

# Management's Responsibility for Financial Reporting

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

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

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

The Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") are responsible for having established and maintaining disclosure controls and procedures and internal controls over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2020, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2020, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with International Financial Reporting Standards.

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

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

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

**IAN L. EDWARDS** *(signed)*

PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

**JEFF BELL** *(signed)*

EXECUTIVE VICE-PRESIDENT AND  
CHIEF FINANCIAL OFFICER

MARCH 8, 2021  
MONTREAL, CANADA

# Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

## ***Opinion***

We have audited the consolidated financial statements of SNC-Lavalin Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## ***Basis for Opinion***

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

## ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

### Key Audit Matter Description

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

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

### How the Key Audit Matter Was Addressed in the Audit

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

- For a sample of LSTK uncompleted contracts we:
  - Obtained and inspected the executed contract agreements, amendments, pending change orders or claims confirming key terms with project management.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conducted inquiries with management and project personnel to gain an understanding of the status of project activities.
  - Performed site visits to certain project locations, directly observing project status, and making inquiries to site personnel regarding the status of project activities.
  - Examined the documentation from management's experts, including legal interpretation of relevant contractual clauses as well as third-party assessments as to the contractual entitlement and value of the variable consideration.
  - Based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretations, and probabilistic methodologies, evaluated that management's assessment that the variable consideration is limited to the amount that it is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
  - Evaluated cost to complete by testing key components of the cost to complete estimates, including materials, labour, and subcontractor costs and evaluating support for estimates of project contingencies.
- Performed certain retrospective review procedures to assess management's historical ability to accurately estimate the transaction price (including variable consideration) and cost to complete as well as to identify any significant or unusual changes in project revenue and cost forecasts during the period in LSTK contracts.

*Goodwill – Engineering, Design and Project Management (“EDPM”) Cash Generating Unit – Notes 2P, 3, and 14 to the financial statements*

### Key Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each Cash Generating Unit (“CGU”) to its carrying amount. In the case of the EDPM CGU, the recoverable amount was determined based on the Value in Use (“VIU”) approach. This required management to make significant estimates and assumptions related to future cash flows, growth rate, and discount rate, which reflect management's expectations about future market and economic conditions. The EDPM goodwill represents 80% (\$2.6B) of the Company's total goodwill. The recoverable amount of the EDPM CGU exceeded its carrying value as of the measurement date and no impairment was recognized.

While there are several assumptions made by management to determine the recoverable amount of the EDPM CGU, the assumptions with the highest degree of subjectivity and impact on the recoverable amount are future cash flows, growth rate, and discount rate (“significant assumptions”). Changes in these significant assumptions could have an impact on the recoverable amount of the EDPM CGU and result in an impairment charge. Auditing these significant assumptions required a high degree of auditor attention in applying procedures, and resulted in an increased extent of audit effort, which included the need to involve fair value specialists.

### How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the significant assumptions used to estimate the recoverable amount of the EDPM CGU included the following, among others:

- Evaluated the reasonableness of future cash flows by comparing future cash flows to historical results, project backlogs, internal communications to management and the Board of Directors, Company press releases and external information including analysts and industry reports.
- Evaluated the reasonableness of the growth rate by developing a range of independent estimates using relevant internal and external information, including analysts and industry reports and comparing those to the growth rate selected by management.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate derived from the Weighted Average Cost of Capital (“WACC”) by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### ***Other Information***

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

- Management's Discussion and Analysis;
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

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

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

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ Deloitte LLP <sup>(1)</sup>

MARCH 8, 2021  
MONTREAL, QUEBEC

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

## Consolidated Statements of Financial Position

(IN THOUSANDS OF CANADIAN DOLLARS)		Note	DECEMBER 31 2020	DECEMBER 31 2019
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	\$	932,902	\$ 1,188,636
Restricted cash	7		29,300	34,118
Trade receivables	8A, 9B		1,199,166	1,533,442
Contract assets	8B, 9B		1,090,149	1,755,325
Inventories	10		16,122	84,888
Other current financial assets	11		257,432	222,308
Other current non-financial assets	12		253,311	331,375
Assets of disposal groups classified as held for sale	39		273,174	—
<b>Total current assets</b>			<b>4,051,556</b>	<b>5,150,092</b>
Property and equipment	13		375,864	470,630
Right-of-use assets	34		346,824	438,787
Capital investments accounted for by the equity method	5		378,730	399,539
Capital investments at fair value through other comprehensive income	5		9,666	8,107
Goodwill	14		3,429,478	3,429,094
Intangible assets related to business combinations	15		544,059	665,598
Deferred income tax asset	29A		655,838	520,451
Non-current portion of receivables under service concession arrangements			433,914	352,987
Other non-current financial assets	16		31,398	115,941
Other non-current non-financial assets	17		82,951	93,498
<b>Total assets</b>		\$	<b>10,340,278</b>	\$ 11,644,724
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade payables and accrued liabilities		\$	1,730,398	\$ 2,153,520
Contract liabilities	9B		836,991	889,953
Other current financial liabilities	18		187,754	287,716
Other current non-financial liabilities	19		473,780	383,200
Current portion of provisions	22		401,585	289,227
Current portion of lease liabilities	34		97,409	131,075
Short-term debt and current portion of long-term debt:				
Recourse	20		174,960	299,518
Non-recourse	20		31,262	93,664
Liabilities of disposal groups classified as held for sale	39		340,303	—
<b>Total current liabilities</b>			<b>4,274,442</b>	<b>4,527,873</b>
Long-term debt:				
Recourse	20		996,005	873,145
Limited recourse	20		400,000	400,000
Non-recourse	20		400,283	391,454
Other non-current financial liabilities	21		193,861	232,569
Non-current portion of provisions	22		753,226	672,096
Non-current portion of lease liabilities	34		399,201	480,675
Other non-current non-financial liabilities			219	551
Deferred income tax liability	29A		354,348	348,934
<b>Total liabilities</b>			<b>7,771,585</b>	<b>7,927,297</b>
<b>Equity</b>				
Share capital	23		1,805,080	1,805,080
Retained earnings			478,351	1,555,853
Other components of equity	24		(320,067)	354,073
Other components of equity of disposal groups classified as held for sale	24, 39		594,141	—
Equity attributable to SNC-Lavalin shareholders			2,557,505	3,715,006
Non-controlling interests			11,188	2,421
<b>Total equity</b>			<b>2,568,693</b>	<b>3,717,427</b>
<b>Total liabilities and equity</b>		\$	<b>10,340,278</b>	\$ 11,644,724

See accompanying notes to consolidated financial statements

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

IAN L. EDWARDS (signed)

DIRECTOR

BENITA M. WARMBOLD (signed)

DIRECTOR

# Consolidated Statements of Changes in Equity

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

2020

EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS							NON-CONTROLLING INTERESTS	TOTAL EQUITY
SHARE CAPITAL		AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 24)	TOTAL			
COMMON SHARES (IN THOUSANDS)								
Balance at beginning of year	175,554	\$ 1,805,080	\$ 1,555,853	\$ 354,073	\$ 3,715,006	\$ 2,421	\$ 3,717,427	
Net income (loss)	—	—	(965,447)	—	(965,447)	9,174	(956,273)	
Other comprehensive income (loss)	—	—	(98,011)	(79,999)	(178,010)	1,159	(176,851)	
Total comprehensive income (loss)	—	—	(1,063,458)	(79,999)	(1,143,457)	10,333	(1,133,124)	
Dividends declared (Note 23E)	—	—	(14,044)	—	(14,044)	—	(14,044)	
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(1,578)	(1,578)	
Capital contributions by non-controlling interests	—	—	—	—	—	12	12	
Balance at end of year	175,554	\$ 1,805,080	\$ 478,351	\$ 274,074	\$ 2,557,505	\$ 11,188	\$ 2,568,693	

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

2019

NUMBER OF COMMON SHARES)		2015					
EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						NON-CONTROLLING INTERESTS	TOTAL EQUITY
SHARE CAPITAL			OTHER COMPONENTS OF EQUITY (NOTE 24)	TOTAL			
COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS					
Balance at beginning of year	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	—	—	(25,495)	—	(25,495)	—	(25,495)
Adjusted balance at beginning of year	175,554	1,805,080	1,321,129	499,199	3,625,408	4,962	3,630,370
Net income	—	—	328,219	—	328,219	2,368	330,587
Other comprehensive loss	—	—	(51,362)	(145,126)	(196,488)	(1,266)	(197,754)
Total comprehensive income (loss)	—	—	276,857	(145,126)	131,731	1,102	132,833
Dividends declared (Note 23E)	—	—	(42,133)	—	(42,133)	—	(42,133)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(2)	(2)
Additional non-controlling interest arising on acquisition of Linxon	—	—	—	—	—	(3,671)	(3,671)
Capital contributions by non-controlling interests	—	—	—	—	—	30	30
Balance at end of year	175,554	\$ 1,805,080	\$ 1,555,853	\$ 354,073	\$ 3,715,006	\$ 2,421	\$ 3,717,427

See accompanying notes to consolidated financial statements

# Consolidated Income Statements

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

	Note	2020	2019 <sup>(1)</sup>
<b>Continuing operations</b>			
<b>Revenues from:</b>			
PS&PM <sup>(2)</sup>		\$ 6,878,142	\$ 7,367,112
Capital investments accounted for by the consolidation method or at fair value through other comprehensive income		42,010	52,177
Capital investments accounted for by the equity method		87,349	210,543
		<b>7,007,501</b>	7,629,832
Direct costs of activities		<b>6,882,152</b>	7,045,393
Corporate selling, general and administrative expenses	25	<b>175,933</b>	73,944
Impairment loss from expected credit losses		<b>874</b>	210
Loss arising on financial assets (liabilities) at fair value through profit or loss		<b>61,859</b>	4,743
Restructuring costs	26	<b>63,324</b>	79,652
Amortization of intangible assets related to business combinations		<b>126,770</b>	162,117
Acquisition-related costs and integration costs		—	8,315
Gain or adjustment on gain from disposal of a Capital investment	5A	<b>(25,000)</b>	(2,970,783)
Loss on disposals of PS&PM businesses	6	<b>7,467</b>	294
Federal charges settlement (PPSC)	18	—	257,327
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	39B	<b>6,094</b>	—
<b>EBIT <sup>(3)</sup></b>		<b>(291,972)</b>	2,968,620
Financial expenses	27	<b>124,703</b>	222,911
Financial income and foreign exchange losses (gains)	27	<b>(10,707)</b>	(7,802)
<b>Earnings (loss) before income taxes from continuing operations</b>		<b>(405,968)</b>	2,753,511
Income taxes	29B	<b>(59,039)</b>	310,348
<b>Net income (loss) from continuing operations</b>		<b>(346,929)</b>	2,443,163
<b>Net loss from discontinued operations</b>	39A	<b>(609,344)</b>	(2,112,576)
<b>Net income (loss)</b>		<b>\$ (956,273)</b>	\$ 330,587
<b>Net income (loss) from continuing operations attributable to:</b>			
SNC-Lavalin shareholders		\$ (356,103)	\$ 2,440,795
Non-controlling interests		9,174	2,368
<b>Net income (loss) from continuing operations</b>		<b>\$ (346,929)</b>	\$ 2,443,163
<b>Net income (loss) attributable to:</b>			
SNC-Lavalin shareholders		\$ (965,447)	\$ 328,219
Non-controlling interests		9,174	2,368
<b>Net income (loss)</b>		<b>\$ (956,273)</b>	\$ 330,587
<b>Earnings (loss) per share from continuing operations (in \$)</b>			
Basic		\$ (2.03)	\$ 13.90
Diluted		\$ (2.03)	\$ 13.90
<b>Weighted average number of outstanding shares (in thousands)</b>			
Basic	23D	175,554	175,554
Diluted		175,554	175,554

<sup>(1)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

<sup>(2)</sup> Professional Services & Project Management ("PS&PM") (previously E&C)

<sup>(3)</sup> Earnings before interest and taxes ("EBIT")

See accompanying notes to consolidated financial statements



# Consolidated Statements of Comprehensive Income

YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF CANADIAN DOLLARS)

2020

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

YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF CANADIAN DOLLARS)

2019 <sup>(1)</sup>

	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income from continuing operations	\$ 2,440,795	\$ 2,368	\$ 2,443,163
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	(81,539)	(196)	(81,735)
Cash flow hedges	(410)	(1,070)	(1,480)
Share of other comprehensive loss of investments accounted for by the equity method (Note 24)	(2,403)	—	(2,403)
Income taxes	(2,616)	—	(2,616)
Total of items that will be reclassified subsequently to net income	(86,968)	(1,266)	(88,234)
Equity instruments designated at fair value through other comprehensive income (Note 24)	(2,034)	—	(2,034)
Income taxes (Note 24)	16	—	16
Remeasurement of defined benefit plans	(56,805)	—	(56,805)
Income taxes	8,505	—	8,505
Total of items that will not be reclassified subsequently to net income	(50,318)	—	(50,318)
Total other comprehensive loss from continuing operations	(137,286)	(1,266)	(138,552)
Net loss from discontinued operations	(2,112,576)	—	(2,112,576)
Other comprehensive loss from discontinued operations	(59,202)	—	(59,202)
Total other comprehensive loss from discontinued operations	(2,171,778)	—	(2,171,778)
<b>Total comprehensive income</b>	<b>\$ 131,731</b>	<b>\$ 1,102</b>	<b>\$ 132,833</b>

<sup>(1)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows <sup>(1)</sup>YEARS ENDED DECEMBER 31  
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2020	2019
<b>Operating activities</b>			
Net income (loss)		\$ (956,273)	\$ 330,587
Income taxes paid		(22,536)	(9,967)
Interest paid from PS&PM		(89,081)	(199,201)
Interest paid from Capital investments		(15,924)	(18,285)
Other reconciling items	28A	976,051	(123,861)
		(107,763)	(20,727)
Net change in non-cash working capital items	28B	229,248	(334,546)
Net cash generated from (used for) operating activities		121,485	(355,273)
<b>Investing activities</b>			
Acquisition of property and equipment		(75,821)	(122,444)
Payments for Capital investments	5C	(55,834)	(39,967)
Refunds for Capital investments		—	4,391
Net cash inflow on acquisition of businesses	28D	—	14,890
Change in restricted cash position		4,818	(24,210)
Increase in receivables under service concession arrangements		(239,584)	(176,638)
Recovery of receivables under service concession arrangements		173,934	155,645
Cash inflow on disposal of a Capital investment accounted for by the equity method	5A	—	3,012,256
Payments for disposition-related costs on disposal of a Capital investment	5A	—	(94,856)
Cash outflow on disposals of PS&PM businesses	6	(15,043)	—
Other		22,407	(10,593)
Net cash generated from (used for) investing activities		(185,123)	2,718,474
<b>Financing activities</b>			
Increase in debt	28C	1,329,225	1,926,212
Repayment of debt and payment for debt issue costs	28C	(1,387,901)	(3,563,049)
Payment of lease liabilities	28C	(118,651)	(119,106)
Dividends paid to SNC-Lavalin shareholders	23E, 28C	(14,044)	(42,133)
Other	28C	941	(4,071)
Net cash used for financing activities		(190,430)	(1,802,147)
Decrease from exchange differences on translating cash and cash equivalents		(1,666)	(6,502)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(255,734)</b>	<b>554,552</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,188,636</b>	<b>634,084</b>
<b>Cash and cash equivalents at end of year</b>		<b>\$ 932,902</b>	<b>\$ 1,188,636</b>

<sup>(1)</sup> SNC-Lavalin has elected to present a consolidated statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 39.

See accompanying notes to consolidated financial statements

## Notes to Consolidated Financial Statements

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# Notes to Consolidated Financial Statements

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

## 1. DESCRIPTION OF BUSINESS

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

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

The Company reports its revenues as follows:

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

In these consolidated financial statements (“financial statements”), activities related to PS&PM are collectively referred to as “from PS&PM” or “excluding Capital investments” to distinguish them from activities related to the Company’s Capital investments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A) BASIS OF PREPARATION

The Company’s financial statements have been prepared in accordance with **International Financial Reporting Standards (“IFRS”)** issued and effective for the year ended December 31, 2020, and are presented in **Canadian dollars**. All values in the tables included in these notes are rounded to the nearest thousand dollars, except where otherwise indicated.

The accounting policies set out below were consistently applied to all periods presented. In 2020, the Company adopted the new accounting policy related to government grants, as described in Note 2Y, without any impact on comparative figures. Also, in 2020, the Company adopted the new accounting policy related to discontinued operations, as described in Note 2W, which resulted in the re-presentation of the consolidated income statement and of the consolidated statement of comprehensive income for the year ended December 31, 2019 (see Note 2C).

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's financial statements were authorized for issue by the Board of Directors of the Company on March 8, 2021.

### B) NEW AMENDMENTS ADOPTED IN THE YEAR ENDED DECEMBER 31, 2020

The following amendments to existing standards were adopted by the Company on January 1, 2020:

- 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 emphasizes 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.
- Amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*, are designed to support the provision of useful financial information by entities during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs"). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The following amendment to an existing standard was adopted by the Company on June 1, 2020:

- *COVID-19 Related Rent Concessions* (Amendment to IFRS 16, *Leases*): i) provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification; ii) require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications.

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

### C) CHANGES IN PRESENTATION

#### Segment Disclosures

Effective as of the second quarter of 2020, the measure of profit or loss of each segment is referred to (without any change to this financial measure's composition) as Segment Adjusted EBIT (formerly "Segment EBIT") to clarify that this measure excludes items other than interest and taxes. Also, effective as of the second quarter of 2020, the Company presents the financial results of Capital separately from SNCL Engineering Services to further simplify the presentation of financial information excluding Capital. This change, which only modified the presentation of financial information provided, was made in accordance with IAS 8 resulting in the restatement of prior year figures (see Note 4).

#### Discontinued Operations

Certain comparative amounts in the consolidated income statement and in the consolidated statement of comprehensive income have been re-presented, as a result of the Oil & Gas business, which was previously included in the Resources segment, being presented as discontinued operations during the current year (see Note 39).

### D) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendment to existing standards has been issued and is applicable to the Company for its annual periods beginning on January 1, 2021 and thereafter, with an earlier application permitted:

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The following amendment to an existing standard has been issued and is applicable to the Company for its annual periods beginning on January 1, 2023 and thereafter, with an earlier application permitted:

- Amendments to IAS 1, *Presentation of Financial Statements*, (“IAS 1”) clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.
- Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.
- Amendments to IAS 8 replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E) BASIS OF CONSOLIDATION

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

TYPE OF INTEREST	TYPE OF INFLUENCE	ACCOUNTING METHOD
Subsidiary	Control	Consolidation method
Joint venture	Joint control	Equity method
Joint operation	Joint control	SNC-Lavalin's share of assets, liabilities, revenues and expenses
Associate	Significant influence	Equity method
Investment	Non-significant influence	Measured at fair value; dividend income is recognized in the income statement.

