controls

The Company has updated and implemented revised procedures and controls in order to meet the requirements of IFRS 16, notably the recording of the transition adjustment and the change in presentation to be reported in the Company's interim condensed consolidated financial statements for the six-month period ended June 30, 2019, as well as additional disclosures to be provided in the Company's 2019 audited annual consolidated financial statements.

C) CHANGES IN ACCOUNTING POLICIES AND IN PRESENTATION

LEASES

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.

2. BASIS OF PREPARATION (CONTINUED)

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:

- (a) 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.
- (b) 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.

SEGMENT DISCLOSURES

Effective January 1, 2019, the Company changed the definition of segment EBIT, its measure of profit or loss for its reportable segments, to reflect a change made to its internal reporting. As such, segment EBIT now includes: i) the contribution attributable to non-controlling interests before income taxes, whereas in the past it excluded such contribution attributable to non-controlling interests before income taxes; and ii) an allocation to the segments of certain other corporate selling, general and administrative expenses. As such, these changes resulted in: i) a reclassification of the contribution attributable to non-controlling interests before income taxes in segment EBIT of \$0.3 million for the three-month period ended June 30, 2018 and of \$0.5 million for the six-month period ended June 30, 2018; and ii) a reclassification of certain other corporate selling, general and administrative expenses in segment EBIT of \$5.8 million in the three-month period ended June 30, 2018 and of \$11.1 million in the six-month period ended June 30, 2018. The Company believes that such inclusions improve the measure of profitability of its reportable segments by better reflecting the overall performance of its reportable segments.

2. BASIS OF PREPARATION (CONTINUED)

At the same time, given the Company's aim to continue to simplify and de-risk its business, SNC-Lavalin further simplified its market-facing structure. This simplification became effective January 1, 2019 and resulted in a change to the Company's reportable segments, which were: i) Engineering, Design and Project Management ("EDPM"); ii) Infrastructure; iii) Nuclear; iv) Resources; and v) Capital. The Company's new strategic direction adopted for the second quarter of 2019 resulted in the restructuring of its activities into two distinct business lines, SNCL Engineering Services and SNCL Projects. From a segmented information stand-point, this change resulted in the split of the Infrastructure segment into two segments, Infrastructure Services and Infrastructure EPC Projects, all other segments remaining the same. As such, the Company's reportable segments are now EDPM, Nuclear, Infrastructure Services and Capital, all part of SNCL Engineering Services, and Resources and Infrastructure EPC projects, which form SNCL Projects. See Note 3 for description of each of the segments.

These changes were made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior figures.

D) CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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*. Such assessment occurs particularly 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 used 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 direct 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 if such modification is to 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.

2. BASIS OF PREPARATION (CONTINUED)

E) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments to standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2020 and thereafter, with an earlier application permitted:

- Amendments to IFRS 3, *Business Combinations*, improve the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.
- *Definition of Material* (Amendments to IAS 1, *Presentation of Financial Statements*, [“IAS 1”] and to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* [“IAS 8”]) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

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

3. SEGMENT DISCLOSURES

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

The description of each of the segments is as follows:

EDPM incorporates all engineering, design and project management services around the world, including the Canadian market, which was within the Infrastructure segment prior to January 1, 2019. It also harnesses our enhanced capabilities in intelligent mobility and digital asset management. Projects are mainly in transportation, (including rail, mass transit and roads), infrastructure, aerospace, defence and security & technology. Some projects are largely funded by the public sector, be it federal Government, its agencies, including departments for transportation and utilities, as well as, states and local authorities.

Nuclear supports clients across the entire Nuclear life cycle 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.

Infrastructure Services provides services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours, district cooling, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agrifood, life sciences, automation, industrial processes), geotechnical engineering, materials testing, and water infrastructure. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity as well as the Linxon subsidiary. In addition, Infrastructure Services also includes Operations & Maintenance (“O&M”) projects.

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects. All investments are structured with the intention to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes capital investments in a variety of infrastructure assets such as bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

Resources combines the full lifecycle services in oil, gas and metals and mining. These areas remain regionally structured across the globe. This allows the Company to serve the cyclical markets while sharing our deep project execution expertise, which apply across all resource projects, and retaining our end-to-end capabilities. Resources includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies, while the mining and metallurgy business is now focused on studies, EPCM scopes, and design and owner’s engineering.

Infrastructure EPC Projects provides end-to-end services to a broad range of sectors, including mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the lump-sum turnkey construction projects related to the former Clean Power segment, as well as the lump-sum turnkey construction projects from Thermal power activities which the Company exited in 2018.

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the three-month periods ended June 30, 2019 and 2018:

THREE MONTHS ENDED JUNE 30		2019				2018 ⁽¹⁾			
	REVENUES	SEGMENT EBIT			REVENUES	SEGMENT EBIT			
		E&C	CAPITAL	TOTAL		E&C	CAPITAL	TOTAL	
EDPM	\$ 972,092	\$ 81,541	\$ –	\$ 81,541	\$ 913,604	\$ 98,708	\$ –	\$ 98,708	
Nuclear	241,866	31,910	–	31,910	233,351	39,120	–	39,120	
Infrastructure Services	285,794	9,907	–	9,907	208,605	15,599	–	15,599	
Capital	74,746	–	69,189	69,189	57,199	–	50,824	50,824	
SNCL Engineering Services	1,574,498	123,358	69,189	192,547	1,412,759	153,427	50,824	204,251	
Resources	479,154	(181,616)	–	(181,616)	794,648	15,797	–	15,797	
Infrastructure EPC projects	230,525	(126,088)	–	(126,088)	319,712	(4,466)	–	(4,466)	
SNCL Projects	709,679	(307,704)	–	(307,704)	1,114,360	11,331	–	11,331	
	\$ 2,284,177				\$ 2,527,119				
Total segment EBIT		(184,346)	69,189	(115,157)		164,758	50,824	215,582	
Corporate selling, general and administrative expenses		(13,374)	(6,434)	(19,808)		(12,314)	(6,381)	(18,695)	
Impairment loss arising from expected credit losses		(96)	–	(96)		(124)	–	(124)	
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(10,385)	–	(10,385)		4,567	7	4,574	
Net 2012 class action lawsuits settlement expense		–	–	–		(88,000)	–	(88,000)	
Restructuring costs		(41,587)	(207)	(41,794)		(1,053)	–	(1,053)	
Acquisition-related costs and integration costs		(3,964)	–	(3,964)		(12,789)	–	(12,789)	
Amortization of intangible assets related to business combinations		(48,738)	–	(48,738)		(52,787)	–	(52,787)	
Gain on disposal of a Capital investment (Note 4A)		–	–	–		–	62,714	62,714	
Loss from adjustment on disposals of E&C businesses		(91)	–	(91)		(312)	–	(312)	
Impairment of intangible assets related to business combinations (Note 15)		(72,831)	–	(72,831)		–	–	–	
Impairment of goodwill (Note 15)		(1,801,015)	–	(1,801,015)		–	–	–	
EBIT	(2,176,427)	62,548	(2,113,879)		1,946	107,164	109,110		
Net financial expenses (Note 5)	88,354	4,594	92,948		35,447	1,653	37,100		
Earnings (loss) before income taxes	(2,264,781)	57,954	(2,206,827)		(33,501)	105,511	72,010		
Income taxes	(80,609)	(7,498)	(88,107)		(16,902)	5,691	(11,211)		
Net income (loss) for the period	\$ (2,184,172)	\$ 65,452	\$ (2,118,720)		\$ (16,599)	\$ 99,820	\$ 83,221		
Net income (loss) attributable to:									
SNC-Lavalin shareholders	\$ (2,183,772)	\$ 65,452	\$ (2,118,320)		\$ (16,809)	\$ 99,820	\$ 83,011		
Non-controlling interests	(400)	–	(400)		210	–	210		
Net income (loss) for the period	\$ (2,184,172)	\$ 65,452	\$ (2,118,720)		\$ (16,599)	\$ 99,820	\$ 83,221		

⁽¹⁾ Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and changes made to the Company's reporting structure (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and EBIT according to the Company's segments for the six-month periods ended June 30, 2019 and 2018:

SIX MONTHS ENDED JUNE 30		2019				2018 ⁽¹⁾			
	REVENUES	SEGMENT EBIT			REVENUES	SEGMENT EBIT			
		E&C	CAPITAL	TOTAL		E&C	CAPITAL	TOTAL	
EDPM	\$ 1,955,047	\$ 161,770	\$ –	\$ 161,770	\$ 1,792,614	\$ 172,208	\$ –	\$ 172,208	
Nuclear	465,560	42,702	–	42,702	463,378	69,816	–	69,816	
Infrastructure Services	521,156	19,666	–	19,666	410,132	23,278	–	23,278	
Capital	146,923	–	134,588	134,588	121,396	–	107,244	107,244	
SNCL Engineering Services	3,088,686	224,138	134,588	358,726	2,787,520	265,302	107,244	372,546	
Resources	1,064,386	(243,014)	–	(243,014)	1,551,747	68,145	–	68,145	
Infrastructure EPC projects	494,298	(132,176)	–	(132,176)	619,246	3,664	–	3,664	
SNCL Projects	1,558,684	(375,190)	–	(375,190)	2,170,993	71,809	–	71,809	
	\$ 4,647,370				\$ 4,958,513				
Total segment EBIT		(151,052)	134,588	(16,464)		337,111	107,244	444,355	
Corporate selling, general and administrative expenses		(11,638)	(14,414)	(26,052)		(30,553)	(13,476)	(44,029)	
Impairment loss arising from expected credit losses		(455)	–	(455)		(654)	–	(654)	
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(21,521)	–	(21,521)		883	(485)	398	
Net 2012 class action lawsuits settlement expense		–	–	–		(88,000)	–	(88,000)	
Restructuring costs		(49,592)	(2,569)	(52,161)		(2,581)	–	(2,581)	
Acquisition-related costs and integration costs		(9,022)	–	(9,022)		(23,491)	–	(23,491)	
Amortization of intangible assets related to business combinations		(100,283)	–	(100,283)		(109,514)	–	(109,514)	
Gain on disposal of a Capital investment (Note 4A)		–	–	–		–	62,714	62,714	
Loss from adjustment on disposals of E&C businesses		(174)	–	(174)		(312)	–	(312)	
Impairment of intangible assets related to business combinations (Note 15)		(72,831)	–	(72,831)		–	–	–	
Impairment of goodwill (Note 15)		(1,801,015)	–	(1,801,015)		–	–	–	
EBIT		(2,217,583)	117,605	(2,099,978)		82,889	155,997	238,886	
Net financial expenses (Note 5)		136,452	8,918	145,370		76,195	2,930	79,125	
Earnings (loss) before income taxes		(2,354,035)	108,687	(2,245,348)		6,694	153,067	159,761	
Income taxes		(101,497)	(6,815)	(108,312)		(8,451)	6,716	(1,735)	
Net income (loss) for the period	\$ (2,252,538)	\$ 115,502	\$ (2,137,036)		\$ 15,145	\$ 146,351	\$ 161,496		
Net income (loss) attributable to:									
SNC-Lavalin shareholders	\$ (2,251,127)	\$ 115,502	\$ (2,135,625)		\$ 14,732	\$ 146,351	\$ 161,083		
Non-controlling interests	(1,411)	–	(1,411)		413	–	413		
Net income (loss) for the period	\$ (2,252,538)	\$ 115,502	\$ (2,137,036)		\$ 15,145	\$ 146,351	\$ 161,496		

⁽¹⁾ Comparative figures have been revised to reflect changes made to the measure of profit or loss for the Company's reportable segments and changes made to the Company's reporting structure (see Note 2C).

3. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below supplementary information such as its net income (loss) from E&C, its dividends from 407 International Inc. ("Highway 407 ETR"), and its net income from other Capital investments, as this information may be useful in assessing the Company's value.

It should be noted that 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.

	SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
Supplementary information:				
Net loss from adjustment on disposals of E&C businesses	\$ (91)	\$ (312)	\$ (174)	\$ (312)
Net 2012 class action lawsuits settlement expense, after income taxes	–	(64,504)	–	(64,504)
Impairment of intangible assets related to business combinations (Note 15)	(60,135)	–	(60,135)	–
Impairment of goodwill (Note 15)	(1,720,889)	–	(1,720,889)	–
Excluding the items listed above	(402,657)	48,007	(469,929)	79,548
Net income (loss) attributable to SNC-Lavalin shareholders from E&C	(2,183,772)	(16,809)	(2,251,127)	14,732
Net gain on disposal of a Capital investment (Note 4A)	–	58,403	–	58,403
Highway 407 ETR dividends	41,935	37,952	83,870	75,904
Excluding the items listed above	23,517	3,465	31,632	12,044
Net income attributable to SNC-Lavalin shareholders from Capital	65,452	99,820	115,502	146,351
Net income (loss) attributable to SNC-Lavalin shareholders for the period	\$ (2,118,320)	\$ 83,011	\$ (2,135,625)	\$ 161,083

3. SEGMENT DISCLOSURES (CONTINUED)

REVENUES BY GEOGRAPHIC AREA

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

THREE MONTHS ENDED JUNE 30	2019			2018		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	\$ 610,078	\$ 63,267	\$ 673,345	\$ 669,177	\$ 52,871	\$ 722,048
United States	463,957	24	463,981	391,844	7,032	398,876
Latin America	37,278	—	37,278	99,567	—	99,567
Middle East and Africa:						
Saudi Arabia	184,212	—	184,212	258,907	—	258,907
Other Middle East countries	194,151	(3,375)	190,776	231,404	1,112	232,516
Africa	85,557	6,663	92,220	111,556	(959)	110,597
Asia Pacific:						
Australia	45,903	—	45,903	156,420	—	156,420
Other	76,243	7	76,250	57,146	5	57,151
Europe:						
United Kingdom	432,881	(972)	431,909	409,531	2,205	411,736
Other	88,303	—	88,303	79,301	—	79,301
	\$ 2,218,563	\$ 65,614	\$ 2,284,177	\$ 2,464,853	\$ 62,266	\$ 2,527,119

SIX MONTHS ENDED JUNE 30	2019			2018		
	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL	REVENUE FROM CONTRACTS WITH CUSTOMERS	OTHER REVENUE	TOTAL
Americas:						
Canada	\$ 1,226,004	\$ 124,433	\$ 1,350,437	\$ 1,291,580	\$ 106,798	\$ 1,398,378
United States	898,943	3,968	902,911	814,595	12,441	827,036
Latin America	107,295	—	107,295	188,166	—	188,166
Middle East and Africa:						
Saudi Arabia	418,216	—	418,216	493,863	—	493,863
Other Middle East countries	404,178	2,945	407,123	397,900	1,988	399,888
Africa	150,273	13,010	163,283	194,695	4,704	199,399
Asia Pacific:						
Australia	102,816	—	102,816	345,101	—	345,101
Other	127,859	12	127,871	115,833	18	115,851
Europe:						
United Kingdom	901,031	327	901,358	839,170	4,726	843,896
Other	166,060	—	166,060	146,935	—	146,935
	\$ 4,502,675	\$ 144,695	\$ 4,647,370	\$ 4,827,838	\$ 130,675	\$ 4,958,513

In the three-month periods ended June 30, 2019, Canada, the United States and the United Kingdom (2018: Canada, the United States, Saudi Arabia and the United Kingdom) were the only countries where the Company derived more than 10% of its revenues. In the six-month periods ended June 30, 2019 and 2018, Canada, the United States and the United Kingdom were the only countries where the Company derived more than 10% of its revenues.

3. SEGMENT DISCLOSURES (CONTINUED)

REVENUES BY TYPES OF CONTRACTS

The Company's revenues are derived primarily from three major types of contracts. The types of contracts presented are defined as follow:

Reimbursable and engineering service 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. Engineering service contracts include: i) time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks; and ii) O&M contracts.

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

Lump-sum turnkey construction contracts: Under lump-sum turnkey 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.