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

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

#### Business acquisitions

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

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

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

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

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

### F) FOREIGN CURRENCY TRANSLATION

#### Functional and presentation currency

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

#### Foreign currency transactions and balances

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### Translation of financial statements of foreign operations

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

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

### G) **REVENUE RECOGNITION**

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

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

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

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

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

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

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

ACCOUNTING METHODS FOR THE COMPANY'S CAPITAL INVESTMENTS	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Consolidation	<b>Revenues</b> that are recognized and reported by the Capital investments
Equity method	SNC-Lavalin's <b>share of net results</b> of the Capital investments or <b>dividends</b> from its Capital investments for which the carrying amount is \$nil but would otherwise be negative based on historical financial results and dividends if SNC-Lavalin had an obligation to fund the investment. Dividends are recognized when the Company's right to receive payment has been established
At fair value through other comprehensive income	<b>Dividends and distributions</b> from the Capital investments

### H) FINANCIAL INSTRUMENTS

#### FINANCIAL ASSETS AND LIABILITIES

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

CATEGORY – SUBSEQUENTLY MEASURED AT	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Fair value through profit or loss (“FVTPL”)	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Fair value through other comprehensive income (“FVTOCI”)	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques.	Investment income, which includes interest, dividends and distributions, is recognized in net income. For equity instruments, gains (losses) from revaluation are recognized in other comprehensive income with no reclassification to net income on disposal of such assets.
Amortized cost	Financial assets and financial liabilities	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income

#### *Impairment of assets subsequently measured at amortized cost*

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

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

#### *Write-off*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### HEDGING (APPLYING IAS 39)

In the normal course of its business, SNC-Lavalin enters into derivative financial instruments, mainly i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin may also enter into other derivative financial instruments to hedge its exposure to market risk. When applying hedge accounting, SNC-Lavalin formally documents its accounting choice, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges.

### CASH FLOW HEDGES

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

### FAIR VALUE HEDGES

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

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

### HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

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

### I) SERVICE CONCESSION ARRANGEMENTS UNDER IFRIC INTERPRETATION 12

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

ACTIVITIES PROVIDED BY THE CONCESSIONAIRE	REVENUE RECOGNITION	CLASSIFICATION OF REVENUES IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Construction or upgrade (when a service concession arrangement involves the construction or upgrade of the public service infrastructure)	Revenues relating to such activities under a service concession arrangement are recognized based on the Company's accounting policy on recognizing revenue (see Note 2G).	The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an EPC contractor. When SNC-Lavalin does not act as an EPC contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Operations and maintenance (these activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users)		The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an O&M contractor. When SNC-Lavalin does not act as an O&M contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Rehabilitation (when a service concession arrangement requires the concessionaire to rehabilitate the infrastructure such that the infrastructure can deliver a specified standard of service at all times)		The Company classifies these revenues as "from PS&PM" activities when SNC-Lavalin acts as a rehabilitation contractor. When SNC-Lavalin does not act as a rehabilitation contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Financing (when financial asset model or bifurcated model is applied)	Finance income generated on financial assets is recognized using the effective interest method.	The Company classifies this finance income as "Capital investments" activities.

### Financial asset model

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

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

### Intangible asset model

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

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

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

### J) **CASH EQUIVALENTS**

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

### K) **RESTRICTED CASH**

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

### L) **INVENTORIES**

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M) PROPERTY AND EQUIPMENT

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

Property and equipment are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings	Straight-line, by component	10 to 50 years
Computer equipment	Straight-line	2 to 5 years
Office furniture	Diminishing balance or straight-line	20% or from 2 to 10 years
Machinery	Straight-line	1 to 15 years

### N) INTANGIBLE ASSETS OTHER THAN GOODWILL

#### Intangible assets acquired in a business combination

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

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

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

CATEGORY	AMORTIZATION METHOD	AMORTIZATION PERIOD
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 and 10 years
Trademarks	Straight-line	4 to 8 years

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

### O) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P) **GOODWILL**

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

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

### Q) **RESEARCH AND DEVELOPMENT COSTS**

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

### R) **INCOME TAXES**

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

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

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

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

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

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

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

### S) **DEFINED BENEFIT PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS**

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Defined benefit costs comprise: i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); ii) net interest expense or income; and iii) remeasurement. Service cost and net interest income or expense are recognized in net income while the remeasurement is recognized in other comprehensive income in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

### T) EARNINGS PER SHARE

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

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

### U) SHARE-BASED PAYMENTS

#### Stock options

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

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

#### Share units

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

### V) PROVISIONS

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Restructuring

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

### Onerous contracts

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

## W) **NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

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

### Discontinued operations

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### X) LEASING

#### Accounting for leases as a lessee

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

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

A lease modification is considered a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. Any other modification is not accounted for as a separate lease.

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

- 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounting for sale and lease back transactions

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

### Y) **GOVERNMENT GRANTS**

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

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

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

## 3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

The following are the critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### COVID-19 related matters

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

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

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Revenue recognition

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

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

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

More specifically, in 2020, the Company reviewed numerous variables having an impact on revenue recognition that are, or could be, affected by the COVID-19 pandemic, such as limitations or suspensions of certain business operations throughout the world, significant travel, particularly air travel, restrictions and associated quarantine and self-isolation requirements, the inability to execute work on certain sites for, in certain cases, indeterminate periods of time and the delays resulting therefrom, unavailability of labour and supply chain disruptions. Where available, *force majeure* relief (or similar) clauses contained in the contracts that underpin certain of the Company's major revenue generating projects were invoked and relied upon by the Company in response to the impacts of the COVID-19 pandemic and, consequently, the Company continues to monitor these contracts in light of the evolving situation and address all the claims that have arisen in connection with this process. The amount of anticipated incremental revenues (and decline thereof) and costs have been included in the forecast of performance obligations satisfied over time using the input method where such figures could be estimated with reasonable assurance based on facts and circumstances that existed at the time of such estimate. Where such figures could not be estimated with reasonable assurance, they were excluded from the forecast of performance obligations satisfied over time using the input method.

#### Service concession arrangements

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

#### Basis of consolidation

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

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Values used in impairment tests

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

Based on its preliminary assessment, SNC-Lavalin recognized \$25.1 million as past service cost in “Corporate selling, general and administrative expenses” in its consolidated income statement for the year ended December 31, 2018. In the year ended December 31, 2020, SNC-Lavalin recognized an additional amount of \$4.0 million as past service cost in “Corporate selling, general and administrative expenses” in its consolidated income statement (2019: \$nil). The cumulative amount of \$29.1 million remains subject to uncertainty until the quantification exercise is completed.

#### *October 15, 2020 U.K. Pensions Ombudsman ruling*

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

#### Measurement of provisions shown in the consolidated statement of financial position

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

#### Contingent liabilities

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

#### Measurement of share-based payment expenses

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

#### Assessment of deferred income tax assets and liabilities

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

#### Measurement of financial instruments at fair value

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

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

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

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

#### Assets and liabilities acquired in a business combination

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

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

#### Identification of functional currency

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

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

#### Leases

##### *Estimate of the lease term*

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

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

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

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### *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.

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

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

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

### 4. SEGMENT DISCLOSURES

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

The description of each of the segments is as follows:

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

**Nuclear** supports clients across the entire nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

**Infrastructure Services** includes O&M projects, as well as the Company’s repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity.

#### 4. SEGMENT DISCLOSURES (CONTINUED)

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

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

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

As disclosed in Note 2C, effective as of the second quarter of 2020, the measure of profit or loss of each segment is referred to (without any change to this financial measure’s composition) as Segment Adjusted EBIT (formerly “Segment EBIT”) to clarify that this measure excludes items other than interest and taxes. Also, as disclosed in Note 2C, effective as of the second quarter of 2020, the Company presents the financial results of Capital separately from the SNCL Engineering Services line of business to further simplify the presentation of financial information excluding Capital.

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

The Company evaluates the performance of its Capital segment based on: i) dividends or distributions received from investments, which are not subject to significant influence by SNC-Lavalin; ii) SNC-Lavalin’s share of the net results of its investments, or dividends from its Capital investments for which the carrying amount is \$nil, but would otherwise be negative based on historical financial results and dividends, for investments accounted for by the equity method; and iii) the net result from investments accounted for by the consolidation method.

The Capital Segment Adjusted EBIT also reflects selling, general and administrative expenses, including corporate selling, general and administrative expenses that are directly and indirectly related to the segment. Accordingly, the **Segment Adjusted EBIT from Capital** is reported net of selling, general and administrative expenses.

#### 4. SEGMENT DISCLOSURES (CONTINUED)

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

	2020			
	REVENUES	SEGMENT ADJUSTED EBIT		
		PS&PM	CAPITAL	TOTAL
EDPM	\$ 3,721,119	\$ 302,269	\$ —	\$ 302,269
Nuclear	928,606	140,051	—	140,051
Infrastructure Services	1,325,313	97,212	—	97,212
<b>SNCL Engineering Services</b>	<b>5,975,038</b>	<b>539,532</b>	<b>—</b>	<b>539,532</b>
Resources <sup>(1)</sup>	162,916	(171,118)	—	(171,118)
Infrastructure EPC Projects <sup>(2)</sup>	740,188	(359,680)	—	(359,680)
<b>SNCL Projects</b>	<b>903,104</b>	<b>(530,798)</b>	<b>—</b>	<b>(530,798)</b>
Capital	129,359	—	116,615	116,615
	<b>\$ 7,007,501</b>			
<b>Total Segment Adjusted EBIT</b>		<b>8,734</b>	<b>116,615</b>	<b>125,349</b>
Corporate selling, general and administrative expenses not allocated to the segments (Note 25)		(147,739)	(28,194)	(175,933)
Impairment loss arising from expected credit losses		(874)	—	(874)
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(4,652)	(57,207)	(61,859)
Restructuring costs (Note 26)		(63,324)	—	(63,324)
Amortization of intangible assets related to business combinations (Note 15)		(126,770)	—	(126,770)
Adjustment on gain from disposal of a Capital investment (Note 5A)		—	25,000	25,000
Loss on disposals of PS&PM businesses (Note 6)		(7,467)	—	(7,467)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 39B)		(6,094)	—	(6,094)
<b>EBIT</b>		<b>(348,186)</b>	<b>56,214</b>	<b>(291,972)</b>
Net financial expenses (Note 27)		97,732	16,264	113,996
<b>Earnings (loss) before income taxes from continuing operations</b>		<b>(445,918)</b>	<b>39,950</b>	<b>(405,968)</b>
Income taxes (Note 29B)		(53,438)	(5,601)	(59,039)
<b>Net income (loss) from continuing operations</b>		<b>(392,480)</b>	<b>45,551</b>	<b>(346,929)</b>
<b>Net loss from discontinued operations</b> (Note 39A)		<b>(609,344)</b>	<b>—</b>	<b>(609,344)</b>
<b>Net income (loss)</b>		<b>\$ (1,001,824)</b>	<b>\$ 45,551</b>	<b>\$ (956,273)</b>
<b>Net income (loss) from continuing operations attributable to:</b>				
SNC-Lavalin shareholders		\$ (401,654)	\$ 45,551	\$ (356,103)
Non-controlling interests		9,174	—	9,174
<b>Net income (loss) from continuing operations</b>		<b>\$ (392,480)</b>	<b>\$ 45,551</b>	<b>\$ (346,929)</b>
<b>Net income (loss) attributable to:</b>				
SNC-Lavalin shareholders		\$ (1,010,998)	\$ 45,551	\$ (965,447)
Non-controlling interests		9,174	—	9,174
<b>Net income (loss)</b>		<b>\$ (1,001,824)</b>	<b>\$ 45,551</b>	<b>\$ (956,273)</b>

<sup>(1)</sup> The negative Segment Adjusted EBIT of Resources resulted mainly from charges for remaining LSTK contracts and other historical claims and litigation matters.

<sup>(2)</sup> The negative Segment Adjusted EBIT of Infrastructure EPC Projects was mainly due to unfavorable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.



#### 4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and Segment Adjusted EBIT for each of the Company's segments for the year ended December 31, 2019:

YEAR ENDED DECEMBER 31	2019 <sup>(1), (2)</sup>			
	REVENUES	SEGMENT ADJUSTED EBIT		
		PS&PM	CAPITAL	TOTAL
EDPM	\$ 3,908,900	\$ 357,766	\$ —	\$ 357,766
Nuclear	929,809	127,601	—	127,601
Infrastructure Services	1,178,582	73,511	—	73,511
<b>SNCL Engineering Services</b>	<b>6,017,291</b>	<b>558,878</b>	<b>—</b>	<b>558,878</b>
Resources <sup>(3)</sup>	273,077	(111,199)	—	(111,199)
Infrastructure EPC Projects <sup>(4)</sup>	1,076,744	(106,480)	—	(106,480)
<b>SNCL Projects</b>	<b>1,349,821</b>	<b>(217,679)</b>	<b>—</b>	<b>(217,679)</b>
Capital	262,720	—	243,240	243,240
	<u>\$ 7,629,832</u>			
<b>Total Segment Adjusted EBIT</b>		<b>341,199</b>	<b>243,240</b>	<b>584,439</b>
Corporate selling, general and administrative expenses not allocated to the segments (Note 25)		(45,750)	(28,194)	(73,944)
Impairment loss arising from expected credit losses		(210)	—	(210)
Gain (loss) arising on financial assets (liabilities) at fair value through profit or loss		(5,807)	1,064	(4,743)
Restructuring costs (Note 26)		(76,058)	(3,594)	(79,652)
Amortization of intangible assets related to business combinations (Note 15)		(162,117)	—	(162,117)
Acquisition-related costs and integration costs		(8,315)	—	(8,315)
Gain on disposal of a Capital investment (Note 5A)		—	2,970,783	2,970,783
Loss from adjustment on disposals of PS&PM businesses		(294)	—	(294)
Federal charges settlement (PPSC) (Note 18)		(257,327)	—	(257,327)
<b>EBIT</b>		<b>(214,679)</b>	<b>3,183,299</b>	<b>2,968,620</b>
Net financial expenses (Note 27)		197,267	17,842	215,109
<b>Earnings (loss) before income taxes from continuing operations</b>		<b>(411,946)</b>	<b>3,165,457</b>	<b>2,753,511</b>
Income taxes (Note 29B)		(82,307)	392,655	310,348
<b>Net income (loss) from continuing operations</b>		<b>(329,639)</b>	<b>2,772,802</b>	<b>2,443,163</b>
<b>Net loss from discontinued operations</b> (Note 39A)		<b>(2,112,576)</b>	<b>—</b>	<b>(2,112,576)</b>
<b>Net income (loss)</b>		<b>\$ (2,442,215)</b>	<b>\$ 2,772,802</b>	<b>\$ 330,587</b>
<b>Net income (loss) from continuing operations attributable to:</b>				
SNC-Lavalin shareholders		(332,007)	2,772,802	2,440,795
Non-controlling interests		2,368	—	2,368
<b>Net income (loss) from continuing operations</b>		<b>\$ (329,639)</b>	<b>\$ 2,772,802</b>	<b>\$ 2,443,163</b>
<b>Net income (loss) attributable to:</b>				
SNC-Lavalin shareholders		\$ (2,444,583)	\$ 2,772,802	\$ 328,219
Non-controlling interests		2,368	—	2,368
<b>Net income (loss)</b>		<b>\$ (2,442,215)</b>	<b>\$ 2,772,802</b>	<b>\$ 330,587</b>

<sup>(1)</sup> Comparative figures have been revised to reflect a change made to the Company's presentation of financial results of Capital, now presented separately from SNCL Engineering Services (see Note 2C).

<sup>(2)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

<sup>(3)</sup> The negative Segment Adjusted EBIT of Resources was mainly due to net unfavorable reforecasts totaling \$89.3 million on certain major LSTK contracts.

<sup>(4)</sup> The negative Segment Adjusted EBIT of Infrastructure EPC Projects was mainly attributable to the net unfavorable reforecasts totaling approximately \$130 million on certain major projects resulting from higher forecasted costs or increased warranty costs, primarily on two LSTK contracts nearing completion and on smaller clean power projects.

#### 4. SEGMENT DISCLOSURES (CONTINUED)

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

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

YEARS ENDED DECEMBER 31	2020	2019 <sup>(1)</sup>
<b>Supplementary information:</b>		
Net loss on disposals of PS&PM businesses (Note 6)	\$ (7,467)	\$ (294)
Federal charges settlement (PPSC) (Note 18)	—	(257,327)
Net loss from discontinued operations (Note 39A)	(609,344)	(2,112,576)
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 39B)	(6,094)	—
Excluding the items listed above	(388,093)	(74,386)
Net loss attributable to SNC-Lavalin shareholders from PS&PM	(1,010,998)	(2,444,583)
Net gain or adjustment on net gain from disposal of a Capital investment (Note 5A)	25,000	2,585,998
Net loss arising on contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR	(49,627)	—
Highway 407 ETR dividends	38,048	146,099
Excluding the items listed above	32,130	40,705
Net income attributable to SNC-Lavalin shareholders from Capital	45,551	2,772,802
<b>Net income (loss) attributable to SNC-Lavalin shareholders</b>	<b>\$ (965,447)</b>	<b>\$ 328,219</b>

<sup>(1)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

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

	DECEMBER 31 2020	DECEMBER 31 2019
<b>Property, equipment, goodwill and intangible assets <sup>(2)</sup></b>		
Canada	\$ 224,424	\$ 250,826
Outside Canada	4,124,977	4,314,496
	<b>\$ 4,349,401</b>	<b>\$ 4,565,322</b>

<sup>(2)</sup> All related to PS&PM activities

## 5. CAPITAL INVESTMENTS

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

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

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

### A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS

#### I) IN 2020

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

#### II) IN 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 at 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 and the interests and securities issued by the entity indirectly holding TransitNEXT have also been pledged to the project lenders as is customary in projects of this nature.

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

##### 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 favor 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 another shareholder of Highway 407 ETR had exercised its right 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 that the shareholder exercised such a right of first refusal and in accordance with the terms of the sale contract, SNC-Lavalin terminated the transaction with OMERS, which was subject to a payment of a break fee of 2.5% of the purchase price once the sale completed.

On August 15, 2019, SNC-Lavalin announced that it completed the sale of the Subject Shares to a company controlled by Canada Pension Plan Investment Board. Based on the terms of the agreement, SNC-Lavalin received on closing the base purchase price proceeds of \$3.0 billion, with up to an additional \$250 million contingently payable over a period of 10 years, conditional on the attainment of certain financial thresholds related to the ongoing performance of Highway 407 ETR. The Company was also entitled to receive additional consideration based on the dividend to be declared in October 2019, for which the fair value was determined to be \$12.3 million.

## 5. CAPITAL INVESTMENTS (CONTINUED)

After the completion of the sale, SNC-Lavalin paid the break fee to OMERS in an amount of \$81.3 million.

SNC-Lavalin's remaining 6.76% ownership interest in Highway 407 ETR continues to be accounted for under the equity method of accounting, following the completion of the sale of the Subject Shares in August 2019.

### Net gain on partial disposal of Highway 407 ETR

YEAR ENDED DECEMBER 31	2019
Consideration received in cash	\$ 3,000,000
Additional consideration received	12,256
Contingent consideration receivable <sup>(1)</sup>	56,143
Total consideration	3,068,399
Carrying amount of the investment sold	—
Disposition-related costs <sup>(2)</sup>	(97,616)
Gain on partial disposal of Highway 407 ETR	2,970,783
Income taxes	(384,785)
<b>Net gain on partial disposal of Highway 407 ETR</b>	<b>\$ 2,585,998</b>

<sup>(1)</sup> Under the sale agreement, SNC-Lavalin is entitled to receive up to \$250 million over a period of 10 years, conditional on the attainment of certain financial thresholds related to the ongoing performance of Highway 407 ETR. The amount of \$56.1 million represented the preliminary estimated fair value of this receivable at the date of sale.

<sup>(2)</sup> Disposition-related costs included a break fee of \$81.3 million related to the termination of the transaction with OMERS.

### B) FINANCIAL INFORMATION AND DESCRIPTION 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 method and at fair value through other comprehensive income.

	DECEMBER 31 2020	DECEMBER 31 2019
Net assets (liabilities) from Capital investments accounted for by the consolidation method	\$ 38,296	\$ (51,620)
Net book value of Capital investments accounted for by the equity method <sup>(3)</sup>	378,730	399,539
Net book value of Capital investments at fair value through other comprehensive income	9,666	8,107
	<b>\$ 426,692</b>	<b>\$ 356,026</b>

<sup>(3)</sup> Includes the Company's investment in Highway 407 ETR, for which the net book value was \$nil as at December 31, 2020 and 2019.

### I) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE CONSOLIDATION METHOD

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

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
					DECEMBER 31 2020	DECEMBER 31 2019
InPower BC General Partnership	John Hart Generating Replacement Facility	Yes	2033	Canada	100.0%	100.0%
TransitNEXT General Partnership	New Trillium Line extension (under construction)	Yes	2049	Canada	100.0%	100.0%

## 5. CAPITAL INVESTMENTS (CONTINUED)

### II) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

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

					OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2020	DECEMBER 31 2019
<b>Joint ventures:</b>						
407 East Development Group General Partnership (“407 EDGGP”)	32-km toll Highway 407 East	Yes	2045	Canada	<b>50.0%</b>	50.0%
407 International Inc. <sup>(1)</sup> (“Highway 407 ETR”)	108-km toll highway under a 99-year concession agreement	No	2098	Canada	<b>6.76%</b>	6.76%
Crosslinx Transit Solutions General Partnership (“Eglinton Crosstown”)	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	<b>25.0%</b>	25.0%
Rideau Transit Group Partnership (“Rideau”)	The Confederation Line, City of Ottawa’s light rail transit system	Yes	2043	Canada	<b>40.0%</b>	40.0%
Signature on the Saint-Laurent Group General Partnership (“SSL”)	New Champlain Bridge Corridor	Yes	2049	Canada	<b>50.0%</b>	50.0%
TC Dôme S.A.S. <sup>(2)</sup> (“TC Dôme”)	5.3-km electric cog railway	Yes	2043	France	<b>51.0%</b>	51.0%
<b>Associates:</b>						
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	N/A	Algeria	<b>25.5%</b>	25.5%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	<b>26.0%</b>	26.0%
SNC-Lavalin Infrastructure Partners LP	Holding interests in mature Capital investments	No	N/A	Canada	<b>20.0%</b>	20.0%

<sup>(1)</sup> Although the Company holds less than 20% of the equity shares of Highway 407 ETR, the Company exercises joint control over this entity based on its contractual agreements.

<sup>(2)</sup> Although the Company's ownership interest in TC Dôme is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

N/A: not applicable

## 5. CAPITAL INVESTMENTS (CONTINUED)

### Capital investments accounted for by the equity method – joint ventures

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

YEAR ENDED DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
<b>Income statements</b>			
Revenues (at 100%)	\$ 908,566	\$ 1,028,104	\$ 1,936,670
Interest income (at 100%)	\$ 15,734	\$ 4,760	\$ 20,494
Interest expense (at 100%)	\$ 456,902	\$ 94,251	\$ 551,153
Depreciation and amortization (at 100%)	\$ 97,434	\$ —	\$ 97,434
Income tax expense (at 100%)	\$ 53,379	\$ 2	\$ 53,381

YEAR ENDED DECEMBER 31, 2019	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
<b>Income statements</b>			
Revenues (at 100%)	\$ 1,505,301	\$ 1,271,169	\$ 2,776,470
Interest income (at 100%)	\$ 24,512	\$ 20,584	\$ 45,096
Interest expense (at 100%)	\$ 444,615	\$ 116,317	\$ 560,932
Depreciation and amortization (at 100%)	\$ 105,512	\$ —	\$ 105,512
Income tax expense (at 100%)	\$ 207,489	\$ 4	\$ 207,493

YEAR ENDED DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
<b>Statements of comprehensive income</b>			
Net income (at 100%)	\$ 147,934	\$ 57,724	\$ 205,658
Other comprehensive loss (at 100%)	(833)	(6,359)	(7,192)
Total comprehensive income (at 100%)	\$ 147,101	\$ 51,365	\$ 198,466

YEAR ENDED DECEMBER 31, 2019	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
<b>Statements of comprehensive income</b>			
Net income (at 100%)	\$ 575,748	\$ 93,281	\$ 669,029
Other comprehensive loss (at 100%)	(778)	(3,006)	(3,784)
Total comprehensive income (at 100%)	\$ 574,970	\$ 90,275	\$ 665,245

YEARS ENDED DECEMBER 31	2020	2019
Company's share of net income of Capital investments based on its ownership interest <sup>(1)</sup>	\$ 30,858	\$ 109,565
Company's net income from Capital investments included in its income statement <sup>(1)</sup>	\$ 59,174	\$ 185,266

<sup>(1)</sup> See Note 1 on the following page

## 5. CAPITAL INVESTMENTS (CONTINUED)

DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
<b>Statements of financial position</b>			
Cash and cash equivalents (at 100%)	\$ 614,532	\$ 66,329	\$ 680,861
Other current assets (at 100%)	439,922	223,125	663,047
Non-current assets (at 100%)	4,597,899	2,811,978	7,409,877
Total assets (at 100%)	5,652,353	3,101,432	8,753,785
Trade payables (at 100%)	58,390	78,525	136,915
Other current financial liabilities (at 100%)	124,418	131,804	256,222
Other current non-financial liabilities (at 100%)	18,359	55,783	74,142
Other non-current financial liabilities (at 100%)	9,602,978	2,360,444	11,963,422
Other non-current non-financial liabilities (at 100%)	551,433	534	551,967
Total liabilities (at 100%)	10,355,578	2,627,090	12,982,668
Net assets (liabilities) (at 100%)	\$ (4,703,225)	\$ 474,342	\$ (4,228,883)
Company's carrying value of Capital investments included in its statement of financial position <sup>(1)</sup>	\$ —	\$ 214,323	\$ 214,323

DECEMBER 31, 2019	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
<b>Statements of financial position</b>			
Cash and cash equivalents (at 100%)	\$ 557,316	\$ 122,903	\$ 680,219
Other current assets (at 100%)	254,470	663,691	918,161
Non-current assets (at 100%)	4,539,752	2,669,759	7,209,511
Total assets (at 100%)	5,351,538	3,456,353	8,807,891
Trade payables (at 100%)	81,248	102,259	183,507
Other current financial liabilities (at 100%)	142,614	568,539	711,153
Other current non-financial liabilities (at 100%)	18,008	56,908	74,916
Other non-current financial liabilities (at 100%)	8,868,430	2,321,948	11,190,378
Other non-current non-financial liabilities (at 100%)	529,066	428	529,494
Total liabilities (at 100%)	9,639,366	3,050,082	12,689,448
Net assets (liabilities) (at 100%)	\$ (4,287,828)	\$ 406,271	\$ (3,881,557)
Company's carrying value of Capital investments included in its statement of financial position <sup>(1)</sup>	\$ —	\$ 227,943	\$ 227,943

<sup>(1)</sup> Under the equity method of accounting, distributions from a joint venture reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends declared by the joint venture are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to \$nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. In these situations, the Company no longer recognizes its share of net income of a Capital investment based on its ownership, but rather recognizes the excess amount of dividends declared by a joint venture in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 ETR of \$38.0 million in 2020 (2019: \$146.1 million) and did not recognize its share of Highway 407 ETR's net income of \$10.0 million (2019: \$72.0 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was \$nil at December 31, 2020 and 2019. The negative carrying value of the Company's investment in Highway 407 ETR, which is not recognized on the Company's statement of financial position, amounted to \$319.0 million as at December 31, 2020 (2019: negative carrying value of \$291.0 million).

## 5. CAPITAL INVESTMENTS (CONTINUED)

### Capital investments accounted for by the equity method - associates

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

YEARS ENDED DECEMBER 31	2020	2019
<b>Statements of comprehensive income</b>		
Revenues (at 100%)	\$ 272,550	\$ 308,023
Expenses (at 100%)	162,146	196,102
Net income (at 100%)	110,404	111,921
Other comprehensive income (loss) (at 100%)	—	—
Total comprehensive income (at 100%)	\$ 110,404	\$ 111,921
Company's share of net income of Capital investments based on its ownership interest	\$ 28,175	\$ 25,277
Company's share of net income from Capital investments included in its income statement	\$ 28,175	\$ 25,277

  

	DECEMBER 31 2020	DECEMBER 31 2019
<b>Statements of financial position</b>		
Current assets (at 100%)	\$ 336,972	\$ 358,457
Non-current assets (at 100%)	592,094	685,714
Total assets (at 100%)	929,066	1,044,171
Current liabilities (at 100%)	77,808	146,578
Non-current liabilities (at 100%)	186,539	261,971
Total liabilities (at 100%)	264,347	408,549
Net assets (at 100%)	\$ 664,719	\$ 635,622
Company's carrying value of Capital investments included in its statement of financial position	\$ 164,407	\$ 171,596

### III) CAPITAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

			OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	LOCATION	DECEMBER 31 2020	DECEMBER 31 2019
Carlyle Global Infrastructure Opportunity Fund, L.P. <sup>(1)</sup>	Holding investments in infrastructure projects related to energy, power and other natural resources	U.S.A.	4.5%	4.5%
Highway Concessions One Private Limited <sup>(1)</sup>	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	India	10.0%	10.0%

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

The investments in Carlyle Global Infrastructure Opportunity Fund, L.P. and in Highway Concession One Private Limited are designated to be measured at fair value through other comprehensive income to avoid the variability of the Company's net income in the future periods.

For the years ended December 31, 2020 and 2019, the Company's consolidated income includes dividends of \$nil and \$1.9 million, respectively, from investments at fair value through other comprehensive income.



## 5. CAPITAL INVESTMENTS (CONTINUED)

### C) PAYMENTS AND REMAINING COMMITMENTS IN CAPITAL INVESTMENTS

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

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income as at December 31, 2020 and 2019:

	2020	2019
Commitments to invest in Capital investments – January 1	\$ 70,724	\$ 108,312
Increase in commitments to invest in Capital investments	10,031	2,379
Payments for Capital investments during the year	(55,834)	(39,967)
<b>Commitments to invest in Capital investments – December 31</b>	<b>\$ 24,921</b>	<b>\$ 70,724</b>

At December 31, 2020, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2019: SSL, Eglinton Crosstown and Carlyle Global Infrastructure Opportunity Fund, L.P.) and were presented as "Other current financial liabilities" (see Note 18) since they are either expected to be paid in the following year or are callable on demand.

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

## 6. DISPOSALS OF PS&PM BUSINESSES

### A) DISPOSAL OF SUBSIDIARIES IN SOUTH AFRICA

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

#### Net gain on disposal of South African subsidiaries

YEAR ENDED DECEMBER 31	2020
Consideration received	\$ 13,003
Additional deferred consideration receivable	1,908
Total consideration	14,911
Net assets disposed of	(38,006)
Cumulative exchange loss on translating foreign operations reclassified from equity	29,516
Disposition-related costs	(216)
<b>Gain on disposal of South African subsidiaries</b>	<b>6,205</b>
Income taxes	—
<b>Net gain on disposal of South African subsidiaries <sup>(1)</sup></b>	<b>\$ 6,205</b>

<sup>(1)</sup> Included in "Net loss from discontinued operations" in the consolidated income statement (see Note 39)

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

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

## 6. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

### B) DISPOSAL OF A SUBSIDIARY IN BELGIUM

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

### C) CASH OUTFLOW ON DISPOSALS OF PS&PM BUSINESSES

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

YEAR ENDED DECEMBER 31		2020
Consideration received in cash	\$	13,003
Less: cash and cash equivalents balances disposed of		28,046
<b>Cash outflow on disposals of PS&amp;PM businesses</b>	<b>\$</b>	<b>(15,043)</b>

## 7. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS	DECEMBER 31 2020	DECEMBER 31 2019
Bank balances, bank term deposits and bankers' acceptances	\$ 932,902	\$ 1,188,636
<b>Cash and cash equivalents</b>	<b>\$ 932,902</b>	<b>\$ 1,188,636</b>

  

B) RESTRICTED CASH	DECEMBER 31 2020	DECEMBER 31 2019
Bank balances, bank term deposits and bankers' acceptances	\$ 29,300	\$ 34,118
<b>Restricted cash</b>	<b>\$ 29,300</b>	<b>\$ 34,118</b>

## 8. TRADE RECEIVABLES AND CONTRACT ASSETS

### A) TRADE RECEIVABLES

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

	DECEMBER 31 2020	DECEMBER 31 2019
Trade receivables:		
Within normal terms of payment	\$ 894,248	\$ 1,161,005
Past due	477,068	628,135
Total trade receivables	1,371,316	1,789,140
Allowance for expected credit losses	(172,150)	(255,698)
<b>Trade receivables, net of allowance for expected credit losses</b>	<b>\$ 1,199,166</b>	<b>\$ 1,533,442</b>

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

YEARS ENDED DECEMBER 31	2020	2019
Balance at beginning of year	\$ 255,698	\$ 240,264
Change in allowance, other than write-offs and recoveries	43,750	43,102
Write-offs of trade receivables	(44,047)	(9,133)
Recoveries	(9,253)	(18,535)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(73,998)	—
<b>Balance at end of year</b>	<b>\$ 172,150</b>	<b>\$ 255,698</b>

### B) CONTRACT ASSETS

As at December 31, 2020, the Company has contract assets of \$1,090.1 million (2019: \$1,755.3 million), which is net of an allowance for expected credit losses of \$23.3 million (2019: \$18.3 million). The change in the allowance for expected credit losses is detailed below:

YEARS ENDED DECEMBER 31	2020	2019
Balance at beginning of year	\$ 18,262	\$ 11,193
Change in allowance, other than write-offs	16,020	10,523
Write-offs of contract assets	(7,217)	(3,454)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(3,806)	—
<b>Balance at end of year</b>	<b>\$ 23,259</b>	<b>\$ 18,262</b>

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

## 9. REVENUE

### A) DISAGGREGATION OF REVENUE

#### Revenues by geographic area

The following tables present revenues by geographic area according to project location for the years ended December 31, 2020 and 2019:

YEAR ENDED DECEMBER 31				2020
	REVENUE FROM CONTRACTS WITH CUSTOMERS		OTHER REVENUE	TOTAL
Americas:				
Canada	\$	2,016,539	\$ 85,858	\$ 2,102,397
United States		1,357,825	25,819	1,383,644
Latin America		80,976	—	80,976
Middle East and Africa:				
Saudi Arabia		167,388	—	167,388
Other Middle East countries		382,071	3,590	385,661
Africa		178,076	25,289	203,365
Asia Pacific:				
Australia		38,531	—	38,531
Other		342,178	—	342,178
Europe:				
United Kingdom		1,881,723	11,866	1,893,589
Other		409,772	—	409,772
	\$	6,855,079	\$ 152,422	\$ 7,007,501

YEAR ENDED DECEMBER 31				2019 <sup>(1)</sup>
	REVENUE FROM CONTRACTS WITH CUSTOMERS		OTHER REVENUE	TOTAL
Americas:				
Canada	\$	2,399,914	\$ 218,757	\$ 2,618,671
United States		1,363,446	18,599	1,382,045
Latin America		146,212	—	146,212
Middle East and Africa:				
Saudi Arabia		275,967	—	275,967
Other Middle East countries		583,983	1,924	585,907
Africa		134,263	19,636	153,899
Asia Pacific:				
Australia		96,306	—	96,306
Other		319,576	—	319,576
Europe:				
United Kingdom		1,756,061	2,933	1,758,994
Other		290,337	1,918	292,255
	\$	7,366,065	\$ 263,767	\$ 7,629,832

<sup>(1)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

In the years ended December 31, 2020 and 2019, Canada, the United States and the United Kingdom were the only countries where the Company derived more than 10% of its revenues.

## 9. REVENUE (CONTINUED)

### Revenues by type of contracts

The types of contracts presented are defined as follow:

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

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

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

The following tables present revenues by type of contracts for the years ended December 31, 2020 and 2019:

YEAR ENDED DECEMBER 31	2020			
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
EDPM	\$ 3,721,120	\$ —	\$ —	\$ 3,721,120
Nuclear	882,470	—	11,079	893,549
Infrastructure Services	789,888	533,547	—	1,323,435
Revenue from contracts with customers – SNCL Engineering Services	5,393,478	533,547	11,079	5,938,104
Resources	134,918	—	23,657	158,575
Infrastructure EPC Projects	20,704	—	719,485	740,189
Revenue from contracts with customers – SNCL Projects	155,622	—	743,142	898,764
	\$ 5,549,100	\$ 533,547	\$ 754,221	\$ 6,836,868
Revenue from PS&PM investments accounted for by the equity method (Note 17)				41,274
Revenue from contracts with customers – Capital segment				18,211
Other revenue – Capital segment				111,148
				\$ 7,007,501

YEAR ENDED DECEMBER 31	2019 <sup>(1)</sup>			
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
EDPM	\$ 3,908,772	\$ —	\$ —	\$ 3,908,772
Nuclear	895,657	—	11,018	906,675
Infrastructure Services	697,773	480,809	—	1,178,582
Revenue from contracts with customers – SNCL Engineering Services	5,502,202	480,809	11,018	5,994,029
Resources	128,150	—	144,734	272,884
Infrastructure EPC Projects	—	—	1,076,744	1,076,744
Revenue from contracts with customers – SNCL Projects	128,150	—	1,221,478	1,349,628
	\$ 5,630,352	\$ 480,809	\$ 1,232,496	\$ 7,343,657
Revenue from PS&PM investments accounted for by the equity method (Note 17)				23,455
Revenue from contracts with customers – Capital segment				22,408
Other revenue – Capital segment				240,312
				\$ 7,629,832

<sup>(1)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

## 9. REVENUE (CONTINUED)

### B) CONTRACT BALANCES

	DECEMBER 31 2020	DECEMBER 31 2019
Trade receivables (Note 8A)	\$ 1,199,166	\$ 1,533,442
Contract assets (Note 8B)	1,090,149	1,755,325
Contract liabilities	\$ 836,991	\$ 889,953

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

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

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

The following table presents the amount of revenue recognized from:

YEARS ENDED DECEMBER 31	2020	2019
Amounts included in contract liabilities at the beginning of the year	\$ 534,379	\$ 486,775
Performance obligations satisfied or partially satisfied in previous years (reversal)	\$ (353,109)	\$ (254,787)

As a significant portion of the Company's revenues are recognized over time, the contractual terms which determine when consideration becomes receivable from the customer, such as upon the achievement of certain milestones, the attainment by the Company of such milestones earlier or later than anticipated and the ability to obtain deposits on contracts will influence, among other factors, the balance of trade receivables, contract assets and contract liabilities on a given contract. Due to i) the large number of contracts entered into by the Company; ii) the variety of contractual terms of such contracts; and iii) the different level of progress of the underlying projects, the variance of the contract assets and contract liabilities balances is not usually attributable to a single factor, except for significant business combinations or divestitures. In 2020 and 2019, there were no business combinations. The amount of contract assets and contract liabilities decreased at the end of 2020, reflecting mainly: i) a reclassification of contract balances related to the Oil & Gas business as part of the disposal group classified as held for sale (see Note 39); ii) the reduction of variable consideration expected from certain commercial claims combined with some unfavorable reforecasts on certain major projects; and iii) the disposals of PS&PM businesses in Belgium and in South Africa (see Note 6).