3. SEGMENT DISCLOSURES (CONTINUED)

The following tables present revenues by type of contract:

THREE MONTHS ENDED JUNE 30					2018 ⁽¹⁾				
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	
EDPM	\$ 973,022	\$ –	\$ –	\$ 973,022	\$ 911,309	\$ –	\$ –	\$ 911,309	
Nuclear	221,892	–	20,301	242,193	224,912	–	2,226	227,138	
Infrastructure Services	164,305	121,489	–	285,794	182,094	26,511	–	208,605	
Revenue from contracts with customers -									
SNCL Engineering Services, excluding Capital	1,359,219	121,489	20,301	1,501,009	1,318,315	26,511	2,226	1,347,052	
Resources	338,082	–	144,129	482,211	479,450	–	313,843	793,293	
Infrastructure EPC projects	–	–	230,525	230,525	–	–	319,712	319,712	
Revenue from contracts with customers -									
SNCL Projects	338,082	–	374,654	712,736	479,450	–	633,555	1,113,005	
	\$ 1,697,301	\$ 121,489	\$ 394,955	\$ 2,213,745	\$ 1,797,765	\$ 26,511	\$ 635,781	\$ 2,460,057	
Revenue from E&C investments accounted for by the equity method				(4,314)				9,863	
Revenue from contracts with customers - Capital segment				4,818				4,796	
Other revenue - Capital segment				69,928				52,403	
				\$ 2,284,177				\$ 2,527,119	
SIX MONTHS ENDED JUNE 30					2018 ⁽¹⁾				
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL	
EDPM	\$ 1,954,666	\$ –	\$ –	\$ 1,954,666	\$ 1,787,393	\$ –	\$ –	\$ 1,787,393	
Nuclear	441,129	–	21,377	462,506	447,650	–	4,857	452,507	
Infrastructure Services	325,647	195,509	–	521,156	369,642	40,490	–	410,132	
Revenue from contracts with customers -									
SNCL Engineering Services, excluding Capital	2,721,442	195,509	21,377	2,938,328	2,604,685	40,490	4,857	2,650,032	
Resources	685,076	–	375,703	1,060,779	1,003,883	–	545,961	1,549,844	
Infrastructure EPC projects	–	–	494,086	494,086	–	–	619,246	619,246	
Revenue from contracts with customers -									
SNCL Projects	685,076	–	869,789	1,554,865	1,003,883	–	1,165,207	2,169,090	
	\$ 3,406,518	\$ 195,509	\$ 891,166	\$ 4,493,193	\$ 3,608,568	\$ 40,490	\$ 1,170,064	\$ 4,819,122	
Revenue from E&C investments accounted for by the equity method				7,254				17,995	
Revenue from contracts with customers - Capital segment				9,482				8,716	
Other revenue - Capital segment				137,441				112,680	
				\$ 4,647,370				\$ 4,958,513	

⁽¹⁾ Comparative figures have been revised to reflect changes made to the Company's reporting structure (see Note 2C).

4. CAPITAL INVESTMENTS

SNC-Lavalin makes investments in infrastructure concessions for public services such as airports, bridges, public service buildings, highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, (“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

I) IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

TRANSITNEXT GENERAL PARTNERSHIP

On March 29, 2019, SNC-Lavalin announced that its wholly-owned subsidiary, TransitNEXT General Partnership (“TransitNEXT”), signed an agreement with the City of Ottawa to design, build, finance and maintain the new Trillium Line extension, and to also assume responsibility for the long-term maintenance of the existing Trillium Line, under a 30-year contract.

Also, TransitNEXT entered into a credit facility agreement, which is non-recourse to SNC-Lavalin. The aggregate maximum principal amount of the credit facility is \$149.0 million. The credit facility bears interest at a rate of CDOR plus an applicable margin and is repayable the latest on February 10, 2024. The credit facility is secured by all assets of TransitNEXT.

Furthermore, in relation to the credit facility above, TransitNEXT entered into an interest rate swap agreement with financial institutions under which TransitNEXT pays interest at a fixed rate and receives interest at a rate of CDOR.

In addition, a wholly-owned entity indirectly holding TransitNEXT entered into a term loan facility agreement, which is non-recourse to SNC-Lavalin. 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.

SNC-Lavalin’s investment in TransitNEXT is accounted for by the consolidation method.

AGREEMENT TO SELL A 10.01% INTEREST IN HIGHWAY 407 ETR

On April 5, 2019, SNC-Lavalin announced that the Company entered into an agreement with Ontario Municipal Employees Retirement System (“OMERS”) to sell 10.01% of the shares of Highway 407 ETR (the “Subject Shares”), subject to shareholders’ rights, including rights of first refusal in favour of certain other shareholders of Highway 407 ETR.

On May 17, 2019, SNC-Lavalin announced, prior to the expiry of the relevant notice and acceptance period, that the other shareholders of Highway 407 ETR exercised their rights of first refusal to purchase all of the Subject Shares on the same terms and conditions as those set out in the transaction documents with OMERS. On the basis of the shareholders exercise of their rights of first refusal and in accordance with the sale contract, SNC-Lavalin terminated the transaction with OMERS, which is subject to a payment of a break fee of 2.5% of the purchase price.

The transaction with one or both of the other shareholders of Highway 407 ETR is expected to be completed in the third quarter of 2019, but timing will be dictated in large measure by a court resolution of a dispute over whether a long-standing waiver by Cintra, one of the other shareholders, of its right of first refusal over SNC-Lavalin’s Highway 407 ETR shares applies in the present circumstances. Gross proceeds from the sale could reach \$3.25 billion in aggregate, \$3.0 billion payable at the closing date and up to \$250 million over a period of 10 years, conditional to certain financial thresholds related to the future performance of Highway 407 ETR. As at June 30, 2019, the net book value of SNC-Lavalin’s investment in Highway 407 ETR was \$nil. SNC-Lavalin’s 10.01% interest in Highway 407 ETR to be sold represents an asset held for sale as at June 30, 2019.

The remaining SNC-Lavalin’s 6.76% ownership interest in Highway 407 ETR will continue to be accounted for under the equity method of accounting.

4. CAPITAL INVESTMENTS (CONTINUED)

II) IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

On June 28, 2018, SNC-Lavalin announced that it has finalized the transfer of its investment in McGill Healthcare Infrastructure Group (“MHIG”) and its holding company to SNC-Lavalin Infrastructure Partners LP (the “SNCL IP Partnership”).

Net gain on disposal of MHIG

SIX MONTHS ENDED JUNE 30	2018
Consideration received in cash	\$ 92,214
Consideration received in equity instruments of the SNCL IP Partnership	23,054
Total consideration received	115,268
Net assets disposed of ⁽¹⁾	(50,792)
Disposition-related costs	(1,762)
Gain on disposal of MHIG	62,714
Income taxes	(4,311)
Net gain on disposal of MHIG	\$ 58,403

⁽¹⁾ Net assets disposed of mainly included a loan receivable of \$88.9 million, a Capital investment accounted for by the equity method of \$17.5 million, a deferred income tax liability of \$59.3 million and other current net assets of \$3.7 million.

B) NET BOOK VALUE OF CAPITAL INVESTMENTS

The Company’s consolidated statement of financial position includes the following net assets (liabilities) from its consolidated Capital investments and net book value from its Capital investments accounted for by the equity and cost methods.

	JUNE 30 2019	DECEMBER 31 2018
Net assets (liabilities) from Capital investments accounted for by the consolidation method	\$ (27,570)	\$ 1,200
Net book value of Capital investments accounted for by the equity method ⁽²⁾	387,792	357,249
Net book value of Capital investments accounted for by the cost method	10,548	10,663
Total net book value of Capital investments	\$ 370,770	\$ 369,112

⁽²⁾ Includes the Company’s investment in Highway 407 ETR, for which the net book value was \$nil as at June 30, 2019 and December 31, 2018.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US\$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group, subject to certain conditions. Such commitment to invest amounted to US\$92.5 million (approximately CA\$122.8 million) as at June 30, 2019 (December 31, 2018: US\$92.5 million [approximately CA\$126.0 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

5. NET FINANCIAL EXPENSES

THREE MONTHS ENDED JUNE 30			2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL
Interest on debt:								
Recourse	\$ 28,594	\$ –	\$ 28,594	\$ 19,513	\$ –	\$ 19,513		
Limited recourse	12,791	–	12,791	22,080	–	22,080		
Non-recourse	1,736	4,619	6,355	–	4,239	4,239		
Interest on lease liability	5,522	77	5,599	–	–	–		
Other ⁽¹⁾	43,290	–	43,290	1,305	3	1,308		
Financial expenses	91,933	4,696	96,629	42,898	4,242	47,140		
Financial income	(1,807)	(21)	(1,828)	(2,386)	(2,178)	(4,564)		
Net foreign exchange losses (gains)	(1,772)	(81)	(1,853)	(5,065)	(411)	(5,476)		
Financial income and net foreign exchange losses (gains)	(3,579)	(102)	(3,681)	(7,451)	(2,589)	(10,040)		
Net financial expenses	\$ 88,354	\$ 4,594	\$ 92,948	\$ 35,447	\$ 1,653	\$ 37,100		

SIX MONTHS ENDED JUNE 30			2019			2018		
	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL	TOTAL	FROM E&C	FROM CAPITAL
Interest on debt:								
Recourse	\$ 53,946	\$ –	\$ 53,946	\$ 34,384	\$ –	\$ 34,384		
Limited recourse	31,361	–	31,361	48,112	–	48,112		
Non-recourse	3,006	8,873	11,879	–	7,681	7,681		
Interest on lease liabilities	11,385	77	11,462	–	–	–		
Other ⁽¹⁾	46,204	–	46,204	(2,856)	8	(2,848)		
Financial expenses	145,902	8,950	154,852	79,640	7,689	87,329		
Financial income	(3,540)	(40)	(3,580)	(4,225)	(4,405)	(8,630)		
Net foreign exchange losses (gains)	(5,910)	8	(5,902)	780	(354)	426		
Financial income and net foreign exchange losses (gains)	(9,450)	(32)	(9,482)	(3,445)	(4,759)	(8,204)		
Net financial expenses	\$ 136,452	\$ 8,918	\$ 145,370	\$ 76,195	\$ 2,930	\$ 79,125		

⁽¹⁾ In the second quarter of 2019, “Other” included \$33.8 million of loss related to the amendments of the CDPQ Loan (see Note 13) and \$3.7 million related to other E&C financing arrangements in connection with the agreement to sell 10.01% of the shares of Highway 407 ETR.

6. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the second quarters and six-month periods ended June 30, 2019 and 2018 used to calculate the basic and diluted earnings (loss) per share were as follows:

(IN THOUSANDS)	SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
Weighted average number of outstanding shares - basic	175,554	175,534	175,554	175,528
Dilutive effect of stock options	–	78	–	77
Weighted average number of outstanding shares - diluted	175,554	175,612	175,554	175,605

In the second quarter and six-month period ended June 30, 2019, 260,866 outstanding stock options have not been included in the computation of diluted loss per share because they were anti-dilutive. In the second quarter and six-month period ended June 30, 2018, all outstanding stock options have been included in the computation of diluted earnings per share.

7. DIVIDENDS

During the six-month period ended June 30, 2019, the Company recognized as distributions to its equity shareholders dividends of \$35.1 million or \$0.20 per share (2018: \$100.8 million or \$0.574 per share).

SIX MONTHS ENDED JUNE 30	2019	2018
Dividends payable at January 1	\$ —	\$ —
Dividends declared during the period	35,111	100,753
Dividends paid during the period	(35,111)	(100,753)
Dividends payable at June 30	\$ —	\$ —

8. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at June 30, 2019 and December 31, 2018:

	JUNE 30 2019	DECEMBER 31 2018
Exchange differences on translating foreign operations	\$ 283,892	\$ 505,297
Cash flow hedges	(14,512)	(7,989)
Share of other comprehensive income (loss) of investments accounted for by the equity method	(29)	1,891
Other components of equity	\$ 269,351	\$ 499,199

- 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 the hedging instrument, 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 the other comprehensive income (loss) from its investments accounted for by the equity method.

8. OTHER COMPONENTS OF EQUITY (CONTINUED)

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 second quarters and the six-month periods ended June 30, 2019 and 2018:

	SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$ 411,532	\$ 384,629	\$ 505,297	\$ 266,497
Transitional adjustment on adoption of a new accounting standard	—	—	—	14,322
Current period gains (losses)	(141,525)	(108,473)	(225,451)	35,434
Net investment hedge - current period gains (losses)	13,885	13,910	4,046	(26,187)
Balance at end of period	283,892	290,066	283,892	290,066
Available-for-sale financial assets:				
Balance at beginning of period	—	—	—	8,874
Transitional adjustment on adoption of a new accounting standard	—	—	—	(8,874)
Balance at end of period	—	—	—	—
Cash flow hedges:				
Balance at beginning of period	(14,930)	2,881	(7,989)	(566)
Current period gains (losses)	(6,571)	(5,673)	(7,892)	(7,635)
Income tax relating to current period losses	(2,927)	2,581	(1,498)	2,875
Reclassification to net income	11,632	(8,245)	4,953	(1,613)
Income taxes relating to amounts reclassified to net income	(1,716)	1,115	(2,086)	(402)
Balance at end of period	(14,512)	(7,341)	(14,512)	(7,341)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	917	3,735	1,891	3,169
Current period share	(1,287)	(942)	(2,611)	(264)
Income taxes relating to current period share	341	250	691	70
Reclassification to net income	—	73	—	165
Income taxes relating to amounts reclassified to net income	—	(20)	—	(44)
Balance at end of period	(29)	3,096	(29)	3,096
Other components of equity	\$ 269,351	\$ 285,821	\$ 269,351	\$ 285,821

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

Remeasurement recognized in other comprehensive income

The following tables provide 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 second quarters and the six-month periods ended June 30, 2019 and 2018:

THREE MONTHS ENDED JUNE 30	2019			2018		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (158,303)	\$ 26,884	\$ (131,419)	\$ (26,926)	\$ 4,009	\$ (22,917)
Gains (losses) recognized during the period	(96,577)	16,013	(80,564)	40,507	(6,957)	33,550
Cumulative amount at end of period	\$ (254,880)	\$ 42,897	\$ (211,983)	\$ 13,581	\$ (2,948)	\$ 10,633

SIX MONTHS ENDED JUNE 30	2019			2018		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (110,108)	\$ 18,606	\$ (91,502)	\$ (52,176)	\$ 8,278	\$ (43,898)
Gains (losses) recognized during the period	(144,772)	24,291	(120,481)	65,757	(11,226)	54,531
Cumulative amount at end of period	\$ (254,880)	\$ 42,897	\$ (211,983)	\$ 13,581	\$ (2,948)	\$ 10,633

8. OTHER COMPONENTS OF EQUITY (CONTINUED)

Financial assets at fair value through other comprehensive income

THREE MONTHS ENDED JUNE 30	2019			2018		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ 21	\$ 68	\$ 89	\$ 298	\$ –	\$ 298
Gains (losses) recognized during the period	33	(7)	26	(487)	25	(462)
Cumulative amount at end of period	\$ 54	\$ 61	\$ 115	\$ (189)	\$ 25	\$ (164)

SIX MONTHS ENDED JUNE 30	2019			2018		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (1)	\$ 49	\$ 48	\$ –	\$ –	\$ –
Gains (losses) recognized during the period	55	12	67	(189)	25	(164)
Cumulative amount at end of period	\$ 54	\$ 61	\$ 115	\$ (189)	\$ 25	\$ (164)

9. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

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

	SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
Depreciation of property and equipment and amortization of intangible assets	\$ 79,825	\$ 78,692	\$ 160,090	\$ 162,835
Depreciation of right-of-use assets	25,428	–	52,427	–
Income taxes recognized in net income	(88,107)	(11,211)	(108,312)	(1,735)
Net financial expenses recognized in net income (Note 5)	92,948	37,100	145,370	79,125
Share-based expense	18,250	11,009	16,928	24,335
Income from Capital investments accounted for by the equity method	(63,383)	(46,517)	(122,590)	(97,798)
Dividends and distributions received from Capital investments accounted for by the equity method	43,317	41,953	86,931	80,662
Loss (income) from E&C investments accounted for by the equity method ⁽¹⁾	4,314	(9,863)	(7,254)	(17,995)
Dividends and distributions received from E&C investments accounted for by the equity method ⁽¹⁾	9,110	3,334	11,863	6,470
Net change in provisions related to forecasted losses on certain contracts	31,562	(16,699)	(54,777)	(44,863)
Gain on disposal of a Capital investment (Note 4A)	–	(62,714)	–	(62,714)
Restructuring costs recognized in net income	41,794	1,053	52,161	2,581
Restructuring costs paid	(18,181)	(4,162)	(39,614)	(12,582)
Loss from adjustment on disposals of E&C businesses	91	312	174	312
Net 2012 class action lawsuits settlement	–	88,000	–	88,000
Impairment of intangible assets related to business combinations (Note 15)	72,831	–	72,831	–
Impairment of goodwill (Note 15)	1,801,015	–	1,801,015	–
Other	(13,777)	(33,295)	(32,074)	(35,739)
Other reconciling items	\$ 2,037,037	\$ 76,992	\$ 2,035,169	\$ 170,894

⁽¹⁾ In 2018, “Income from E&C investments accounted for by the equity method” and “Dividends and distributions received from E&C investments accounted for by the equity method” were included in “Other” in “Other reconciling items”.