### C) REMAINING PERFORMANCE OBLIGATIONS

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2020, on all contracts with customers, is expected to be recognized in revenues from continuing operations as follows: 2021 – \$4.4 billion, 2022 – \$2.0 billion, 2023 – \$1.2 billion, and thereafter – \$5.6 billion (2019: 2020 – \$4.8 billion, 2021 – \$2.2 billion, 2022 – \$1.1 billion, and thereafter – \$6.0 billion). The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2020, on all contracts with customers, is expected to be recognized in revenues from discontinued operations is \$0.8 billion (2019: \$1.1 billion). It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

## 10. INVENTORIES

	DECEMBER 31 2020	DECEMBER 31 2019
Raw materials	\$ —	\$ 38,042
Work in progress	130	29,563
Finished goods	15,992	17,283
<b>Inventories</b>	<b>\$ 16,122</b>	<b>\$ 84,888</b>

The cost of inventories recognized by the Company as an expense in continuing operations in its consolidated income statement during the year ended December 31, 2020 was \$8.7 million (2019: \$6.3 million).

## 11. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Advances to suppliers, subcontractors and employees and deposits on contracts	\$ 45,282	\$ 54,895
Derivative financial instruments used for hedges – favourable fair value	41,808	19,246
Life insurance policies measured at FVTPL <sup>(1)</sup>	6,200	6,047
Current portion of receivables under service concession arrangements	17,370	17,556
Recovery of costs expected from suppliers and subcontractors	23,178	49,687
Current portion of finance lease receivables	2,627	3,277
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	148	1,900
Other	120,819	69,700
<b>Other current financial assets</b>	<b>\$ 257,432</b>	<b>\$ 222,308</b>

<sup>(1)</sup> Fair value through profit or loss (“FVTPL”)

## 12. OTHER CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Income taxes and other taxes receivable	\$ 145,341	\$ 220,629
Prepaid expenses and other	107,970	110,746
<b>Other current non-financial assets</b>	<b>\$ 253,311</b>	<b>\$ 331,375</b>

## 13. PROPERTY AND EQUIPMENT

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
<b>Gross carrying amount</b>						
Balance as at January 1, 2020	\$ 97,798	\$ 470,761	\$ 164,242	\$ 156,385	\$ 270,394	\$ 1,159,580
Additions	3,804	67,566	2,285	7,758	22,274	103,687
Effect of foreign currency exchange differences	(2,099)	(2,800)	(584)	(6,389)	(2,590)	(14,462)
Disposals / retirements / salvage	(4,276)	(31,732)	(12,856)	(34,723)	(55,813)	(139,400)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(44,512)	(13,683)	(26,288)	(32,086)	(35,927)	(152,496)
Balance as at December 31, 2020	\$ 50,715	\$ 490,112	\$ 126,799	\$ 90,945	\$ 198,338	\$ 956,909
<b>Accumulated depreciation and impairment losses</b>						
Balance as at January 1, 2020	\$ 42,103	\$ 349,089	\$ 128,210	\$ 66,132	\$ 103,416	\$ 688,950
Depreciation expense	22,865	45,763	9,058	27,298	15,221	120,205
Effect of foreign currency exchange differences	(1,487)	(1,884)	(479)	(4,243)	(511)	(8,604)
Impairment loss	—	—	—	5,358	2,894	8,252
Disposals / retirements / salvage	(2,675)	(30,957)	(11,249)	(34,210)	(27,312)	(106,403)
Reclassification to assets of disposal groups classified as held for sale (Note 39)	(44,055)	(11,649)	(20,731)	(31,824)	(13,096)	(121,355)
Balance as at December 31, 2020	\$ 16,751	\$ 350,362	\$ 104,809	\$ 28,511	\$ 80,612	\$ 581,045

### 13. PROPERTY AND EQUIPMENT (CONTINUED)

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	OTHER	TOTAL
<b>Gross carrying amount</b>						
Balance as at January 1, 2019	\$ 102,748	\$ 433,670	\$ 158,762	\$ 147,060	\$ 234,794	\$ 1,077,034
Additions	366	51,291	8,377	17,235	48,243	125,512
Effect of foreign currency exchange differences	(2,832)	(7,620)	(2,650)	(6,279)	(11,924)	(31,305)
Disposals / retirements / salvage	(2,484)	(6,580)	(247)	(1,631)	(719)	(11,661)
Balance as at December 31, 2019	\$ 97,798	\$ 470,761	\$ 164,242	\$ 156,385	\$ 270,394	\$ 1,159,580
<b>Accumulated depreciation and impairment losses</b>						
Balance as at January 1, 2019	\$ 40,141	\$ 311,800	\$ 120,981	\$ 28,400	\$ 93,093	\$ 594,415
Depreciation expense	4,509	43,704	8,960	31,584	19,483	108,240
Effect of foreign currency exchange differences	(1,355)	(6,309)	(2,065)	(1,591)	(8,894)	(20,214)
Impairment loss	33	92	446	9,429	—	10,000
Disposals / retirements / salvage	(1,225)	(198)	(112)	(1,690)	(266)	(3,491)
Balance as at December 31, 2019	\$ 42,103	\$ 349,089	\$ 128,210	\$ 66,132	\$ 103,416	\$ 688,950

Net book value:

<b>As at December 31, 2020</b>	<b>\$ 33,964</b>	<b>\$ 139,750</b>	<b>\$ 21,990</b>	<b>\$ 62,434</b>	<b>\$ 117,726</b>	<b>\$ 375,864</b>
As at December 31, 2019	\$ 55,695	\$ 121,672	\$ 36,032	\$ 90,253	\$ 166,978	\$ 470,630

Net book value of assets subject to operating leases:

<b>As at December 31, 2020</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 57,059</b>	<b>\$ —</b>	<b>\$ 57,059</b>
As at December 31, 2019	\$ —	\$ —	\$ —	\$ 66,570	\$ —	\$ 66,570

An amount of \$6.9 million as at December 31, 2020 (2019: \$23.9 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash additions of property and equipment amounted to \$30.9 million in the year ended December 31, 2020 (2019: \$3.1 million).

### 14. GOODWILL

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

Balance at January 1, 2019	\$ 5,369,723
Net foreign currency exchange differences	(143,435)
Additional amount recognized from the adjustments to the final allocation of purchase price of Linxon	3,821
Impairment of goodwill	(1,801,015)
Balance at December 31, 2019	3,429,094
Net foreign currency exchange differences	384
<b>Balance at December 31, 2020</b>	<b>\$ 3,429,478</b>

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



## 14. GOODWILL (CONTINUED)

As at December 31, 2020 and 2019, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	DECEMBER 31 2020	DECEMBER 31 2019
EDPM	\$ 2,624,526	\$ 2,625,033
Infrastructure Services	142,782	141,741
Nuclear	642,770	642,516
Linxon	19,400	19,804
	<b>\$ 3,429,478</b>	<b>\$ 3,429,094</b>

### I) IN 2020

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

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

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

### II) IN 2019

As at June 30, 2019, goodwill was impaired by \$1.8 billion (\$1.7 billion after income taxes) in the Resources CGU. Such CGU corresponded to a reportable segment. The impairment was 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%.

In 2019, approximately 77% of the Company's goodwill balance was allocated to the EDPM CGU. The recoverable amount of this CGU, based on a terminal growth rate of 2.5% and a discount rate of 9.4%, exceeded its carrying amount by approximately \$829 million as at October 31, 2019. Assuming all other assumptions remained the same, a 220-basis point decrease in the terminal growth rate or a 165-basis point increase in the discount rate would have caused the EDPM CGU's carrying amount to be comparable to its recoverable amount as at that date.

No reasonable change in the key assumptions used for the other CGU or group of CGU would have resulted in an impairment loss as at October 31, 2019. The recoverable amount of other CGU or group of CGU was determined based on the value in use approach. Under this approach, the following assumptions were used: cash flows beyond the long-term forecast were extrapolated using a growth rate of 2.5% in 2019 and discount rates ranging from 9.5% to 11.0% have been used in 2019.

## 15. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

The following tables detail a reconciliation of the carrying amount of intangible assets related to business combinations:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
<b>Gross carrying amount</b>				
Balance as at January 1, 2020	\$ 214,630	\$ 999,907	\$ 137,981	\$ 1,352,518
Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
Effect of foreign currency exchange differences	1,906	8,131	(256)	9,781
Reclassification to assets of disposal groups classified as held for sale (Note 39)	—	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020	\$ 16,531	\$ 766,333	\$ 107,323	\$ 890,187
<b>Accumulated depreciation and impairment losses</b>				
Balance as at January 1, 2020	\$ 173,205	\$ 430,238	\$ 83,477	\$ 686,920
Amortization expense	36,367	75,489	14,914	126,770
Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
Effect of foreign currency exchange differences	2,420	2,526	(396)	4,550
Reclassification to assets of disposal groups classified as held for sale (Note 39)	—	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020	\$ 11,987	\$ 266,548	\$ 67,593	\$ 346,128

  

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
<b>Gross carrying amount</b>				
Balance as at January 1, 2019	\$ 206,220	\$ 1,008,313	\$ 140,929	\$ 1,355,462
Additions through a business combination	14,138	—	—	14,138
Derecognition of intangible assets	(3,815)	—	—	(3,815)
Effect of foreign currency exchange differences	(1,913)	(8,406)	(2,948)	(13,267)
Balance as at December 31, 2019	\$ 214,630	\$ 999,907	\$ 137,981	\$ 1,352,518
<b>Accumulated depreciation and impairment losses</b>				
Balance as at January 1, 2019	\$ 106,414	\$ 264,830	\$ 63,632	\$ 434,876
Amortization expense	70,663	91,657	19,663	181,983
Impairment loss	—	71,756	1,075	72,831
Derecognition of intangible assets	(3,815)	—	—	(3,815)
Effect of foreign currency exchange differences	(57)	1,995	(893)	1,045
Balance as at December 31, 2019	\$ 173,205	\$ 430,238	\$ 83,477	\$ 686,920
Net book value:				
<b>As at December 31, 2020</b>	<b>\$ 4,544</b>	<b>\$ 499,785</b>	<b>\$ 39,730</b>	<b>\$ 544,059</b>
As at December 31, 2019	\$ 41,425	\$ 569,669	\$ 54,504	\$ 665,598

## 16. OTHER NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	\$ 908	\$ 6,561
Derivative financial instruments used for hedges – favourable fair value	1,065	2,436
Non-current portion of finance lease receivables	13,601	24,666
Contingent consideration receivable related to disposal of the 10.01% interest in Highway 407 ETR (Note 5A)	—	57,207
Other	15,824	25,071
<b>Other non-current financial assets</b>	<b>\$ 31,398</b>	<b>\$ 115,941</b>

The Company's finance lease receivables relate mainly to the subleases of its unused office space. In 2020, the decrease of finance lease receivables was mainly due to the passage of time and to a reclassification of leases included in the Oil & Gas business to assets of disposal group classified as held for sale (see Note 39).

## 17. OTHER NON-CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2020	DECEMBER 31 2019
Post-employment benefit assets (Note 32A)	\$ 8,327	\$ 10,979
PS&PM investments accounted for by the equity method	54,067	27,145
Other	20,557	55,374
<b>Other non-current non-financial assets</b>	<b>\$ 82,951</b>	<b>\$ 93,498</b>

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

SNC-Lavalin carries out part of its PS&PM investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below. Joint ventures included in assets of disposal groups classified as held for sale as at December 31, 2020 are not included in the tables below for the current year (see Note 39).

YEARS ENDED DECEMBER 31	2020	2019
<b>Income statements</b>		
Revenues (at 100%)	\$ 1,786,311	\$ 1,629,284
Interest income (at 100%)	\$ 4,743	\$ 4,162
Interest expense (at 100%)	\$ 5,520	\$ 5,253
Depreciation and amortization (at 100%)	\$ 317	\$ 3,361
Income tax expense (at 100%)	\$ —	\$ 209

YEARS ENDED DECEMBER 31	2020	2019
<b>Statements of comprehensive income</b>		
Net income (at 100%)	\$ 100,668	\$ 102,862
Other comprehensive loss (at 100%)	—	(2,025)
Total comprehensive income (at 100%)	\$ 100,668	\$ 100,837

YEARS ENDED DECEMBER 31	2020	2019 <sup>(1)</sup>
Company's share of net income of PS&PM investments based on its ownership interest	\$ 41,274	\$ 23,455
Company's net income from PS&PM investments included in its income statement	\$ 41,274	\$ 23,455

<sup>(1)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

	DECEMBER 31 2020	DECEMBER 31 2019
<b>Statements of financial position</b>		
Cash and cash equivalents (at 100%)	\$ 211,852	\$ 232,152
Other current assets (at 100%)	279,008	215,780
Non-current assets (at 100%)	4,649	85,320
Total assets (at 100%)	495,509	533,252
Trade payables (at 100%)	344,412	110,785
Other current financial liabilities (at 100%)	14,983	198,978
Other current non-financial liabilities (at 100%)	4,934	7,506
Other non-current financial liabilities (at 100%)	7,504	26,490
Total liabilities (at 100%)	371,833	343,759
Net assets (at 100%)	\$ 123,676	\$ 189,493
Company's carrying value of PS&PM investments included in its statement of financial position	\$ 54,067	\$ 27,145

## 17. OTHER NON-CURRENT NON-FINANCIAL ASSETS (CONTINUED)

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

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

YEARS ENDED DECEMBER 31	2020	2019
<b>Statements of comprehensive income</b>		
Revenues (at 100%)	\$ 33,053	\$ 181,922
Expenses (at 100%)	34,112	180,505
Net income (loss) (at 100%)	(1,059)	1,417
Other comprehensive income (at 100%)	—	—
Total comprehensive income (loss) (at 100%)	\$ (1,059)	\$ 1,417
Company's share of net income of PS&PM investments based on its ownership interest	\$ —	\$ —
Company's share of net income from PS&PM investments included in its income statement	\$ —	\$ —
<b>Statements of financial position</b>		
Current assets (at 100%)	\$ 21,092	\$ 62,649
Non-current assets (at 100%)	3,716	4,527
Total assets (at 100%)	24,808	67,176
Current liabilities (at 100%)	17,225	54,320
Non-current liabilities (at 100%)	1,953	3,168
Total liabilities (at 100%)	19,178	57,488
Net assets (at 100%)	\$ 5,630	\$ 9,688
Company's carrying value of PS&PM investments included in its statement of financial position	\$ —	\$ —

## 18. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2020	DECEMBER 31 2019
Commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income (Note 5C)	\$ 24,921	\$ 70,724
Retentions on supplier contracts	90,793	112,470
Balance of purchase price payable relating to acquisition of businesses	—	1,736
Derivative financial instruments used for hedges – unfavourable fair value	12,981	17,086
Derivative financial instruments related to share unit plans – unfavourable fair value (Note 23C)	3,025	—
Federal charges settlement (PPSC) payable	55,865	55,625
Other	169	30,075
<b>Other current financial liabilities</b>	<b>\$ 187,754</b>	<b>\$ 287,716</b>

On February 19, 2015, the Royal Canadian Mounted Police and the Public Prosecution Service of Canada (“PPSC”) laid charges (the “Charges”) against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. On December 18, 2019, the Company announced it had reached a settlement with the PPSC regarding the Charges (the “Federal charges settlement (PPSC)”). As part of the Federal charges settlement (PPSC), SNC-Lavalin Construction Inc. is required to pay a fine in the amount of \$280 million, payable over 5 years, and is subject to a three-year probation order. The Company estimated the net present value of these installments at \$257.3 million at October 18, 2019, the date of the Federal Charges settlement, of which \$154.3 million is included in “Other non-current financial liabilities” (see Note 21) as at December 31, 2020 (2019: \$201.8 million).

## 19. OTHER CURRENT NON-FINANCIAL LIABILITIES

	DECEMBER 31 2020	DECEMBER 31 2019
Income taxes and other taxes payable	\$ 434,987	\$ 324,662
Share unit plans' liabilities (Note 23C)	38,793	56,122
Other	—	2,416
<b>Other current non-financial liabilities</b>	<b>\$ 473,780</b>	<b>\$ 383,200</b>

## 20. SHORT-TERM DEBT AND LONG-TERM DEBT

As at December 31, 2020 and 2019, the Company's short-term debt and long-term debt included in its consolidated statement of financial position were as follows:

### A) RECOURSE DEBT

	DECEMBER 31 2020	DECEMBER 31 2019
Recourse debt:		
Revolving Facility (i)	\$ —	\$ —
Term Loan (ii)	499,360	499,085
Series 3 Debentures (iii)	174,960	174,722
Series 4 Debentures (iii)	199,540	199,338
Series 6 Debentures (iii)	297,105	—
2020 Debentures (iv)	—	299,518
<b>Total recourse short-term debt and long-term debt</b>	<b>\$ 1,170,965</b>	<b>\$ 1,172,663</b>
<b>Less: recourse short-term debt</b>	<b>174,960</b>	<b>299,518</b>
<b>Recourse long-term debt</b>	<b>\$ 996,005</b>	<b>\$ 873,145</b>

### B) LIMITED RECOURSE DEBT

	DECEMBER 31 2020	DECEMBER 31 2019
Limited recourse debt:		
CDPQ Loan (v)	\$ 400,000	\$ 400,000
<b>Limited recourse long-term debt</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>

### C) NON-RECOURSE DEBT (UNSECURED OR SECURED ONLY BY CAPITAL OR PS&PM INVESTMENT'S SPECIFIC ASSETS)

	DECEMBER 31 2020	DECEMBER 31 2019
Non-recourse debt:		
Senior bonds – InPower BC General Partnership (vi)	\$ 276,297	\$ 292,125
Credit facility – InPower BC General Partnership (vi)	—	63,130
Senior Secured Notes from a PS&PM investment (vii)	34,631	42,495
Unsecured Loan of Linxon (viii)	8,888	8,147
Credit facility – TransitNEXT General Partnership (ix)	102,843	70,983
Other	8,886	8,238
<b>Total non-recourse short-term debt and long-term debt</b>	<b>\$ 431,545</b>	<b>\$ 485,118</b>
<b>Less: non-recourse short-term debt</b>	<b>31,262</b>	<b>93,664</b>
<b>Non-recourse long-term debt</b>	<b>\$ 400,283</b>	<b>\$ 391,454</b>

## 20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

- i. The Company's unsecured revolving credit facility (the "Revolving Facility"), which is part of the Company's second amended and restated credit agreement, dated April 30, 2018, between, among others, the Company, as borrower, and the syndicate of lenders party thereto (as amended, from time to time, the "Credit Agreement"), is comprised of two tranches: (i) tranche A is for an amount of \$2,000 million (2019: \$2,000 million); and (ii) tranche B is for an amount of \$600 million (2019: \$600 million). Borrowings under tranche A may be obtained in the form of: (i) prime rate loans; (ii) acceptances; (iii) US base rate loans; (iv) Libor loans in US dollars, Euros and British pounds; and (v) non-financial, financial or documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non-financial or documentary letters of credit. The Revolving Facility maturity date is May 15, 2022 (2019: May 15, 2022) or such other date as may be agreed pursuant to extension provisions of the Credit Agreement. The aggregate outstanding amount of uncommitted bilateral letters of credit allowed under the Credit Agreement is \$3,000 million (2019: \$3,000 million).

In 2019, the Credit Agreement was amended to modify the calculation of a financial ratio (net recourse debt to earnings before interest, taxes, depreciation and amortization ("EBITDA")) and to provide that such ratio be temporarily increased. Furthermore, the Company amended its Credit Agreement to modify the calculation of the ratio of net recourse debt to earnings before interest, taxes, depreciation and amortization to a pro-forma basis so as to include the sale of 10.01% of the shares of Highway 407 ETR for the second quarter of 2019. The same amendments were made to the CDPQ Loan agreement (see below) in 2019.

As at December 31, 2020 and 2019, the cash draws and letters of credit outstanding under the Company's Revolving Facility were as follows:

AT DECEMBER 31, 2020	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
<b>Revolving Facility</b>	<b>\$ 2,600,000</b>	<b>\$ —</b>	<b>\$ 205,324 <sup>(1)</sup></b>	<b>\$ 2,394,676</b>

<sup>(1)</sup> Includes \$3.5 million of financial letters of credit

AT DECEMBER 31, 2019	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
<b>Revolving Facility</b>	<b>\$ 2,600,000</b>	<b>\$ —</b>	<b>\$ 188,062 <sup>(2)</sup></b>	<b>\$ 2,411,938</b>

<sup>(2)</sup> Includes \$3.3 million of financial letters of credit

In addition, as at December 31, 2020, \$1,495.5 million (2019: \$1,878.9 million) of uncommitted bilateral letters of credit were outstanding, of which \$98.2 million (2019: \$256.3 million) related to financial letters of credit.

- ii. The Company's non-revolving term loan, which is part of the Company's Credit Agreement, is in the principal amount of \$500 million (the "Term Loan"). Borrowings under the Term Loan were available by way of prime rate loans or acceptances. The Term Loan maturity date is April 30, 2023.
- iii. These unsecured debentures were in the aggregate principal amount of \$675 million and were issued in four series consisting of: (i) \$150 million in floating rate Series 2 Debentures due in March 2019 (the "Series 2 Debentures"); (ii) \$175 million in floating rate Series 3 Debentures due in March 2021 bearing interest at a rate equal to the 3-month CDOR plus applicable margin (the "Series 3 Debentures"); (iii) \$200 million in 3.235% Series 4 Debentures due in March 2023 (the "Series 4 Debentures"); and (iv) \$150 million in floating rate Series 5 Debentures due in June 2019 (the "Series 5 Debentures"). The Series 2 Debentures and the Series 5 Debentures bore interest at a rate equal to the 3-month CDOR plus an applicable margin. The Series 2 Debentures and the Series 5 Debentures were repaid in full at maturity in 2019. In 2020, the Company issued, on a private placement basis, new unsecured Series 6 Debentures in the principal amount of \$300 million, which bear interest at the rate of 3.80% *per annum* and mature on August 19, 2024 (the "Series 6 Debentures").
- iv. The unsecured Series 1 Debentures in the principal amount of \$300 million bore interest at a rate of 2.689% *per annum* and matured on November 24, 2020 (the "2020 Debentures"). \$40 million in principal amount of the 2020 Debentures was repurchased in August 2020 using a portion of the proceeds of the issuance of the Series 6 Debentures and the remaining \$260 million in principal of the outstanding 2020 Debentures was repaid in full at maturity in November 2020.

## 20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

- v. The loan (“CDPQ Loan”) made under the loan agreement (as amended, from time to time, the “CDPQ Loan Agreement”), dated April 20, 2017, between SNC-Lavalin Highway Holdings Inc. (“Highway Holdings”), an indirect wholly-owned subsidiary of the Company holding the shares of Highway 407 ETR, as borrower, and CDPQ Revenu Fixe Inc., as lender, is a limited recourse debt comprised of two tranches: (i) tranche A which is a non-revolving term loan in an aggregate amount of \$400 million (2019: \$400 million); and (ii) tranche B which was a non-revolving term loan in an aggregate amount of \$500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of Highway Holdings. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: (i) the CDOR rate; and (ii) 0.9%, plus an applicable margin. In 2018, the Company repaid borrowings under tranche B of its CDPQ Loan in full. Tranche A of the CDPQ Loan matures in 2024.

In 2019, the CDPQ Loan Agreement was amended to align it with the amendments made to the Credit Agreement (see above). The amendments to the CDPQ Loan Agreement, which also included: i) the Company’s commitment to repay an amount of \$600 million out of \$1,000 million outstanding under the tranche A of the CDPQ Loan; and ii) the decrease of the margin applicable to the base rate and payment by the Company of fees of \$15 million, 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 27). Such loss included 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.

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

- vi. The senior bonds of InPower BC General Partnership in the principal amount of \$300 million bear interest at a rate of 4.471% and are due in 2033. The credit facility of InPower BC General Partnership in the principal amount of \$63.2 million bore interest at a variable rate equal to CDOR plus an applicable margin and was due in 2020. The senior bonds are and the credit facility was secured by all assets of InPower BC General Partnership. The credit facility of InPower BC General Partnership was repaid in full in 2020.
- vii. The senior secured notes of a subsidiary of the Company are up to US\$40.0 million (approximately CA\$51.3 million) aggregate principal amount (the “Senior Secured Notes”), of which US\$38.0 million (approximately CA\$48.7 million) aggregate principal amount was issued as at December 31, 2020 (2019: US\$38.0 million [approximately CA\$49.9 million]). The Senior Secured Notes are due in 2026 and bear interest at a variable rate. The net proceeds from the issuance of the senior secured notes are used by the subsidiary of the Company to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract.
- viii. In relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of the non-controlling interest of 49% in Linxon granted an unsecured loan (the “Unsecured Loan”) and provided an unsecured working capital revolving credit facility to Linxon. The Unsecured Loan in the principal amount of US\$9.3 million (approximately CA\$11.9 million) [2019: approximately CA\$12.2 million] is an interest-free loan and is repayable in full on September 1, 2023. The working capital credit facility in a maximum aggregate amount of €30.0 million (approximately CA\$47.1 million) [2019: approximately CA\$43.7 million] bears interest at a variable rate and is repayable at the latest on September 30, 2022.
- ix. The credit facility of TransitNEXT General Partnership in the aggregate maximum principal amount of \$149.0 million bears interest at a rate of CDOR plus an applicable margin and is repayable the latest on February 10, 2024. The credit facility is secured by all assets of TransitNEXT.

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 “Bridge Facility”) in the principal amount of \$300 million and having a maturity of 1 year. The Bridge Facility was 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 Bridge Facility were available by way of prime rate loans or acceptances. In 2019, SNC-Lavalin borrowed and repaid \$300 million under the Bridge Facility.



## 20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

### D) REPAYMENT OF PRINCIPAL OF SHORT-TERM DEBT AND LONG-TERM DEBT

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

AT DECEMBER 31, 2020	Recourse	Limited recourse	Non-recourse	Total
2021	\$ 175,000	\$ —	\$ 33,302	\$ 208,302
2022	—	—	128,699	128,699
2023	700,000	—	37,926	737,926
2024	300,000	400,000	26,865	726,865
2025	—	—	27,747	27,747
Thereafter	—	—	187,248	187,248
Total	\$ 1,175,000	\$ 400,000	\$ 441,787	\$ 2,016,787
Net unamortized deferred financing costs and unamortized discounts	(4,035)	—	(10,242)	(14,277)
<b>Net carrying amount of short-term debt and long-term debt</b>	<b>\$ 1,170,965</b>	<b>\$ 400,000</b>	<b>\$ 431,545</b>	<b>\$ 2,002,510</b>

## 21. OTHER NON-CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2020	DECEMBER 31 2019
Federal charges settlement (PPSC) payable (Note 18)	\$ 154,332	\$ 201,764
Contingent consideration payable to seller related to Linxon acquisition	15,181	14,405
Derivative financial instrument used for hedges - unfavourable fair value	3,929	2,345
Derivative financial instrument related to share unit plans - unfavourable fair value (Note 23C)	4,627	—
Other	15,792	14,055
<b>Other non-current financial liabilities</b>	<b>\$ 193,861</b>	<b>\$ 232,569</b>

## 22. PROVISIONS

	Pension, other long-term benefits and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other <sup>(1)</sup>	Total
Balance at January 1, 2020	\$ 543,560	\$ 91,994	\$ 121,376	\$ 204,393	\$ 961,323
Additional provisions recognized in the year	29,300	58,556	91,671	275,576	455,103
Amounts used during the year	(110,251)	(31,697)	(124,450)	(22,098)	(288,496)
Unused amounts reversed during the year	—	(6,206)	—	(46,599)	(52,805)
Remeasurement recognized in equity	116,598	—	—	—	116,598
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	20,838	(433)	486	(3,712)	17,179
Reclassification to liabilities of disposal groups classified as held for sale (Note 39)	(31,837)	(8,230)	—	(11,372)	(51,439)
Decrease in post-employment benefit assets	(2,652)	—	—	—	(2,652)
<b>Balance at December 31, 2020</b>	<b>\$ 565,556</b>	<b>\$ 103,984</b>	<b>\$ 89,083</b>	<b>\$ 396,188</b>	<b>\$ 1,154,811</b>

Presented on the statement of financial position as follows:

<b>Current portion of provisions</b>	<b>\$ 401,585</b>
<b>Non-current portion of provisions</b>	<b>\$ 753,226</b>

<sup>(1)</sup> Other provisions include mainly provisions recognized for legal proceedings and claims, warranty provisions, environmental liabilities and other asset retirement obligations.

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

## 23. SHARE CAPITAL

### A) AUTHORIZED

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

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

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

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

## 23. SHARE CAPITAL (CONTINUED)

### B) STOCK OPTION PLAN

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

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

The table below presents the changes in the number of options outstanding in 2020 and 2019:

	2020		2019	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	—	\$ —	260,866	\$ 40.98
Expired	—	\$ —	(260,866)	\$ 40.98
<b>Options outstanding at end of year</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>

As at December 31, 2020, 2,787,863 stock options remained available for future grants under the 2013 stock option plan (2019: 2,787,863 stock options).

The stock option compensation cost recorded in the year ended December 31, 2020 was \$nil (2019: \$nil).

## 23. SHARE CAPITAL (CONTINUED)

### C) SHARE UNIT PLANS

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

The terms and conditions of the executive plans are summarized below:

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

The terms and conditions of the DSU plan are as follows: each member of the Board of Directors of SNC-Lavalin Group Inc. (the "member") receives an annual retainer consisting of: (a) a lump sum credited in DSU plan units, and (b) a cash award payment. Each member may elect to receive 100% of the cash award payment, as well as 100% of their committee chair retainer, meeting fees and travel fees, if applicable, in either cash or DSU plan units. DSU plan units track the price of SNC-Lavalin's common shares on the Toronto Stock Exchange. They accumulate during a member's term in office and are redeemed in cash when the member leaves the Board of Directors. For the purposes of redeeming DSU plan units, the value of a unit on any given date is equivalent to the average of the closing price for a common share on the Toronto Stock Exchange for the five trading days immediately prior to such date. DSU plan units are credited on a quarterly basis and do not carry voting rights. Furthermore, additional DSU plan units accumulate as dividend equivalents whenever cash dividends are paid on common shares.

## 23. SHARE CAPITAL (CONTINUED)

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2020 and 2019:

	2020		2019	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2019 PSU plan	802,180	\$ 26.09	595,778	\$ 35.87
2019 RSU plan	1,042,570	\$ 25.16	870,946	\$ 35.73
DSU plan	82,030	\$ 26.56	14,781	\$ 36.22
2009 DSU plan	71,204	\$ 21.62	79,652	\$ 26.15

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

The compensation expense related to the share unit plans was \$10.1 million for the year ended December 31, 2020 (2019: \$16.1 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was \$7.8 million as at December 31, 2020 (2019: \$12.4 million), while the share unit plans' liabilities amounted to \$38.8 million as at December 31, 2020 (2019: \$56.1 million).

### D) WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES – BASIC AND DILUTED

The weighted average number of outstanding shares in 2020 and 2019 used to calculate the basic and diluted earnings per share were as follows:

YEARS ENDED DECEMBER 31 (IN THOUSANDS)	2020	2019
Weighted average number of outstanding shares – basic	175,554	175,554
Weighted average number of outstanding shares – diluted	175,554	175,554

In 2020, no dilutive effect of stock options has been calculated as no stock options were outstanding during this period. In 2019, 260,866 outstanding stock options were not included in the computation of diluted loss per share because they were anti-dilutive.

### E) DIVIDENDS

During the year ended December 31, 2020, the Company recognized as distributions to its equity shareholders dividends of \$14.0 million or \$0.08 per share (2019: \$42.1 million or \$0.24 per share).

## 24. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2020 and 2019:

	DECEMBER 31 2020	DECEMBER 31 2019
Exchange differences on translating foreign operations	\$ 292,568	\$ 365,600
Cash flow hedges	(17,450)	(11,652)
Share of other comprehensive income (loss) of investments accounted for by the equity method	(1,044)	125
<b>Other components of equity</b>	<b>\$ 274,074</b>	<b>\$ 354,073</b>
Presented on the statement of financial position as follows:		
<b>Other components of equity</b>	<b>\$ (320,067)</b>	<b>\$ 354,073</b>
<b>Other components of equity of disposal groups classified as held for sale (Note 39)</b>	<b>\$ 594,141</b>	<b>\$ —</b>

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

## 24. 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 years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020		2019	
Exchange differences on translating foreign operations:				
Balance at beginning of year	\$	365,600	\$	505,297
Current year losses		(41,466)		(140,686)
Reclassification to net income		(28,305)		—
Net investment hedge – current year gains (losses)		(3,261)		989
Balance at end of year		292,568		365,600
Cash flow hedges:				
Balance at beginning of year		(11,652)		(7,989)
Current year gains (losses)		6,256		(7,595)
Income taxes relating to current year gains (losses)		(1,638)		2,615
Reclassification to net income		(12,460)		7,185
Income taxes relating to amounts reclassified to net income		2,044		(5,868)
Balance at end of year		(17,450)		(11,652)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of year		125		1,891
Current year share		(1,590)		(2,403)
Income taxes relating to current year share		421		637
Balance at end of year		(1,044)		125
<b>Other components of equity</b>	<b>\$</b>	<b>274,074</b>	<b>\$</b>	<b>354,073</b>
Presented on the statement of financial position as follows:				
<b>Other components of equity</b>	<b>\$</b>	<b>(320,067)</b>	<b>\$</b>	<b>354,073</b>
<b>Other components of equity of disposal groups classified as held for sale (Note 39)</b>	<b>\$</b>	<b>594,141</b>	<b>\$</b>	<b>—</b>

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

#### *Remeasurement recognized in other comprehensive income*

The following table presents changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020			2019		
	BEFORE TAX	INCOME TAX <sup>(1)</sup>	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (49,588)	\$ 6,184	\$ (43,404)	\$ 5,756	\$ (2,050)	\$ 3,706
Remeasurement recognized during the year:						
Defined benefit pension plans	(111,311)	29,180	(82,131)	(41,081)	6,067	(35,014)
Other post-employment benefits	(5,287)	(111)	(5,398)	(14,263)	2,167	(12,096)
	(116,598)	29,069	(87,529)	(55,344)	8,234	(47,110)
<b>Cumulative amount at December 31</b>	<b>\$ (166,186)</b>	<b>\$ 35,253</b>	<b>\$ (130,933)</b>	<b>\$ (49,588)</b>	<b>\$ 6,184</b>	<b>\$ (43,404)</b>

<sup>(1)</sup> For the year ended December 31, 2020, an amount of \$18.5 million of income taxes is included in deferred income taxes while the remaining balance of \$10.6 million is included in current income taxes.

## 24. OTHER COMPONENTS OF EQUITY (CONTINUED)

### *Equity instruments designated at fair value through other comprehensive income*

The following table presents changes in fair value of the equity instruments designated at fair value through other comprehensive income for the years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020			2019		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (2,035)	\$ 65	\$ (1,970)	\$ (1)	\$ 49	\$ 48
Gains (losses) recognized during the year	(7,747)	40	(7,707)	(2,034)	16	(2,018)
<b>Cumulative amount at December 31</b>	<b>\$ (9,782)</b>	<b>\$ 105</b>	<b>\$ (9,677)</b>	<b>\$ (2,035)</b>	<b>\$ 65</b>	<b>\$ (1,970)</b>

### *Share of other comprehensive income (loss) of investments accounted for by the equity method*

The following tables provide the Company's share of changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income by the Company's investments accounted for by the equity method relating to their defined benefit plans for the years ended December 31, 2020 and 2019:

YEARS ENDED DECEMBER 31	2020			2019		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (2,234)	\$ —	\$ (2,234)	\$ —	\$ —	\$ —
Gains (losses) recognized during the year	(2,775)	—	(2,775)	(2,234)	—	(2,234)
<b>Cumulative amount at December 31</b>	<b>\$ (5,009)</b>	<b>\$ —</b>	<b>\$ (5,009)</b>	<b>\$ (2,234)</b>	<b>\$ —</b>	<b>\$ (2,234)</b>

## 25. CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31	2020	2019
Selling expenses	\$ 97	\$ 2,662
General and administrative expenses	175,836	71,282
<b>Corporate selling, general and administrative expenses</b>	<b>\$ 175,933</b>	<b>\$ 73,944</b>

## 26. RESTRUCTURING COSTS

### I) IN 2020

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

### II) IN 2019

Over the past years, the Company has been engaged in restructuring its activities. In 2019, the Company announced a new strategy under which the Company is no longer bidding on LSTK contracts.

SNC-Lavalin was also reducing its geographic footprint to reduce risk and complexity by focusing on its core growth regions: Canada, the U.S., and the U.K., along with regional markets such as the Middle East and Asia Pacific, which involves exiting unprofitable operations in certain countries.

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



## 27. NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31			2020			2019 <sup>(1)</sup>		
	FROM PS&PM	FROM CAPITAL INVESTMENTS	TOTAL	FROM PS&PM	FROM CAPITAL INVESTMENTS	TOTAL		
Interest on debt:								
Recourse	\$ 45,956	\$ —	\$ 45,956	\$ 85,048	\$ —	\$ 85,048		
Limited recourse	17,160	—	17,160	45,128	—	45,128		
Non-recourse	4,612	15,997	20,609	5,733	18,085	23,818		
Interest on lease liabilities	21,167	7	21,174	20,872	151	21,023		
Other <sup>(2)</sup>	19,706	98	19,804	47,894	—	47,894		
<b>Financial expenses</b>	<b>108,601</b>	<b>16,102</b>	<b>124,703</b>	<b>204,675</b>	<b>18,236</b>	<b>222,911</b>		
Financial income	(10,867)	(390)	(11,257)	(7,640)	(167)	(7,807)		
Net foreign exchange losses (gains)	(2)	552	550	232	(227)	5		
<b>Financial income and net foreign exchange losses (gains)</b>	<b>(10,869)</b>	<b>162</b>	<b>(10,707)</b>	<b>(7,408)</b>	<b>(394)</b>	<b>(7,802)</b>		
<b>Net financial expenses</b>	<b>\$ 97,732</b>	<b>\$ 16,264</b>	<b>\$ 113,996</b>	<b>\$ 197,267</b>	<b>\$ 17,842</b>	<b>\$ 215,109</b>		

<sup>(1)</sup> Comparative figures have been re-presented (see Notes 2C and 39).