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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:

	SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
Decrease (increase) in trade receivables	\$ (67,064)	\$ 63,117	\$ 2,291	\$ 93,600
Decrease (increase) in contract assets	66,755	(65,138)	(159,328)	(275,337)
Decrease (increase) in inventories	(25,511)	2,219	(44,032)	(2,351)
Increase in other current financial assets	(26,924)	(44,342)	(43,932)	(9,580)
Increase in other current non-financial assets	(28,798)	(12,151)	(4,201)	(33,515)
Decrease in trade payables	(32,548)	(48,415)	(11,722)	(59,104)
Decrease in contract liabilities	(23,850)	(14,949)	(57,763)	(45,846)
Increase (decrease) in other current financial liabilities	(58,690)	(12,935)	12,123	(12,607)
Decrease in other current non-financial liabilities	(32,196)	(21,891)	(85,168)	(94,829)
Net change in non-cash working capital items	\$ (228,826)	\$ (154,485)	\$ (391,732)	\$ (439,569)

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 six-month period ended June 30, 2019:

	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, 2019	\$ 2,288,020	\$ 980,303	\$ 399,705	\$ —	\$ —	\$ 53,505	\$ 61,508
Transitional adjustments on adoption of a new accounting standard (Note 2B)	—	—	—	614,152	—	(2,929)	(60,044)
Adjusted balance at January 1, 2019	2,288,020	980,303	399,705	614,152	—	50,576	1,464
Changes arising from cash flows:							
Increase	1,119,988	—	75,842	—	—	125	5,313
Repayment	(415,331)	—	(2,882)	(57,571)	(35,111)	(2,255)	(6,426)
Total - changes arising from cash flows	704,657	—	72,960	(57,571)	(35,111)	(2,130)	(1,113)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	35,111	—	—
Effect of foreign currency exchange differences	(3,316)	—	(1,642)	(8,811)	—	(811)	100
Amortization of deferred financing costs and discounts	2,067	19,697	1,301	—	—	—	—
Loss on derivatives used for hedges	—	—	—	—	—	(6,396)	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	258	—
Net increase in lease liabilities	—	—	—	26,069	—	—	—
Balance at June 30, 2019	\$ 2,991,428	\$ 1,000,000	\$ 472,324	\$ 573,839	\$ —	\$ 41,497	\$ 451

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

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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

SIX MONTHS ENDED JUNE 30

2019

	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 1,119,988	\$ (87,051)	\$ –
Series 2 Debentures	–	(150,000)	–
Series 5 Debentures	–	(150,000)	–
Bank overdraft	–	(28,280)	–
Total – Recourse debt	1,119,988	(415,331)	–
Non-recourse debt:			
Credit facility – InPower BC General Partnership	6,865	–	–
Credit facility – TransitNEXT General Partnership (Note 4A)	62,365	–	(998)
Senior Secured notes of an E&C investment	6,612	(1,884)	–
Total – Non-recourse debt	75,842	(1,884)	(998)
Total	\$ 1,195,830	\$ (417,215)	\$ (998)

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

	JUNE 30 2019	JANUARY 1 2019
Recourse short-term debt	\$ 1,819,385	\$ 1,116,587
Recourse long-term debt	1,172,043	1,171,433
Total	\$ 2,991,428	\$ 2,288,020

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

	JUNE 30 2019	JANUARY 1 2019
Non-recourse short-term debt from Capital investments	\$ 72,033	\$ 57,240
Non-recourse short-term debt from E&C	4,339	2,928
Non-recourse short-term debt	76,372	60,168
Non-recourse long-term debt from Capital investments	345,918	292,125
Non-recourse long-term debt from E&C	50,034	47,412
Non-recourse long-term debt	395,952	339,537
Total	\$ 472,324	\$ 399,705

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

	JUNE 30 2019	JANUARY 1 2019
Current portion of lease liabilities	\$ 106,527	\$ –
Non-current portion of lease liabilities	467,312	–
Total	\$ 573,839	\$ –

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

SIX MONTHS ENDED JUNE 30	2019
Other non-current financial liabilities	\$ (2,130)
Other non-current non-financial liabilities	(1,113)
Other	(11)
Total	\$ (3,254)

9. STATEMENTS OF CASH FLOWS (CONTINUED)

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the six-month period ended June 30, 2018:

	Recourse debt ⁽¹⁾	Limited recourse debt	Non-recourse debt ⁽²⁾	Dividends declared to SNC-Lavalin shareholders	Other non- current financial liabilities ⁽³⁾	Other non- current non- financial liabilities ⁽³⁾
Balance at January 1, 2018	\$ 1,345,539	\$ 1,475,177	\$ 312,964	\$ —	\$ 15,425	\$ 53,367
Changes arising from cash flows:						
Increase	1,845,065	—	29,784	—	5,226	11,108
Repayment	(1,065,321)	(500,000)	—	(100,753)	(1,382)	(10,125)
Total - changes arising from cash flows	779,744	(500,000)	29,784	(100,753)	3,844	983
Non-cash changes:						
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	100,753	—	—
Effect of foreign currency exchange differences	49,055	—	410	—	305	58
Amortization of deferred financing costs and discounts	3,583	3,352	455	—	—	—
Loss on derivatives used for hedges	—	—	—	—	6,578	—
Balance at June 30, 2018	\$ 2,177,921	\$ 978,529	\$ 343,613	\$ —	\$ 26,152	\$ 54,408

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

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

SIX MONTHS ENDED JUNE 30

2018

	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 670,865	\$ (663,552)	\$ (1,526)
Term Facility	—	(397,553)	—
Term Loan	500,000	—	(1,375)
2020 Debentures	—	—	(357)
Series 2, 3 and 4 Debentures	523,713	—	(800)
Series 5 Debentures	149,850	—	(158)
Bank overdraft	637	—	—
Total – Recourse debt	1,845,065	(1,061,105)	(4,216)
Non-recourse debt:			
Credit facility – InPower BC General Partnership	29,784	—	—
Total – Non-recourse debt	29,784	—	—
Total	\$ 1,874,849	\$ (1,061,105)	\$ (4,216)

9. STATEMENTS OF CASH FLOWS (CONTINUED)

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

	JUNE 30 2018	JANUARY 1 2018
Recourse short-term debt	\$ 657,384	\$ 318,757
Recourse long-term debt	1,520,537	1,026,782
Total	\$ 2,177,921	\$ 1,345,539

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

	JUNE 30 2018	JANUARY 1 2018
Non-recourse short-term debt from Capital investments	\$ 15,976	\$ 15,566
Non-recourse long-term debt from Capital investments	327,637	297,398
Total	\$ 343,613	\$ 312,964

(3) 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:

SIX MONTHS ENDED JUNE 30	2018
Other non-current financial liabilities	\$ 3,844
Other non-current non-financial liabilities	983
Other	(196)
Total	\$ 4,631

10. 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 second quarters and six-month periods ended June 30, 2019 and 2018, SNC-Lavalin recognized the following transactions with its related parties:

	SECOND QUARTERS		SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
E&C revenue from contracts with investments accounted for by the equity method	\$ 137,363	\$ 301,197	\$ 336,236	\$ 551,607
Income from Capital investments accounted for by the equity method	63,383	46,517	122,590	97,798
Dividends and distributions received from Capital investments accounted for by the equity method	43,317	41,953	86,931	80,662
Income (loss) from E&C investments accounted for by the equity method	(4,314)	9,863	7,254	17,995
Dividends and distributions received from E&C investments accounted for by the equity method	\$ 9,110	\$ 3,334	\$ 11,863	\$ 6,470

As at June 30, 2019 and December 31, 2018, SNC-Lavalin has the following balances with its related parties:

	JUNE 30 2019	DECEMBER 31 2018
Trade receivables from investments accounted for by the equity method	\$ 118,378	\$ 117,359
Other current financial assets receivable from investments accounted for by the equity method	136,585	131,694
Remaining commitment to invest in Capital investments accounted for by the equity method	\$ 98,050	\$ 108,312

In the second quarter of 2018, SNC-Lavalin transferred its investment in MHIG and its holding company to an investment accounted for by the equity method, namely SNCL IP LP, which resulted in a gain on disposal of \$62.7 million before income taxes (\$58.4 million after income taxes) (see Note 4A).