<sup>(2)</sup> In 2019, "Other" included \$33.8 million of loss related to amendments to the CDPQ Loan (see Note 20C) and \$3.7 million related to other PS&PM financing arrangements in connection with the sale of 10.01% of the shares of Highway 407 ETR.

## 28. STATEMENTS OF CASH FLOWS

### A) OTHER RECONCILING ITEMS

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

	2020	2019
Depreciation of property and equipment and amortization of other non-current non-financial assets	\$ 246,975	\$ 290,223
Depreciation of right-of-use assets	107,318	112,037
Income taxes recognized in net income	3,980	198,738
Net financial expenses recognized in net income	114,257	212,083
Share-based expense (Note 23C)	10,079	16,061
Income from Capital investments accounted for by the equity method	(87,349)	(210,543)
Dividends and distributions received from Capital investments accounted for by the equity method	93,176	160,063
Income from PS&PM investments accounted for by the equity method	(47,186)	(29,702)
Dividends and distributions received from PS&PM investments accounted for by the equity method	38,262	38,043
Net change in provisions related to forecasted losses on certain contracts	20,653	(84,861)
Gain or adjustment on gain from disposal of a Capital investment (Note 5A)	(25,000)	(2,970,783)
Restructuring costs recognized in net income	121,128	182,801
Restructuring costs paid	(124,450)	(92,872)
Loss on disposals of PS&PM businesses (Note 6)	1,262	294
Impairment of intangible assets related to business combinations (Note 15)	—	72,831
Impairment of goodwill (Note 14)	—	1,801,015
Federal charges settlement (PPSC) (Note 18)	—	257,327
Loss arising on financial assets (liabilities) at fair value through profit or loss <sup>(1)</sup>	61,859	4,743
Impairment loss on remeasurement of assets of disposal groups classified as held for sale to fair value less cost to sell	277,660	—
Net change in other provisions <sup>(2)</sup>	231,355	7,951
Other <sup>(1), (2)</sup>	(67,928)	(89,310)
<b>Other reconciling items</b>	<b>\$ 976,051</b>	<b>\$ (123,861)</b>

<sup>(1)</sup> In 2019, a loss arising on financial assets (liabilities) at fair value through profit or loss of \$4.7 million was included in “Other”.

<sup>(2)</sup> In 2019, “Net change in other provisions” of \$8.0 million was included in “Other”. Net change in other provisions includes changes in all provisions, except for: i) pension, other long-term benefits and other post-employment benefits; ii) forecasted losses on certain contracts; iii) restructuring; and iv) reversal of a provision related to a disposal of a Capital investment.

### 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, for the years ended December 31:

	2020	2019
Decrease (increase) in trade receivables	\$ 196,175	\$ (15,214)
Decrease (increase) in contract assets	361,597	(34,506)
Decrease in inventories	69,500	15,193
Increase in other current financial assets	(29,454)	(2,970)
Increase in other current non-financial assets	(32,968)	(12,926)
Decrease in trade payables and accrued liabilities	(330,717)	(193,288)
Increase (decrease) in contract liabilities	6,803	(91,888)
Increase (decrease) in other current financial liabilities	(64,893)	16,720
Increase (decrease) in other current non-financial liabilities	53,205	(15,667)
<b>Net change in non-cash working capital items</b>	<b>\$ 229,248</b>	<b>\$ (334,546)</b>

## 28. STATEMENTS OF CASH FLOWS (CONTINUED)

### C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Recourse <sup>(1)</sup> debt	Limited recourse debt	Non- <sup>(2)</sup> recourse debt	Lease <sup>(3)</sup> liabilities	Dividends declared to SNC-Lavalin shareholders	Other non- <sup>(4)</sup> current financial liabilities	Other non- <sup>(4)</sup> current non- financial liabilities
Balance at January 1, 2020	\$ 1,172,663	\$ 400,000	\$ 485,118	\$ 611,750	\$ —	\$ 232,569	\$ 551
Changes arising from cash flows:							
Increase	1,297,600	—	31,625	—	—	7,272	611
Repayment	(1,300,729)	—	(87,172)	(118,651)	(14,044)	(5,906)	(984)
Total – changes arising from cash flows	(3,129)	—	(55,547)	(118,651)	(14,044)	1,366	(373)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	14,044	—	—
Effect of foreign currency exchange differences	—	—	48	1,392	—	78	41
Amortization of deferred financing costs and discounts and increase from the passage of time	1,431	—	1,926	—	—	6,950	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	6,211	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	1,095	—
Net increase on lease liabilities	—	—	—	23,856	—	—	—
Disposal of PS&PM businesses	—	—	—	(1,265)	—	—	—
Reclassification of payable related to Federal charges settlement (PPSC) to “Other current financial liabilities”	—	—	—	—	—	(54,408)	—
Reclassification to liabilities of disposal groups classified as held for sale (Note 39)	—	—	—	(20,472)	—	—	—
<b>Balance at December 31, 2020</b>	<b>\$ 1,170,965</b>	<b>\$ 400,000</b>	<b>\$ 431,545</b>	<b>\$ 496,610</b>	<b>\$ —</b>	<b>\$ 193,861</b>	<b>\$ 219</b>

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

## 28. STATEMENTS OF CASH FLOWS (CONTINUED)

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

YEAR ENDED DECEMBER 31	2020		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 1,000,000	\$ (1,000,000)	\$ —
2020 Debentures	—	(300,000)	—
Series 6 Debentures (Note 20)	297,600	—	(729)
<b>Total – Recourse debt</b>	<b>1,297,600</b>	<b>(1,300,000)</b>	<b>(729)</b>
Non-recourse debt:			
Credit facility – InPower BC General Partnership	—	(63,130)	—
Senior Bonds – InPower BC General Partnership	—	(16,495)	—
Credit facility – TransitNEXT General Partnership	31,625	—	—
Senior Secured Notes of a PS&PM investment	—	(7,547)	—
<b>Total – Non-recourse debt</b>	<b>31,625</b>	<b>(87,172)</b>	<b>—</b>
<b>Total</b>	<b>\$ 1,329,225</b>	<b>\$ (1,387,172)</b>	<b>\$ (729)</b>

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

	DECEMBER 31 2020	JANUARY 1 2020
Recourse short-term debt	\$ 174,960	\$ 299,518
Recourse long-term debt	996,005	873,145
<b>Total</b>	<b>\$ 1,170,965</b>	<b>\$ 1,172,663</b>

(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:

	DECEMBER 31 2020	JANUARY 1 2020
Non-recourse short-term debt	\$ 31,262	\$ 93,664
Non-recourse long-term debt	400,283	391,454
<b>Total</b>	<b>\$ 431,545</b>	<b>\$ 485,118</b>

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

	DECEMBER 31 2020	JANUARY 1 2020
Current portion of lease liabilities	\$ 97,409	\$ 131,075
Non-current portion of lease liabilities	399,201	480,675
<b>Total</b>	<b>\$ 496,610</b>	<b>\$ 611,750</b>

(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:

YEAR ENDED DECEMBER 31	2020
Other non-current financial liabilities	\$ 1,366
Other non-current non-financial liabilities	(373)
Other	(52)
<b>Total</b>	<b>\$ 941</b>

## 28. 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 year ended December 31, 2019:

	Recourse <sup>(1)</sup> debt	Limited recourse debt	Non- <sup>(2)</sup> recourse debt	Lease <sup>(3)</sup> liabilities	Dividends declared to SNC-Lavalin shareholders	Other non- <sup>(4)</sup> current financial liabilities	Other non- <sup>(4)</sup> current non- financial liabilities
Balance at January 1, 2019	\$ 2,288,020	\$ 980,303	\$ 399,705	\$ —	\$ —	\$ 53,505	\$ 61,508
Transitional adjustment on adoption of a new accounting standard	—	—	—	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	1,829,988	—	96,224	—	—	608	5,543
Repayment	(2,952,302)	(600,000)	(10,747)	(119,106)	(42,133)	(3,368)	(6,556)
Total – changes arising from cash flows	(1,122,314)	(600,000)	85,477	(119,106)	(42,133)	(2,760)	(1,013)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	42,133	—	—
Effect of foreign currency exchange differences	(3,316)	—	(2,501)	(6,108)	—	(522)	100
Amortization of deferred financing costs and discounts	4,321	19,697	2,437	—	—	—	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	(13,578)	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	(2,911)	—
Reclassification of deferred financing costs to “Other current non- financial assets” and “Other non- current non-financial assets” upon repayment of Revolving Facility	5,952	—	—	—	—	—	—
Net increase on lease liabilities	—	—	—	122,812	—	—	—
Federal charges settlement (PPSC) (Note 18)	—	—	—	—	—	201,764	—
<b>Balance at December 31, 2019</b>	<b>\$ 1,172,663</b>	<b>\$ 400,000</b>	<b>\$ 485,118</b>	<b>\$ 611,750</b>	<b>\$ —</b>	<b>\$ 232,569</b>	<b>\$ 551</b>

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

## 28. STATEMENTS OF CASH FLOWS (CONTINUED)

### CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT, LIMITED RECOURSE DEBT AND NON-RECOURSE DEBT

YEAR ENDED DECEMBER 31	2019		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 1,529,988	\$ (1,942,052)	\$ —
Bridge Facility (Note 20)	300,000	(300,000)	(1,060)
Series 2 Debentures	—	(150,000)	—
Series 5 Debentures	—	(150,000)	—
2019 Debentures	—	(350,000)	—
Bank overdraft	—	(59,190)	—
<b>Total – Recourse debt</b>	<b>1,829,988</b>	<b>(2,951,242)</b>	<b>(1,060)</b>
Limited recourse debt:			
CDPQ Loan	—	(600,000)	—
<b>Total – Limited recourse debt</b>	<b>—</b>	<b>(600,000)</b>	<b>—</b>
Non-recourse debt:			
Credit facility – InPower BC General Partnership	14,895	—	—
Senior Bonds – InPower BC General Partnership	—	(1,350)	—
Credit facility – TransitNEXT General Partnership	74,717	(2,859)	(998)
Senior Secured Notes of a PS&PM investment	6,612	(5,540)	—
<b>Total – Non-recourse debt</b>	<b>96,224</b>	<b>(9,749)</b>	<b>(998)</b>
<b>Total</b>	<b>\$ 1,926,212</b>	<b>\$ (3,560,991)</b>	<b>\$ (2,058)</b>

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

	DECEMBER 31 2019	JANUARY 1 2019
Recourse short-term debt	\$ 299,518	\$ 1,116,587
Recourse long-term debt	873,145	1,171,433
<b>Total</b>	<b>\$ 1,172,663</b>	<b>\$ 2,288,020</b>

(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:

	DECEMBER 31 2019	JANUARY 1 2019
Non-recourse short-term debt	\$ 93,664	\$ 60,168
Non-recourse long-term debt	391,454	339,537
<b>Total</b>	<b>\$ 485,118</b>	<b>\$ 399,705</b>

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

	DECEMBER 31 2019	JANUARY 1 2019
Current portion of lease liabilities	\$ 131,075	\$ —
Non-current portion of lease liabilities	480,675	—
<b>Total</b>	<b>\$ 611,750</b>	<b>\$ —</b>

(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:

YEAR ENDED DECEMBER 31	2019
Other non-current financial liabilities	\$ (2,760)
Other non-current non-financial liabilities	(1,013)
Other	(298)
<b>Total</b>	<b>\$ (4,071)</b>

## 28. STATEMENTS OF CASH FLOWS (CONTINUED)

### D) 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%.

#### NET CASH INFLOW ON ACQUISITION OF LINXON

YEAR ENDED DECEMBER 31	2019
Consideration paid in cash	\$ —
Less: Return of contingent consideration to be transferred to seller received in cash <sup>(1)</sup>	5,539
Less: Cash received by Linxon for working capital adjustment	9,351
<b>Net cash inflow on acquisition of Linxon</b>	<b>\$ (14,890)</b>

<sup>(1)</sup> Under the business combination arrangement, ABB was 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 outcomes of such right to a return of contingent consideration to be transferred to the seller was between US\$nil and US\$8.3 million (approximately between CA\$nil and CA\$10.8 million).

## 29. INCOME TAXES

### A) DEFERRED INCOME TAX ASSET AND DEFERRED INCOME TAX LIABILITY

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

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



## 29. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period of 2019 can be summarized as follows:

	JANUARY 1 2019	Impact of adoption of a new standard	Recognized in other comprehensive income	Recognized directly in equity	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2019
Current:							
Contract assets	(46,298)	—	—	—	15,438	398	(30,462)
Retentions on supplier contracts	16,609	—	—	—	(9,100)	—	7,509
Accrued employee compensation	34,320	—	—	—	(519)	(688)	33,113
Current liabilities	74,587	—	—	—	(6,924)	(372)	67,291
Other	22,138	(2,954)	—	—	(12,883)	(493)	5,808
Non-current:							
Property and equipment, and goodwill	(189,830)	—	—	—	74,439	3,586	(111,805)
Right-of-use assets	—	(100,679)	—	—	22,292	1,195	(77,192)
Other non-current financial assets	(36,437)	(8,776)	16	—	3,389	—	(41,808)
Provisions	(2,018)	(3,513)	—	—	(15,394)	(695)	(21,620)
Capital investments accounted for by the equity method and at fair value through other comprehensive income	(127,494)	—	637	—	10,541	—	(116,316)
Lease liabilities	—	140,463	—	—	(38,332)	(1,289)	100,842
Pension plans and other post-employment benefits	87,943	—	8,234	—	(10,678)	(3,162)	82,337
Other	66,318	(16,995)	(3,253)	(8,347)	4,332	(1,463)	40,592
Unused tax losses	389,230	—	—	—	(149,123)	(6,879)	233,228
<b>Deferred income tax asset, net</b>	<b>\$ 289,068</b>	<b>\$ 7,546</b>	<b>\$ 5,634</b>	<b>\$ (8,347)</b>	<b>\$ (112,522)</b>	<b>\$ (9,862)</b>	<b>\$ 171,517</b>

Presented on the statement of financial position as follows:

<b>Deferred income tax asset</b>	<b>\$ 652,155</b>	<b>\$ 520,451</b>
<b>Deferred income tax liability</b>	<b>\$ 363,087</b>	<b>\$ 348,934</b>

As at December 31, 2020, the Company had \$2,495.6 million (2019: \$2,255.6 million) of non-capital tax loss carryforwards, of which \$1,992.2 million will expire in varying amounts from 2021 to 2041 (2019: \$1,288.7 million expiring from 2020 to 2040). As at December 31, 2020, a deferred income tax asset of \$319.1 million (2019: \$233.2 million) has been recognized on \$1,347.3 million (2019: \$1,049.6 million) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized. As at December 31, 2020, the Company had \$783.3 million of the unrecognized non-capital tax losses that will expire in varying amounts from 2021 to 2041 (2019: \$512.6 million expiring in varying amounts from 2020 to 2040).

As at December 31, 2020, the Company had \$83.6 million (2019: \$82.1 million) of non-expiring capital tax loss carryforwards on which no deferred income tax asset has been recognized.

As at December 31, 2020, a deferred income tax liability has not been recognized on taxable temporary differences of \$620.6 million (2019: \$757.3 million) associated with investments in subsidiaries, associates and interests in joint arrangements, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

## 29. INCOME TAXES (CONTINUED)

### B) INCOME TAXES

The relationship between the expected income taxes based on the Canadian effective tax rate of SNC-Lavalin at 26.3% (2019: 26.5%) and the reported income taxes in net income can be reconciled as follows:

YEARS ENDED DECEMBER 31	2020		2019	
	AMOUNT	%	AMOUNT	%
Earnings (loss) before income taxes from continuing operations	\$ (405,968)		\$ 2,753,511	
Canadian tax rate for SNC-Lavalin		26.3		26.5
Expected income taxes from continuing operations	\$ (106,597)		\$ 729,741	
Increase (decrease) resulting from:				
Effect of Federal charges settlement (PPSC)	2,327	(0.6)	68,545	2.5
Effect of differences of foreign tax rates compared to Canadian rates	2,124	(0.5)	(14,435)	(0.5)
Effect of Canadian provincial tax rate differences	(1,948)	0.5	2,384	0.1
Effect of adjustments to deferred tax attributable to tax rate changes	(5,737)	1.4	—	—
Net income and losses not affected by tax	6,350	(1.6)	(43,850)	(1.6)
Effect of benefit from a previously unrecognized tax loss used to reduce current tax expense	(9,672)	2.4	(47,773)	(1.7)
Effect of differences between accounting gain and taxable gain realized on disposals of Capital investments	—	—	(405,443)	(14.7)
Non-deductible loss on revaluation of contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR	7,580	(1.9)	—	—
Effect of benefit for losses carried back to prior years at higher tax rate	(5,373)	1.3	—	—
Effect of reversal of a previous write-down of deferred income tax asset	(7,499)	1.8	—	—
Effect of write-down of previously recognized deferred income tax asset (liability)	55,023	(13.6)	64,656	2.3
Non-taxable income from certain Capital investments accounted for by the equity method and at fair value through other comprehensive income	(16,742)	4.1	(44,075)	(1.6)
Non-deductible impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	1,600	(0.4)	—	—
Non-deductible loss on disposal of a PS&PM business	1,870	(0.5)	—	—
Other permanent differences for tax purposes	(413)	0.1	7,777	0.3
Other	18,068	(4.3)	(7,179)	(0.3)
<b>Income taxes from continuing operations at effective tax rate</b>	<b>\$ (59,039)</b>	<b>14.5</b>	<b>\$ 310,348</b>	<b>11.3</b>

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

YEARS ENDED DECEMBER 31	2020	2019
Current income taxes	\$ 63,674	\$ 92,194
Deferred income taxes	(122,713)	218,154
<b>Income taxes</b>	<b>\$ (59,039)</b>	<b>\$ 310,348</b>

### 30. FINANCIAL INSTRUMENTS

#### A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

AT DECEMBER 31	2020					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL <sup>(1)</sup>	FVTOCI <sup>(2)</sup>	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 932,902	\$ —	\$ —	\$ —	\$ 932,902	\$ 932,902
Restricted cash	29,300	—	—	—	29,300	29,300
Trade receivables	—	—	1,199,166	—	1,199,166	1,199,166
Other current financial assets:						
Derivative financial instruments	—	—	—	41,956	41,956	41,956
Financial assets at FVTPL	6,200	—	—	—	6,200	6,200
Other	—	—	209,276	—	209,276	211,877
Capital investments at fair value through other comprehensive income	—	9,666	—	—	9,666	9,666
Non-current portion of receivables under service concession arrangements <sup>(3)</sup>	—	—	433,914	—	433,914	505,332
Other non-current financial assets:						
Derivative financial instruments	—	—	—	1,973	1,973	1,973
Other <sup>(3)</sup>	—	—	29,425	—	29,425	29,425
<b>Total</b>	<b>\$ 968,402</b>	<b>\$ 9,666</b>	<b>\$ 1,871,781</b>	<b>\$ 43,929</b>	<b>\$ 2,893,778</b>	

<sup>(1)</sup> Fair value through profit or loss ("FVTPL")

<sup>(2)</sup> Fair value through other comprehensive income ("FVTOCI")

<sup>(3)</sup> 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.