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

11. FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at June 30, 2019 and December 31, 2018 by category and classification, with the corresponding fair value, when available:

AT JUNE 30

		2019					
		CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
				AMORTIZED	DERIVATIVES	TOTAL	FAIR VALUE
		FVTPL ⁽¹⁾	FVTOCI ⁽²⁾	COST	USED FOR HEDGES		
Cash and cash equivalents	\$	580,625	\$ —	\$ —	\$ —	\$ 580,625	\$ 580,625
Restricted cash		11,806	—	—	—	11,806	11,806
Trade receivables		—	—	1,528,206	—	1,528,206	1,528,206
Other current financial assets		5,849	—	255,800	44,043	305,692	308,506
Capital investments accounted for by the cost method		—	10,548	—	—	10,548	10,548
Non-current portion of receivables under service concession arrangements ⁽³⁾		—	—	359,447	—	359,447	395,156
Other non-current financial assets ⁽³⁾		—	279	55,172	5,919	61,370	61,370
Total	\$	598,280	\$ 10,827	\$ 2,198,625	\$ 49,962	\$ 2,857,694	\$ 2,896,217

AT DECEMBER 31

		2018					
		CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
				AMORTIZED	DERIVATIVES	TOTAL	FAIR VALUE
		FVTPL ⁽¹⁾	FVTOCI ⁽²⁾	COST	USED FOR HEDGES		
Cash and cash equivalents	\$	634,084	\$ —	\$ —	\$ —	\$ 634,084	\$ 634,084
Restricted cash		12,722	—	—	—	12,722	12,722
Trade receivables		—	—	1,503,824	—	1,503,824	1,503,824
Other current financial assets		11,574	—	195,765	39,952	247,291	247,896
Capital investments accounted for by the cost method		—	10,663	—	—	10,663	10,663
Non-current portion of receivables under service concession arrangements ⁽³⁾		—	—	327,299	—	327,299	342,122
Other non-current financial assets ⁽³⁾		—	657	23,385	5,981	30,023	30,023
Total	\$	658,380	\$ 11,320	\$ 2,050,273	\$ 45,933	\$ 2,765,906	\$ 2,781,334

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

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

⁽³⁾ For non-current portion of 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.

11. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of financial liabilities held by SNC-Lavalin at June 30, 2019 and December 31, 2018 by category and classification, with the corresponding fair value, when available:

AT JUNE 30	2019						
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY						
	DERIVATIVES USED FOR HEDGES		FVTPL ⁽¹⁾	AMORTIZED COST		TOTAL	FAIR VALUE
Trade payables	\$	—	\$ —	\$	2,353,537	\$ 2,353,537	\$ 2,353,537
Other current financial liabilities		41,712	—		238,173	279,885	279,885
Provisions		—	—		100,013	100,013	100,013
Lease liabilities ⁽²⁾		—	—		573,839	573,839	568,181
Short-term debt and long-term debt ⁽²⁾		—	—		4,463,752	4,463,752	4,497,500
Other non-current financial liabilities		9,197	17,718		14,582	41,497	41,497
Total	\$	50,909	\$ 17,718	\$	7,743,896	\$ 7,812,523	\$ 7,840,613

AT DECEMBER 31	2018						
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY						
	DERIVATIVES USED FOR HEDGES		FVTPL ⁽¹⁾		AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables	\$ —	\$ —	\$ —	\$ 2,352,944	\$ 2,352,944	\$ 2,352,944	
Other current financial liabilities	60,254	—	—	238,447	298,701	298,701	298,701
Provisions	—	—	—	98,502	98,502	98,502	98,502
Short-term debt and long-term debt ⁽²⁾	—	—	—	3,668,028	3,668,028	3,686,562	3,686,562
Other non-current financial liabilities	15,594	17,889	20,022	53,505	53,505	53,505	53,505
Total	\$ 75,848	\$ 17,889	\$ 6,377,943	\$ 6,471,680	\$ 6,490,214		

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

⁽²⁾ The fair value of short-term debt and long-term debt and of lease liabilities 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 or has entered into a lease, for debt and lease with the similar terms and conditions.

For the six-month periods ended June 30, 2019 and 2018, 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.

12. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

In February 2012, the Board of Directors initiated an independent investigation (the “Independent Review”), led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements) to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by law enforcement and securities regulatory authorities remain ongoing in connection with this information, which are described in greater detail below.

Charges and RCMP investigations

On February 19, 2015, the Royal Canadian Mounted Police (the “RCMP”) and the Public Prosecution Service of Canada (“PPSC”) laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under Section 380 of the Criminal Code (Canada) (the “Criminal Code”) and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the “CFPOA”), (the “Charges”). These Charges follow the RCMP’s formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the 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 Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

In September 2018, amendments to the Criminal Code came into effect introducing new provisions allowing the settlement of certain types of charges against a corporation (including certain charges related to the CFPOA, such as those of which the Company has been accused) through a remediation agreement. The Company was advised by the Director of the PPSC in October 2018 that at this time it will not be invited by PPSC to negotiate a remediation agreement in relation to the Charges and in accordance with these new provisions.

On October 19, 2018, the Company filed an application with the Federal Court of Canada for a judicial review of the decision of the Director of the PPSC. The Director of the PPSC in turn filed a motion with that court to strike out that application. A hearing of that motion to strike took place February 1, 2019. On March 8, 2019, judgement of the court was rendered in favor of the Director of the PPSC’s motion to strike out the Company’s application. On April 4, 2019, the Company filed to appeal the Federal Court’s decision.

The preliminary inquiry into the Charges against the Company began in the Court of Quebec from October 29, 2018 to April 1, 2019. The judgement of the court in respect of the preliminary inquiry was delivered on May 29, 2019; it determined that there is sufficient evidence to set the matter down for a full trial. The trial on the Charges has yet to be scheduled but may commence in late 2019 or 2020.

While the Company remains open and committed to the possibility of negotiating a remediation agreement with the office of the Director of the PPSC, it also has defences to the Charges and will pursue those vigorously in any trial and any applicable appeals thereof.

However, having regard to the uncertainty regarding a remediation agreement, in December 2018 the Board of directors of SNC-Lavalin established a special committee to consider options that would protect value for SNC-Lavalin stakeholders.

12. CONTINGENT LIABILITIES (CONTINUED)

The Charges and potential outcomes thereof, and the persistent negative publicity associated therewith, have an adverse effect on the Company's share valuation, business, results of operations, reputation and staff morale and retention, and could subject the Company to sanctions, fines and other penalties, some of which may be significant. In addition, potential consequences of the 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 or by certain administrative organizations 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, private sector bid processes also in some instances assess whether the bidder, or an affiliate thereof, has ever been criminally convicted and/or debarred by a governmental agency. In such instances, if a member of the Company's group must answer affirmatively to a query as to past convictions and/or debarment, such answer may affect that entity's ability to be considered for the private sector project. 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) could 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.

The Company also understands that a RCMP investigation, relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier Bridge by a consortium which included SNC-Lavalin and which led to a guilty plea by the former head of the Canada Federal Bridges Corporation in 2017, continues and its scope may include the Company.

AMF Investigation; AMF Certification under the Quebec Act Respecting Contracting by Public Bodies

The Company understands that there is an ongoing investigation being conducted in the context of applicable securities laws and regulations by the securities regulator in the Province of Quebec, the *Autorité des marchés financiers* (the "AMF").

Certain subsidiaries of the Company require certification from the AMF, subject to periodic renewal, to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract. Those subsidiaries of the Company that need to be certified by the AMF have obtained that certification.

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"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully. According to the terms of the World Bank Settlement, the Company and certain of its other affiliates continue to be eligible to bid on and be awarded World Bank Group-financed projects as long as they comply 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 requires that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

African Development Bank Settlement

On October 1, 2015, the Company announced a settlement with the African Development Bank relating to allegations of corruption in two African countries (the "African Development Bank Settlement"). The African Development Bank Settlement requires that the Company cooperate with the African Development Bank on various compliance matters in the future.

12. CONTINGENT LIABILITIES (CONTINUED)

Canada's Integrity Regime

The Canadian government announced the Integrity Regime for procurement and real property transactions on July 3, 2015. The scope of offences which may cause a supplier to be deemed ineligible to carry on business with the federal government are broad and encompass offences under the Criminal Code, the Competition Act, and the CFPOA, among others. Some of the offences qualifying for ineligibility include: bribery, fraud, money laundering, falsification of books and documents, extortion, and offences related to drug trafficking. A determination of ineligibility to participate in federal government procurement projects may apply for 10 years for listed offences. However, the Integrity Regime permits the ineligibility period to be reduced by up to five years if a supplier can establish that it has cooperated with law enforcement authorities or addressed the causes of misconduct. The Canadian government is currently considering further revisions to the Integrity Regime.