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the carrying value of SNC-Lavalin's financial assets as at December 31, 2019 by category and classification, with the corresponding fair value, when available.

	2019					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL <sup>(1)</sup>	FVTOCI <sup>(2)</sup>	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 1,188,636	\$ —	\$ —	\$ —	\$ 1,188,636	\$ 1,188,636
Restricted cash	34,118	—	—	—	34,118	34,118
Trade receivables	—	—	1,533,442	—	1,533,442	1,533,442
Other current financial assets:						
Derivative financial instruments	—	—	—	21,146	21,146	21,146
Financial assets at FVTPL	6,047	—	—	—	6,047	6,047
Other	—	—	195,115	—	195,115	196,483
Capital investments at fair value through other comprehensive income	—	8,107	—	—	8,107	8,107
Non-current portion of receivables under service concession arrangements <sup>(3)</sup>	—	—	352,987	—	352,987	387,060
Other non-current financial assets:						
Derivative financial instruments	—	—	—	8,997	8,997	8,997
Financial asset at FVTOCI	—	303	—	—	303	303
Financial asset at FVTPL	57,207	—	—	—	57,207	57,207
Other <sup>(3)</sup>	—	—	49,434	—	49,434	49,434
<b>Total</b>	<b>\$ 1,286,008</b>	<b>\$ 8,410</b>	<b>\$ 2,130,978</b>	<b>\$ 30,143</b>	<b>\$ 3,455,539</b>	

<sup>(1)</sup> Fair value through profit or loss ("FVTPL")

<sup>(2)</sup> Fair value through other comprehensive income ("FVTOCI")

<sup>(3)</sup> 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.

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities as at December 31, 2020 and 2019 by category and classification, with the corresponding fair value, when available. Financial liabilities classified as held for sale as at December 31, 2020 are not included in the table below (see Note 39).

AT DECEMBER 31	2020				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL <sup>(1)</sup>	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	\$ —	\$ —	\$ 1,730,398	\$ 1,730,398	\$ 1,730,398
Other current financial liabilities:					
Derivative financial instruments	16,006	—	—	16,006	16,006
Other	—	—	171,748	171,748	171,748
Provisions	—	—	89,083	89,083	89,083
Lease liabilities	—	—	496,610	496,610	N/A <sup>(2)</sup>
Short-term debt and long-term debt <sup>(3)</sup> :					
Recourse	—	—	1,170,965	1,170,965	1,185,977
Limited recourse	—	—	400,000	400,000	400,000
Non-recourse	—	—	431,545	431,545	476,918
Other non-current financial liabilities	8,556	15,181	170,124	193,861	193,861
<b>Total</b>	<b>\$ 24,562</b>	<b>\$ 15,181</b>	<b>\$ 4,660,473</b>	<b>\$ 4,700,216</b>	

AT DECEMBER 31	2019				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL <sup>(1)</sup>	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	\$ —	\$ —	\$ 2,153,520	\$ 2,153,520	\$ 2,153,520
Other current financial liabilities:					
Derivative financial instruments	17,086	—	—	17,086	17,086
Other	—	—	270,630	270,630	270,630
Provisions	—	—	121,376	121,376	121,376
Lease liabilities	—	—	611,750	611,750	N/A <sup>(2)</sup>
Short-term debt and long-term debt <sup>(3)</sup> :					
Recourse	—	—	1,172,663	1,172,663	1,172,458
Limited recourse	—	—	400,000	400,000	400,000
Non-recourse	—	—	485,118	485,118	511,838
Other non-current financial liabilities	2,345	14,405	215,819	232,569	232,569
<b>Total</b>	<b>\$ 19,431</b>	<b>\$ 14,405</b>	<b>\$ 5,430,876</b>	<b>\$ 5,464,712</b>	

<sup>(1)</sup> Fair value through profit or loss ("FVTPL")

<sup>(2)</sup> N/A: not applicable

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

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

#### FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

#### ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE AND FOR WHICH THE FAIR VALUE IS DISCLOSED

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

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

For the years ended December 31, 2020 and 2019, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

#### LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents changes in fair value of Level 3 financial instruments for the year ended December 31, 2020:

	CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO SELLER RELATED TO LINXON ACQUISITION
Balance as at January 1, 2020	\$ 57,207	\$ 14,405
Unrealized net losses <sup>(1)</sup>	(57,207)	1,095
Effect of foreign currency exchange differences	—	(319)
<b>Balance as at December 31, 2020</b>	<b>\$ —</b>	<b>\$ 15,181</b>

<sup>(1)</sup> Included in "Loss (gain) arising on financial assets (liabilities) at fair value through profit or loss" in the consolidated income statement

#### Assumptions

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

The principal assumptions used in measuring fair value of Level 3 financial instruments as at December 31, 2020 were as follows: i) the discount rate, which was 7.80% for contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR and 11.42% for contingent consideration payable to the seller related to the Linxon acquisition; and ii) the expected future cash flows of Highway 407 ETR and Linxon.

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

#### Sensitivity analysis

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

The following impact on net income has been calculated changing one of these assumptions to another reasonably possible alternative assumption for the year ended December 31, 2020:

		IMPACT ON NET INCOME	
		CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO THE SELLER RELATED TO THE LINXON ACQUISITION
Increase (decrease)	If the discount rate is 100 basis points lower <sup>(1)</sup>	\$ —	\$ (936)
Increase (decrease)	If the discount rate is 100 basis points higher <sup>(1)</sup>	\$ —	\$ 859
Increase (decrease)	If the expected future cash flows are 1% lower <sup>(1)</sup>	\$ —	\$ —
Increase (decrease)	If the expected future cash flows are 1% higher <sup>(1)</sup>	\$ 5,220	\$ —

<sup>(1)</sup> Assuming all other variables remain the same

#### B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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

#### CREDIT RISK

For SNC-Lavalin, credit risk arises from:

- Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.
- Derivative financial instruments with a favourable fair value, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with high-grade financial institutions, which are expected to satisfy their obligations under the contracts.
- Trade receivables, as detailed in Note 8A, and contract assets, as detailed in Note 8B. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project.

The Company's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. The amounts of trade receivables presented in the consolidated statements of financial position are net of an allowance for expected credit losses, estimated by the Company and based, in part, on the age of specific and aggregated receivable balances, on the financial situation of specific customers and the current and expected collection trends. When assessing the credit risk associated with its trade receivables, the Company also considers the other financial and non-financial assets and liabilities recognized with the same customer or within the same project to provide additional indications on the Company's exposure to credit risk. As such, in addition to the age of its trade receivables, the Company also considers the age of its contract assets, as well as the existence of any contract liabilities on the same project or with the same customer.

In addition to providing for individual balances of trade receivables and other financial assets upon certain events, the Company has an internal policy in place which requires to record, by default, an allowance on any trade receivable or contract asset that has been outstanding longer than a specific threshold period, unless it can be demonstrated that the recovery of such trade receivable is not at risk or only partially at risk, in which case the allowance is adjusted accordingly. Moreover, the Company records an amount of additional expected credit losses on trade receivables and contract assets for balances that are not provided for and for which no impairment indicator exist as at period end, but for which it can be reasonably expected that credit losses might occur in the future. Such analysis incorporates the Company's past experience, adjusted as needed to better reflect anticipated conditions.

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

Generally, trade receivables and contract assets are written off if they are no longer subject to enforcement activity. As such, the amount of trade receivables and contract assets that have been written off but are still being pursued is minimal.

The Company does not generally hold collateral as security.

- iv) Other current financial assets, as detailed in Note 11, and other non-current financial assets, as detailed in Note 16. The current portion of receivables under service concession arrangements is within normal terms of payment and there were no significant amounts that were past due as at December 31, 2020 and 2019.

#### LIQUIDITY RISK

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

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed. Due to the nature of the Company's activities, the fact that its operations are conducted through multiple entities and joint operations and that it operates in many countries, the Company's cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various cash pooling agreements with financial institutions, may transfer cash balances between subsidiaries, joint arrangements or investees and use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

SNC-Lavalin's consolidated statement of financial position included \$457.2 million at December 31, 2020 (2019: \$482.4 million) of liabilities from Capital investments that are accounted for by the consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the Capital investments and are secured by the respective concession's assets, including \$492.2 million of financial assets at December 31, 2020 (2019: \$422.0 million), and by SNC-Lavalin's shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin, assuming its Capital investments accounted for by the consolidation method were unable to meet their obligations, corresponds to the carrying amount invested in these entities.

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

#### I) MATURITY ANALYSIS OF FINANCIAL LETTERS OF CREDIT

A draw on letters of credit or bank guarantees (Note 30C) by one or more third parties could, among other things, significantly reduce the Company's cash position and have a material adverse effect on its business and results of operations. The following table presents a maturity analysis for the financial letters of credit outstanding as at December 31, 2020 and 2019:

MATURITY	DECEMBER 31 2020	DECEMBER 31 2019
Not later than 1 year	\$ 41,985	\$ 201,802
Later than 1 year and not later than 5 years	59,240	57,269
Later than 5 years	450	521
	<b>\$ 101,675</b>	<b>\$ 259,592</b>

#### II) MATURITY ANALYSIS OF TRADE PAYABLES AND ACCRUED LIABILITIES

As at December 31, 2020, 98% (2019: 99%) of the outstanding balance of "Trade payables and accrued liabilities" of \$1,730.4 million (2019: \$2,153.5 million) had a maturity of not later than 1 year.

#### MARKET RISK

##### I) CURRENCY RISK

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

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



### 30. FINANCIAL INSTRUMENTS (CONTINUED)

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

AT DECEMBER 31, 2020					AT DECEMBER 31, 2019				
BUY		SELL		MATURITY	BUY		SELL		MATURITY
CA\$	906,041	US\$	691,385	2021-2023	CA\$	943,877	US\$	721,956	2020-2023
CA\$	23,322	€	14,844	2021-2023	CA\$	13,205	€	8,593	2020-2022
US\$	361,387	CA\$	461,795	2021-2022	US\$	248,518	CA\$	327,226	2020-2022
€	51,472	CA\$	80,371	2021-2022	€	53,512	CA\$	79,623	2020-2022
CA\$	204,887	£	120,000	2021	CA\$	213,508	£	124,000	2020
AU\$	47,088	CA\$	45,444	2021	AU\$	58,787	CA\$	52,926	2020
£	227,287	CA\$	387,786	2021	£	131,344	CA\$	226,473	2020
€	10,827	US\$	13,206	2021	€	57,765	US\$	67,098	2020
INR	8,314,500	£	78,936	2021-2023	INR	5,305,000	£	52,054	2020-2021
US\$	68,022	£	50,847	2021	US\$	97,621	£	75,561	2020
CHF	30,068	US\$	33,692	2021-2022	CHF	46,503	US\$	48,208	2020-2021

As at December 31, 2020, the forward foreign exchange contracts used for hedging purposes by the Company had a net favourable fair value of \$28.7 million (2019: \$1.7 million). The majority of the forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar.

#### CURRENCY SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2020 has been calculated from the Company's net assets (liabilities) denominated in US dollars, Saudi Arabian riyals and British pounds, from derivative financial instruments used to hedge the exposure to US dollars, Saudi Arabian riyals and British pounds and from investments made in foreign operations.

		IMPACT ON EQUITY		
		CA\$/US\$ <sup>(2), (3)</sup>	CA\$/SAR <sup>(2), (4)</sup>	CA\$/£ <sup>(2), (5)</sup>
Increase (decrease)	10% appreciation in the Canadian dollar <sup>(1)</sup>	\$ (110,238)	\$ (9,689)	\$ (235,929)
Increase (decrease)	10% depreciation in the Canadian dollar <sup>(1)</sup>	\$ 110,238	\$ 9,689	\$ 235,929

<sup>(1)</sup> Assuming all other variables remain the same

<sup>(2)</sup> The Company's exposure to other currencies is not significant.

<sup>(3)</sup> Includes mainly \$150.9 million of change in exchange differences on translating foreign operations

<sup>(4)</sup> Includes mainly \$10.1 million of change in exchange differences on translating foreign operations

<sup>(5)</sup> Includes mainly \$198.2 million of change in exchange differences on translating foreign operations

As at December 31, 2020, a 10% appreciation in the Canadian dollar relative to: i) the US dollar would increase the Company's net income by \$9.0 million (10% depreciation in the Canadian dollar relative to the US dollar would decrease the Company's net income by \$9.0 million); ii) the Saudi Arabian riyal would increase the Company's net income by \$0.4 million (10% depreciation in the Canadian dollar relative to the Saudi Arabian riyal would decrease the Company's net income by \$0.4 million); and iii) the British pound would decrease the Company's net income by \$2.8 million (10% depreciation in the Canadian dollar relative to the British pound would increase the Company's net income by \$2.8 million).

#### II) INTEREST RATE RISK

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

#### NON-RECOURSE DEBT

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

### 30. FINANCIAL INSTRUMENTS (CONTINUED)

In 2020 and 2019, a subsidiary of the Company from PS&PM activities issued senior secured notes to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract. The senior secured notes bear interest at a variable rate which exposes the Company to interest rate risk. Also, in relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of non-controlling interest of 49% in Linxon granted an interest-free loan and provided a working capital revolving credit facility to Linxon. The working capital revolving credit facility bears interest at a variable rate which exposes the Company to the interest rate risk.

#### LIMITED RECOURSE DEBT

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

#### RECOURSE DEBT

SNC-Lavalin's recourse short-term debt bears interest at a variable rate which exposes the Company to interest rate risk.

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

SNC-Lavalin's Term Loan and the Series 3 Debentures bear interest at a variable rate which exposes the Company to interest rate risk.

#### INTEREST RATE SWAP

TransitNEXT General Partnership (see Note 5A) entered into an interest rate swap agreement with financial institutions related to its credit facility in the aggregate maximum principal amount of \$149.0 million, which bears interest at a rate of CDOR plus an applicable margin, to hedge the variability of the interest rate. Under the interest rate swap agreement, TransitNEXT pays interest at a fixed rate and receives interest at a rate of CDOR. The interest rate swap agreement expires in August 2022. This hedge is classified as a cash flow hedge.

#### INTEREST RATE SENSITIVITY ANALYSIS

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

If interest rates had been 1% higher/lower than the base rate and all other variables were held constant, the Company's net income for the year ended December 31, 2020 would decrease/increase by \$8.9 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has decreased in 2020 mainly due to repayment of certain variable rate debt instruments.

#### III) EQUITY PRICE RISK

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

#### IV) COMMODITY PRICE RISK

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

#### C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. The amount outstanding under certain letters of credit decreases in relation to the percentage of completion of projects. As at December 31, 2020, SNC-Lavalin had outstanding letters of credit of \$1,700.8 million (2019: \$2,067.0 million).

## 31. CAPITAL MANAGEMENT

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

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the other components of equity are not representative of the Company's financial position.

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

The Company's capital for the years ended December 31, 2020 and 2019 was as follows:

	DECEMBER 31 2020	DECEMBER 31 2019
Equity attributable to SNC-Lavalin shareholders	\$ 2,557,505	\$ 3,715,006
Less: Other components of equity	(320,067)	354,073
Less: Other components of equity of disposal groups classified as held for sale	594,141	—
Plus: Recourse debt	1,170,965	1,172,663
<b>Total amount of capital</b>	<b>\$ 3,454,396</b>	<b>\$ 4,533,596</b>

The Company has paid quarterly dividends for 31 consecutive years. Dividend policy is determined by the Board of Directors of the Company.

### COVENANTS ON RECOURSE AND LIMITED RECOURSE DEBT

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

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

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and do not correspond to the Company's metrics as presented above and/or to the specific terms used in the Company's Management's Discussion and Analysis for the year ended December 31, 2020.

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

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

In 2020, the Company complied with all of the covenants, as amended from time to time, related to its debentures, Revolving Facility, Term Loan and CDPQ Loan.

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

### A) PENSION PLANS

SNC-Lavalin has defined contribution and defined benefit pension plans. The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was \$248.8 million in 2020 (2019: \$228.4 million).

#### DEFINED CONTRIBUTION PENSION PLANS

SNC-Lavalin's contributions to its defined contribution plans are recorded as expenses in the year in which they are incurred and totaled \$170.4 million in 2020 (2019: \$153.3 million).

#### DEFINED BENEFIT PENSION PLANS

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

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

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

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

The two main defined benefit pension plans of the Company are the Atkins Pension Plan and the U.K. Railways Pension Scheme (the "Railways Pension Scheme"), both of which are funded final salary schemes in the U.K. The latest actuarial valuations were performed on March 31, 2019 for the Atkins Pension Plan and on December 31, 2016 for the Railways Pension Scheme.