If a supplier is charged with a listed offence (as is presently the case with the Company), it may under the Integrity Regime be ineligible to do business with the Canadian government while legal proceedings are ongoing.

If a supplier applies for a reduced ineligibility period, or if a supplier charged with a listed offence is notified that it could be ineligible to do business with the Canadian government, as a condition of granting the reduced ineligibility period or not suspending the supplier an administrative agreement may be imposed to monitor the supplier. Administrative agreements include conditions and compliance measures that the supplier must meet to remain eligible to contract with the federal government.

The Company has signed an administrative agreement with Public Services and Procurement (PSP) of the Government of Canada under the Integrity Regime.

Failure of the Company to abide by the terms of any of its certification from the AMF, the World Bank Settlement, the African Development Bank Settlement and/or the PSP Administrative Agreement 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 this risk.

Other Investigations

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and was awarded for certain offences for which Mr. Ben Aïssa plead guilty a sum equivalent to CA\$17.2 million translated using the exchange rates as at October 1, 2014 (representing the equivalent of 12.9 million CHF and US\$2.0 million) plus interest. The Company has received the full amount due under this award.

The Company is currently unable to determine when any of the above 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 as noted above. 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, 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 by certain administrative organizations (such as those provided for in the World Bank Settlement) or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices, each of which could and/or would, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

12. CONTINGENT LIABILITIES (CONTINUED)

The outcomes of the above investigations or the Charges 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 prices of the Company's publicly traded securities. In addition, the Charges, these investigations and outcomes of these investigations or Charges 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 the Charges and each of the above 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 the Charges or 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 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 these 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 other matters which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

B) CLASS ACTION LAWSUITS

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

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

The Quebec Class Action Motion seeks leave from the Superior Court to bring a statutory misrepresentation claim under Quebec's Securities Act. The proposed action claims damages and seeks the condemnation of the 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 February 25, 2019, a Notice of Action was issued with the Ontario Superior Court of Justice, on behalf of persons who acquired SNC-Lavalin securities from September 4, 2018 to 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 the "Ontario Class Action").

The Ontario Class Action alleges that the defendants, including the Company, its Chairman and certain of its 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 PPSC communicated her decision to SNC-Lavalin not to award an opportunity to negotiate a remediation agreement.

The Ontario Class Action seeks leave from the Superior Court to bring a statutory misrepresentation claim under Ontario's Securities Act and the comparable acts in other provinces. The proposed action claims damages in the sum of \$75 million or such other amount as the Superior Court may determine plus interest and costs.

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

12. CONTINGENT LIABILITIES (CONTINUED)

The Second Ontario Class Action claim alleges that disclosures by SNC-Lavalin during the Second Ontario 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 on the Company's Codelco project in Chile being overstated in 2018 due to non-compliance with IFRS 15; (iv) the failure of the Company's disclosure controls and procedures and its internal controls over financial reporting which lead to a \$350 million write-down on the Codelco project; (v) when IFRS was applied to the Mining & Metallurgy segment results in 2019, this lead to the Company disbanding its Mining & Metallurgy segment; and (vi) that the Company's financial statements during the Second Ontario Class Period were materially non-compliant with IFRS.

The Second Ontario Class Action seeks leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under Ontario's Securities Act. The proposed action claims damages and seeks the condemnation of the Defendants to pay the class members \$1.2 billion dollars 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.

SNC-Lavalin believes the claims outlined in the Quebec Class Action Motion and the Ontario and Second Ontario Class Actions are completely without merit and intends to defend them vigorously. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Quebec Class Action Motion or the Ontario and Second Ontario Actions, or determine the amount of any potential losses, 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 the Class Action Motion or the Ontario and Second Ontario Class Actions, such amount could have a material adverse impact on SNC-Lavalin's liquidity and financial results.

C) OTHER

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The 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 an *in solidum* basis (the "Wave 1 claims"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). The appeal hearing started in October 2017 and was completed in the week of April 30th, 2018. A decision from the Quebec Court of Appeal is expected in 2019.

In addition to the appeal of the decision, a recourse in warranty was filed against another party seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. This recourse, for which the trial has commenced in March 2019 and is expected to be completed in the fall of 2019, may result in reduction of SNC-Lavalin's share of the damages.

In parallel to the appeal and warranty recourses for Wave 1 claims, additional potential claims were notified and continue to be notified against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims are currently undergoing discovery stage and it is still premature to evaluate SNC-Lavalin's total liability exposure in respect of same, if any. It is currently estimated that a significant portion of the damages claimed are in respect of buildings for which the concrete foundations were poured outside of SNC-Lavalin's liability period, as determined in the Wave 1 judgement. SNC-Lavalin also expects some insurance coverage for Wave 2 claims. In addition, SNC-Lavalin has undertaken a warranty recourse against another party with respect to Wave 2 claims.

Legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings, 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.

12. CONTINGENT LIABILITIES (CONTINUED)

While SNC-Lavalin cannot predict with certainty the final outcome or timing of the legal proceedings described below, based on the information currently available (which in some cases remains incomplete), SNC-Lavalin believes that it has strong defences to these claims and intends to vigorously defend its position.

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 claimed from the client certain amounts due under the project contract. The client has counterclaimed alleging that SNC-Lavalin defaulted under the project contracts and seeking damages.

WS Atkins & Partners Overseas, a subsidiary of the Company, has been named as respondent together with other parties by the subrogated insurers of a former customer 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 customer's building. WS Atkins & Partners Overseas was involved 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.

SNC-Lavalin Inc. and its Chilean subsidiary SNC-Lavalin Chile SpA have commenced arbitration proceedings against Codelco, the Chilean state-owned copper producer to adjudicate certain mutual claims related to the engineering, procurement and construction contract for two 2050 MTPD sulphuric acid plants located at their Chuquicamata smelter site in Calama, Chile. Codelco terminated this contract on March 25, 2019, for reasons SNC-Lavalin is vigorously contesting and has asserted as being unfounded and in bad faith. SNC-Lavalin claims from Codelco certain amounts due under or in connection with the project contract. Codelco has counter-claimed, alleging that SNC-Lavalin is in default under the project contract and is seeking damages.

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

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.

13. SHORT-TERM DEBT AND LONG-TERM DEBT

AMENDMENTS TO THE CDPQ LOAN AND TO THE CREDIT AGREEMENT

In the second quarter of 2019, the Company and CDPQ have renegotiated certain terms of the CDPQ Loan, which include, among others, the following amendments:

- modification of the covenant to align it with the amendment made to the Credit Agreement in 2018 and delay the application of such covenant from March 31, 2019 to June 30, 2019;
- following the expected disposal of 10.01% of the shares of Highway 407 ETR (see note 4A), the Company committed to repay an amount of \$600 million out of \$1,000 million outstanding under the tranche A of the CDPQ Loan; and
- decrease of the margin applicable to the base rate and payment by the Company of fees of \$15 million.

The amendments were accounted for as an extinguishment of financial liability with the issuance of a new financial liability, giving rise to a loss of \$33.8 million recognized in “Net financial expenses” (see Note 5), which includes the \$15 million cash outflow corresponding to the fees disclosed above and the amount of \$18.8 million representing the unamortized balance of deferred financing costs of the CDPQ Loan on the date of its amendment.

Furthermore, the Company amended its Credit Agreement modifying the calculation of the net recourse debt to earnings before interest, taxes, depreciation and amortization ratio to a pro-forma basis to include the sale of 10.01% of the shares of Highway 407 ETR in the second quarter of 2019. The same amendment was made to the CDPQ Loan agreement in the second quarter of 2019.

The terms “net recourse debt to earnings before interest, taxes, depreciation and amortization ratio” are defined in the Credit Agreement and in the CDPQ Loan agreement and do not correspond to the specific terms used in the Management’s Discussion and Analysis for the six-month period ended June 30, 2019.

14. BUSINESS COMBINATION

LINXON PVT LTD

On September 1, 2018, SNC-Lavalin acquired from a subsidiary of ABB Ltd (“ABB”) a 51% ownership interest in Linxon Pvt Ltd (“Linxon”), incorporated under the laws of England and Wales, for the execution of turnkey electrical substation projects. Turnkey solutions include project design, engineering, procurement, construction, management, commissioning and after-sales support. The primary reason for this business combination was to combine ABB’s technology leadership with SNC-Lavalin’s expertise in managing projects to deliver enhanced customer value.

The acquisition of Linxon by SNC-Lavalin has been accounted for using the acquisition method and Linxon has been consolidated from the effective date of acquisition, which is September 1, 2018, with a non-controlling interest of 49%.

FAIR VALUE OF NET IDENTIFIABLE ASSETS (LIABILITIES) OF BUSINESS ACQUIRED

AT SEPTEMBER 1, 2018	PRELIMINARY ALLOCATION	ADJUSTMENTS	REVISED PRELIMINARY ALLOCATION
Cash	\$ 8,314	\$ –	\$ 8,314
Trade receivables	9,398	–	9,398
Contract assets	14,208	–	14,208
Other current and non-current assets	9,919	5,216	15,135
Trade payables	(30,403)	–	(30,403)
Contract liabilities	(9,806)	–	(9,806)
Other current and non-current liabilities	(5,793)	(167)	(5,960)
Fair value of net identifiable assets (liabilities) of business acquired	\$ (4,163)	\$ 5,049	\$ 886

14. BUSINESS COMBINATION (CONTINUED)

The above presents management's preliminary assessment of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available. Because the Company only recently acquired Linxon, it is not practical to definitively allocate the purchase price as at June 30, 2019. The accounting for the business combination is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation, but not later than 1 year after the acquisition date. The effect may be to transfer an amount to or from the assets acquired, liabilities assumed and goodwill during such measurement period. During that period, the Company will retrospectively adjust the provisional amounts recognized as at the acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date. In addition, since the Company is still finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the final allocation of the purchase price may vary significantly from the amounts presented above.

GOODWILL ARISING ON THE BUSINESS COMBINATION

AT SEPTEMBER 1, 2018	PRELIMINARY ALLOCATION	ADJUSTMENTS	REVISED PRELIMINARY ALLOCATION
Contingent consideration to be transferred to seller ⁽¹⁾	\$ 16,470	\$ –	\$ 16,470
Plus: Non-controlling interest of 49% ⁽²⁾	(2,040)	2,474	434
Less: Fair value of net identifiable assets (liabilities) of business acquired	(4,163)	5,049	886
Goodwill and other intangible assets ⁽³⁾	\$ 18,593	\$ (2,575)	\$ 16,018

- (1) Under the business combination arrangement, SNC-Lavalin is required to remit a portion of its future dividends distributed in cash by Linxon, if any, to ABB for a total aggregate amount of US\$25 million (approximately CA\$32.6 million). The range of outcome of the contingent consideration is between US\$nil and US\$25 million (approximately between CA\$nil and CA\$32.6 million). The amount of \$16.5 million represents the preliminary estimated fair value of this obligation at the acquisition date, which was determined using the present value technique.
- (2) The non-controlling interest recognized at the acquisition date was measured at its proportionate share of the value of net identifiable assets (liabilities) acquired.
- (3) Goodwill represents the excess of the cost of acquisition and of non-controlling interest over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. The total amount of goodwill that is expected to be deductible for tax purposes is \$0.3 million.

NET CASH INFLOW ON ACQUISITION OF LINXON

SIX MONTHS ENDED JUNE 30	2019
Consideration paid in cash	\$ –
Less: Return of contingent consideration to be transferred to seller received in cash ⁽⁴⁾	5,539
Net cash inflow on acquisition of Linxon	\$ (5,539)

- (4) Under the business combination arrangement, ABB is required to compensate Linxon in cash an amount based on the date of transfer of certain additional assets and liabilities, up to June 30, 2019. The range of outcome of such right to a return of contingent consideration to be transferred to seller was between US\$nil and US\$8.3 million (approximately between CA\$nil and CA\$10.8 million).

15. GOODWILL AND INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

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

Balance at January 1, 2019	\$ 5,369,723
Amount derecognized from the adjustments to the revised allocation of purchase price of Linxon	(41)
Net foreign currency exchange differences	(208,507)
Impairment of goodwill	(1,801,015)
Balance at June 30, 2019	\$ 3,360,160

Following the Company's new organizational structure that took effect on January 1, 2019 and the Company's new strategic direction (see Note 2C), the Company's goodwill was reallocated to the following cash-generating units ("CGU") and groups of CGU as follows:

CGU OR GROUP OF CGU	JUNE 30 2019	JANUARY 1 2019
EDPM	\$ 2,571,779	\$ 2,679,753
Infrastructure Services ⁽¹⁾	141,712	141,796
Nuclear	630,583	662,254
Resources	—	1,869,126
Linxon	16,086	16,794
	\$ 3,360,160	\$ 5,369,723

⁽¹⁾ Comparative figures have been revised to reflect the Company's new strategic direction (see Note 2C).

As at June 30, 2019, goodwill was impaired by \$1.8 billion in the Resources CGU. Such CGU corresponds to a reportable segment. The impairment is largely attributable to the Company's decision to cease bidding on lump-sum turnkey construction projects, as well as lower than expected performance in Resources in the first half of the year and challenges in replenishing the backlog. The recoverable amount of this CGU was determined using the value in use approach as at June 30, 2019, based on a terminal growth rate of 2.5% and a discount rate of 11.3%.

At the same time, the intangible assets related to business combinations in the Resources segment were impaired by \$72.8 million.

16. EVENTS AFTER THE REPORTING PERIOD

A) REPAYMENT OF UNSECURED DEBENTURES

In July 2019, SNC-Lavalin repaid at maturity its unsecured debentures in the principal amount of \$350 million that bore interest at a rate of 6.19%.

B) NEW UNSECURED BRIDGE FACILITY

In July 2019, SNC-Lavalin and a group of financial institutions entered into a new credit agreement, which made available to SNC-Lavalin an unsecured non-revolving bridge term facility (the "New Bridge Facility") in the principal amount of \$300 million and having a maturity of 1 year. The New Bridge Facility is repayable in full upon receipt by SNC-Lavalin of the proceeds from the sale of its 10.01% interest in Highway 407 ETR. Borrowings under the New Bridge Facility were available by way of prime rate loans or acceptances. As at July 31, 2019, borrowings under the New Bridge Facility amounted to \$300 million.

17. SUPPLEMENTARY INFORMATION

SEGMENT DISCLOSURES – PREVIOUS STRUCTURE

The following tables present revenues and segment EBIT according to the Company's previous reportable segments, which were effective starting January 1, 2019. These reportable segments were modified due to the recently announced Company's new strategic direction (see Note 2C).

THREE MONTHS ENDED JUNE 30			2019				2018			
	REVENUES	SEGMENT EBIT			REVENUES	SEGMENT EBIT				
		E&C	CAPITAL	TOTAL		E&C	CAPITAL	TOTAL		
EDPM	\$ 972,092	\$ 81,541	\$ –	\$ 81,541	\$ 913,604	\$ 98,708	\$ –	\$ 98,708		
Infrastructure	516,319	(116,181)	–	(116,181)	528,317	11,133	–	11,133		
Nuclear	241,866	31,910	–	31,910	233,351	39,120	–	39,120		
Resources	479,154	(181,616)	–	(181,616)	794,648	15,797	–	15,797		
Total E&C segments	2,209,431	(184,346)	–	(184,346)	2,469,920	164,758	–	164,758		
Capital	74,746	–	69,189	69,189	57,199	–	50,824	50,824		
	\$ 2,284,177			\$ (115,157)	\$ 2,527,119			\$ 215,582		

SIX MONTHS ENDED JUNE 30			2019			2018			
			SEGMENT EBIT				SEGMENT EBIT		
	REVENUES		E&C	CAPITAL	TOTAL	REVENUES	E&C	CAPITAL	TOTAL
EDPM	\$ 1,955,047	\$	161,770	\$ –	\$ 161,770	\$ 1,792,614	\$ 172,208	\$ –	\$ 172,208
Infrastructure	1,015,454		(112,510)	–	(112,510)	1,029,378	26,942	–	26,942
Nuclear	465,560		42,702	–	42,702	463,378	69,816	–	69,816
Resources	1,064,386		(243,014)	–	(243,014)	1,551,747	68,145	–	68,145
Total E&C segments	4,500,447		(151,052)	–	(151,052)	4,837,117	337,111	–	337,111
Capital	146,923		–	134,588	134,588	121,396	–	107,244	107,244
	\$ 4,647,370			\$ (16,464)	\$ 4,958,513			\$	444,355



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