## 32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
<b>Change in pension benefit obligation:</b>				
Pension benefit obligation at beginning of year	\$ 3,073,604	\$ 703,654	\$ 306,073	\$ 4,083,331
Current service cost	172	3,784	2,074	6,030
Interest cost	61,228	14,103	5,872	81,203
Past service cost <sup>(1)</sup>	3,994	—	(1,577)	2,417
Benefits paid	(110,590)	(23,047)	(29,379)	(163,016)
Contributions by plan participants	—	1,720	552	2,272
Remeasurement:				
Actuarial gains arising from changes in demographic assumptions	(54,005)	(22,187)	(921)	(77,113)
Actuarial losses arising from changes in financial assumptions	485,528	126,241	32,252	644,021
Actuarial gains arising from experience adjustments	(78,084)	(12,211)	(3,964)	(94,259)
Effect of foreign currency exchange differences	71,019	16,498	10,141	97,658
<b>Pension benefit obligation at end of year</b>	<b>\$ 3,452,866</b>	<b>\$ 808,555</b>	<b>\$ 321,123</b>	<b>\$ 4,582,544</b>

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

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
<b>Funded status reflected in the statement of financial position:</b>				
Present value of pension benefit obligation	\$ 3,452,866	\$ 808,555	\$ 321,123	\$ 4,582,544
Fair value of pension plan assets	3,235,788	559,420	291,496	4,086,704
<b>Net accrued pension benefit liability</b>	<b>\$ 217,078</b>	<b>\$ 249,135</b>	<b>\$ 29,627</b>	<b>\$ 495,840</b>

Presented on the statement of financial position as follows:

<b>Other non-current non-financial assets</b> (Note 17)	<b>\$ 8,327</b>
<b>Non-current portion of provisions</b>	<b>\$ 504,167</b>

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

## 32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

YEAR ENDED DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
<b>Change in pension benefit obligation:</b>				
Pension benefit obligation at beginning of year	\$ 2,810,839	\$ 646,364	\$ 288,948	\$ 3,746,151
Current service cost	169	4,065	1,027	5,261
Interest cost	75,882	17,446	7,431	100,759
Past service cost	—	—	(478)	(478)
Benefits paid	(112,468)	(24,221)	(13,198)	(149,887)
Contributions by plan participants	—	2,710	425	3,135
Remeasurement:				
Actuarial gains arising from changes in demographic assumptions	(11,179)	(678)	(847)	(12,704)
Actuarial losses arising from changes in financial assumptions	267,790	62,163	28,818	358,771
Actuarial losses arising from experience adjustments	68,091	1,694	1,710	71,495
Effect of foreign currency exchange differences	(25,520)	(5,889)	(7,763)	(39,172)
<b>Pension benefit obligation at end of year</b>	<b>\$ 3,073,604</b>	<b>\$ 703,654</b>	<b>\$ 306,073</b>	<b>\$ 4,083,331</b>
<b>Change in pension plan assets:</b>				
Fair value of pension plan assets at beginning of year	\$ 2,520,543	\$ 489,508	\$ 283,036	\$ 3,293,087
Interest income	68,768	13,211	7,493	89,472
Remeasurement:				
Return on plan assets (excluding interest income)	329,464	45,908	(1,744)	373,628
Administration costs	—	(847)	(278)	(1,125)
Benefits paid	(112,468)	(24,221)	(13,198)	(149,887)
Contributions by the employer	61,146	5,759	8,195	75,100
Contributions by plan participants	—	2,710	425	3,135
Effect of foreign currency exchange differences	(22,319)	(4,501)	(7,369)	(34,189)
<b>Fair value of pension plan assets at end of year</b>	<b>\$ 2,845,134</b>	<b>\$ 527,527</b>	<b>\$ 276,560</b>	<b>\$ 3,649,221</b>
<b>Funded status reflected in the statement of financial position:</b>				
Present value of pension benefit obligation	\$ 3,073,604	\$ 703,654	\$ 306,073	\$ 4,083,331
Fair value of pension plan assets	2,845,134	527,527	276,560	3,649,221
<b>Net accrued pension benefit liability</b>	<b>\$ 228,470</b>	<b>\$ 176,127</b>	<b>\$ 29,513</b>	<b>\$ 434,110</b>
Presented on the statement of financial position as follows:				
<b>Other non-current non-financial assets</b> (Note 17)			\$	10,979
<b>Non-current portion of provisions</b>			\$	445,089

## 32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	\$ 172	\$ 3,784	\$ 2,074	\$ 6,030
Net interest expense	3,955	3,612	573	8,140
Administration costs	—	1,376	329	1,705
Past service cost <sup>(1)</sup>	3,994	—	(1,577)	2,417
<b>Components of benefit pension costs recognized in net income</b>	<b>\$ 8,121</b>	<b>\$ 8,772</b>	<b>\$ 1,399</b>	<b>\$ 18,292</b>

<sup>(1)</sup> Relates to November 20, 2020 U.K. High Court ruling for the Atkins pension plan (see Note 3)

YEAR ENDED DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	\$ 169	\$ 4,065	\$ 1,027	\$ 5,261
Net interest expense	7,114	4,235	33	11,382
Administration costs	—	847	278	1,125
Past service cost	—	—	(478)	(478)
<b>Components of benefit pension costs recognized in net income</b>	<b>\$ 7,283</b>	<b>\$ 9,147</b>	<b>\$ 860</b>	<b>\$ 17,290</b>

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

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	\$ (314,226)	\$ (26,142)	\$ (20,970)	\$ (361,338)
Actuarial gains arising from changes in demographic assumptions	(54,005)	(22,187)	(921)	(77,113)
Actuarial losses arising from changes in financial assumptions	485,528	126,241	32,252	644,021
Actuarial gains arising from experience adjustments	(78,084)	(12,211)	(3,964)	(94,259)
<b>Components of benefit pension costs recognized in other comprehensive income</b>	<b>\$ 39,213</b>	<b>\$ 65,701</b>	<b>\$ 6,397</b>	<b>\$ 111,311</b>

YEAR ENDED DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	\$ (329,464)	\$ (45,908)	\$ 1,744	\$ (373,628)
Actuarial gains arising from changes in demographic assumptions	(11,179)	(678)	(847)	(12,704)
Actuarial losses arising from changes in financial assumptions	267,790	62,163	28,818	358,771
Actuarial losses arising from experience adjustments	68,091	1,694	1,710	71,495
Variation in liability due to minimum funding requirements	—	—	(2,853)	(2,853)
<b>Components of (reversal of) benefit pension costs recognized in other comprehensive income</b>	<b>\$ (4,762)</b>	<b>\$ 17,271</b>	<b>\$ 28,572</b>	<b>\$ 41,081</b>

SNC-Lavalin expects to make contributions of \$82.1 million in 2021 to its defined benefit pension plans.

## 32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
<b>Asset category</b>				
Equity securities	\$ 739,564	\$ 229,448	\$ 44,284	\$ 1,013,296
Debt securities	2,012,764	226,834	175,067	2,414,665
Other <sup>(1)</sup>	483,460	103,138	72,145	658,743
<b>Total</b>	<b>\$ 3,235,788</b>	<b>\$ 559,420</b>	<b>\$ 291,496</b>	<b>\$ 4,086,704</b>

AT DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
<b>Asset category</b>				
Equity securities	\$ 676,885	\$ 224,208	\$ 32,841	\$ 933,934
Debt securities	1,757,514	200,679	178,879	2,137,072
Other <sup>(1)</sup>	410,735	102,640	64,840	578,215
<b>Total</b>	<b>\$ 2,845,134</b>	<b>\$ 527,527</b>	<b>\$ 276,560</b>	<b>\$ 3,649,221</b>

<sup>(1)</sup> As at December 31, 2020 and 2019, the asset category "Other" includes mainly property and cash.

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

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

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
<b>Accrued pension benefit obligation</b>			
Discount rate	1.20%	1.20%	1.32%
Rate of compensation increase <sup>(2)</sup>	2.80%	2.80%	1.77%
Inflation <sup>(3)</sup>	2.80%	2.80%	1.94%
Longevity at age 65 for current pensioners			
Men	22.9 years	22.2 years	23.1 years
Women	24.9 years	23.2 years	25.0 years
Longevity at age 65 for future pensioners (current age 45)			
Men	24.2 years	23.5 years	24.7 years
Women	26.3 years	24.6 years	26.7 years

<sup>(2)</sup> The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.51% as at December 31, 2020.

<sup>(3)</sup> The inflation assumption shown for the Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.1% as at December 31, 2020.



## 32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2019:

AT DECEMBER 31, 2019	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
<b>Accrued pension benefit obligation</b>			
Discount rate	2.00%	2.00%	1.96%
Rate of compensation increase <sup>(1)</sup>	2.70%	2.70%	1.72%
Inflation <sup>(2)</sup>	2.70%	2.70%	1.87%
Longevity at age 65 for current pensioners			
Men	23.0 years	22.6 years	23.2 years
Women	24.9 years	23.7 years	25.1 years
Longevity at age 65 for future pensioners (current age 45)			
Men	24.4 years	23.9 years	24.6 years
Women	26.3 years	25.2 years	26.5 years

<sup>(1)</sup> The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.51% as at December 31, 2019.

<sup>(2)</sup> The inflation assumption shown for Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 1.80% as at December 31, 2019.

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2020, while holding all other assumptions constant.

If the discount rate is 1% higher (lower), the defined benefit pension obligation would decrease by an estimated amount of \$824.6 million (increase by an estimated amount of \$830.0 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$18.6 million (decrease by an estimated amount of \$18.5 million).

If the rate of inflation is 1% higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$616.1 million (decrease by an estimated amount of \$615.9 million).

If longevity increases by 1 year, the defined benefit pension obligation would increase by an estimated amount of \$161.2 million.

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

The weighted average duration of the pension benefit obligation as at December 31, 2020 was 18.0 years for the Atkins Pension Plan (2019: 18.0 years), 17.4 years for Railways Pension Scheme (2019: 17.1 years) and 18.2 years for the other plans (2019: 16.5 years).

### B) OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

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

## 32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table sets forth the change in obligation of SNC-Lavalin's other long-term benefit and other post-employment benefit plans:

YEARS ENDED DECEMBER 31	2020	2019
<b>Change in obligation:</b>		
Obligation at beginning of year	\$ 98,471	\$ 85,004
Current service cost	18,799	16,819
Past service cost	53	—
Loss arising from settlement	1,252	—
Interest cost	3,208	4,216
Remeasurement <sup>(1)</sup>	(956)	393
Benefits paid	(31,888)	(18,841)
Actuarial losses (Note 24)	5,287	14,263
Effect of foreign currency exchange differences	(1,000)	(3,383)
Reclassification to liabilities of disposal groups classified as held for sale (Note 39)	(31,837)	—
<b>Obligation at end of year</b>	<b>\$ 61,389</b>	<b>\$ 98,471</b>

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

YEARS ENDED DECEMBER 31	2020	2019
Current service cost	\$ 18,799	\$ 16,819
Past service cost	53	—
Loss arising from settlement	1,252	—
Interest cost	3,208	4,216
Remeasurement <sup>(1)</sup>	(956)	393
<b>Components of other long-term benefit and other post-employment benefit costs recognized in net income</b>	<b>\$ 22,356</b>	<b>\$ 21,428</b>

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

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

	DECEMBER 31 2020	DECEMBER 31 2019
<b>Accrued other long-term benefit and other post-employment benefit obligation</b>		
Discount rate	3.26%	4.45%
Rate of compensation increase <sup>(2)</sup>	4.51%	4.55%

<sup>(2)</sup> Rate of compensation increase applies only to termination indemnities.

### 33. CONTINGENT LIABILITIES

#### Class actions

##### *Ruediger Class Action*

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

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

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

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

The authorization hearing on the amended Ruediger Class Action Motion is scheduled between May 18 and May 21, 2021.

##### *Drywall Class Action*

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

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

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

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

##### *Peters Class Action*

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

### 33. CONTINGENT LIABILITIES (CONTINUED)

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

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

On March 5, 2020, the plaintiff in the Peters Class Action brought a motion for leave and certification of the Peters Class Action. On December 15, 2020, counsel to the defendants delivered their responding motion for the leave and certification hearing which is scheduled to be held between June 1 and June 3, 2021.

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

#### Pyrrhotite case

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

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

Given that SNC-Lavalin’s external insurers initially refused to comply with terms contained in the relevant policies of insurance and the orders of the Quebec Superior Court and the Quebec Court of Appeal requiring them to pay a substantial portion of the \$200 million damages award, SNC-Lavalin filed an application with the Quebec Superior Court seeking an order requiring the Company’s external insurers to comply with the Quebec Court of Appeal’s order and facilitate execution of the \$200 million damages award by way of the multiple towers of insurance. On October 16, 2020, the Quebec Superior Court ruled in favour of SNC-Lavalin ordering SNC-Lavalin’s external insurers to pay the Company approximately \$141 million. The Quebec Superior Court also ruled that the order is enforceable notwithstanding any appeal and most of the amount receivable was received in the fourth quarter of 2020. An additional \$33 million in insurance proceeds was received by the Company in December 2020 through a reinsurance policy which was not subject to this court ruling. As at December 31, 2020, the remaining amount receivable of insurance proceeds totaled approximately \$38 million and was included in “Other current financial assets” on the Company’s consolidated statement of financial position as at December 31, 2020.

### 33. CONTINGENT LIABILITIES (CONTINUED)

SNC-Lavalin filed a recourse in warranty claim against Lafarge Canada Inc. (“Lafarge”) seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. The trial commenced in March 2019 and concluded in 2020. On February 4, 2021, the Quebec Superior Court dismissed SNC-Lavalin’s claim and SNC-Lavalin will appeal the Quebec Superior Court’s ruling to the Quebec Court of Appeal.

In parallel to the Wave 1 claims, notices of additional potential claims have been made and continue to be made against numerous defendants, including SNC-Lavalin, in “Wave 2” of the Pyrrhotite Case. SNC-Lavalin expects some insurance coverage for the Wave 2 claims. In addition, SNC-Lavalin has filed recourse in warranty claims against Lafarge with respect to the Wave 2 claims. Wave 2 claims are in a preliminary stage and SNC-Lavalin’s liability exposure in respect of the Wave 2 claims remains subject to several uncertainties.

#### Dubai civil case

In November, 2018, WS Atkins & Partners Overseas, a subsidiary of the Company, was named as respondent together with other parties by the subrogated insurers of a property developer in a civil case initiated before the courts of Dubai. The claimant is seeking damages jointly from the respondents on account of the alleged refurbishment costs and loss of income arising from a fire at the property developer’s building. WS Atkins & Partners Overseas was a subcontractor in the hotel’s design and construction supervision and the claim revolves around alleged negligence in the specification, testing and installation of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building. The claim is in preliminary stages and, as such, the Company is not currently in a position to estimate potential liability or amount of loss, if any.

#### Australian Arbitration

One of the Company’s subsidiaries has a 35% interest in a joint operation for a project that has been completed. The construction joint operation is in a dispute with the project owner over labour rates. Under the relevant project contract, the Company’s subsidiary is jointly and severally liable with the other joint operator vis-à-vis the project owner for performance and other liabilities. In December 2018, the joint operation received a split award of liability from an arbitration tribunal resulting in an adverse decision on certain aspects of the dispute. In August 2020, a hearing on residual legal issues occurred and, in September 2020, the tribunal ruled in favour of the joint operation. The ruling has been challenged by the project owner. A hearing on the quantum of damages to be awarded against the joint operation (if any) has been postponed and is likely to occur in 2022.

#### General litigation risk

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

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

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

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

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

### 33. CONTINGENT LIABILITIES (CONTINUED)

#### Ongoing and potential investigations

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

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

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

The Company is currently unable to determine when any of these investigations will be completed or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. The Company continues to cooperate and communicate with authorities in connection with all ongoing investigations.

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

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

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

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

### 33. CONTINGENT LIABILITIES (CONTINUED)

#### *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.

#### *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 is broad and encompasses offences under the Criminal Code, (Canada) (the “Criminal Code”), the Competition Act, and the Corruption of Foreign Public Officials Act (Canada) (the “CFPOA,”), among others. Some of the offences qualifying for ineligibility include: bribery, fraud against Canada, 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 considering further revisions to the Integrity Regime.

If a supplier is charged with or pleads guilty to a listed offence (which does not currently include the plea of guilty to a single charge of fraud by SNC-Lavalin Construction Inc. (the “Plea”) made as part of the settlement the Company announced it had reached with the PPSC on December 18, 2019 regarding the charges of one count of fraud under Section 380 of the Criminal Code and one count of corruption under Section 3(1)(b) of the CFPOA laid by the PPSC against each of the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. (the “Charges”)), it and its affiliates may under the Integrity Regime be ineligible to do business with the Canadian government.

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 to 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. In December 2015, the Company entered into an administrative agreement with the Canadian government under the Integrity Regime in connection with the Charges and on December 18, 2020, the agreement terminated.

#### Other legal proceedings

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

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

Due to the inherent uncertainties of litigation, it is not possible to (a) predict the final outcome of this and other legal proceedings generally, (b) determine if the amount included in the Company’s provisions is sufficient or (c) determine the amount of 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.

## 34. LEASES

### Right-of-use assets

	OFFICE REAL ESTATE	EQUIPMENT	TOTAL
YEAR ENDED DECEMBER 31, 2020			
Depreciation expense on right-of-use assets	\$ 91,697	\$ 15,621	\$ 107,318
Additions	\$ 33,506	\$ 6,926	\$ 40,432
YEAR ENDED DECEMBER 31, 2019			
Depreciation expense on right-of-use assets	\$ 99,266	\$ 12,771	\$ 112,037
Additions	\$ 136,727	\$ 22,207	\$ 158,934
Net book value:			
As at December 31, 2020	\$ 320,621	\$ 26,203	\$ 346,824
As at December 31, 2019	\$ 406,990	\$ 31,797	\$ 438,787

### Lease liabilities

The table below presents the future gross lease liabilities payments from continuing operations as at December 31, 2020 and 2019:

MATURITY	DECEMBER 31 2020 <sup>(1)</sup>	DECEMBER 31 2019
Not later than 1 year	\$ 124,137	\$ 154,432
Later than 1 year and not later than 5 years	281,070	346,427
Later than 5 years	218,794	255,566
	\$ 624,001	\$ 756,425

<sup>(1)</sup> Excludes future gross lease liabilities payments related to lease liabilities reclassified to "Liabilities of disposal groups classified as held for sale" in the consolidated statement of financial position as at December 31, 2020.

### Amounts recognized in the income statement from continuing operations

YEARS ENDED DECEMBER 31	2020	2019 <sup>(2)</sup>
Depreciation expense on right-of-use assets	\$ 99,475	\$ 100,896
Interest expense on lease liabilities (Note 27)	\$ 21,174	\$ 21,023
Expense relating to short-term leases	\$ 1,337	\$ 1,317
Expense relating to variable lease payments not included in the measurement of the lease liabilities	\$ 28,561	\$ 33,926
Income from subleasing right-of-use assets	\$ 5,594	\$ 11,735

<sup>(2)</sup> Comparative figures have been re-presented (see Notes 2C and 39)

### Amounts recognized in the statement of cash flows

Total cash outflows for leases amounted to \$182.4 million for the year ended December 31, 2020 (2019: \$186.7 million).

### Operating leases

Operating leases, in which the Company is the lessor, relate mainly to equipment owned by the Company. For the year ended December 31, 2020, the lease income on operating leases amounted to \$14.5 million (2019: \$13.4 million).



## 35. REMUNERATION

### A) EMPLOYEE REMUNERATION

Expenses recognized for employee benefits, including expenses recognized for key management remuneration and directors' fees, are analyzed as follows:

YEARS ENDED DECEMBER 31	2020	2019
Short-term benefits <sup>(1)</sup>	\$ 3,704,686	\$ 4,098,596
Share-based payments	10,079	16,061
Defined contribution pension plans	170,472	153,327
Defined benefit pension plans, other long-term benefits and other post-employment benefits	40,648	38,718
	<b>\$ 3,925,885</b>	<b>\$ 4,306,702</b>

<sup>(1)</sup> Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses, non-monetary benefits and termination benefits that are expected to be settled within twelve months after the end of the annual reporting period.

### B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

The Company's key management include all employees that are classified at the executive levels, corresponding mainly to the vice-presidents and above, and all members of the Company's Board of Directors.

In 2020, the number of individuals included as key management was 143 people (2019: 177 people).

Expenses recognized for key management remuneration and directors' fees, even if the services were provided only for a portion of the year, are detailed as follows:

YEARS ENDED DECEMBER 31	2020	2019
Short-term benefits <sup>(2)</sup>	\$ 80,354	\$ 103,222
Share-based payments	7,505	2,219
Termination benefits	5,067	8,419
Defined benefit and defined contribution pension plans, other long-term benefits and other post-employment benefits	1,764	2,131
	<b>\$ 94,690</b>	<b>\$ 115,991</b>

<sup>(2)</sup> Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits that are expected to be settled within twelve months after the end of the annual reporting period.

### 36. RELATED PARTY TRANSACTIONS

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

For the years ended December 31, 2020 and 2019, SNC-Lavalin recognized the following transactions with its related parties:

YEARS ENDED DECEMBER 31	2020	2019
PS&PM revenue from contracts with investments accounted for by the equity method	\$ 556,541	\$ 717,471
Income from Capital investments accounted for by the equity method	87,349	210,543
Dividends and distributions received from Capital investments accounted for by the equity method <sup>(1)</sup>	93,176	160,063
Income from PS&PM investments accounted for by the equity method	47,186	29,702
Dividends and distributions received from PS&PM investments accounted for by the equity method	\$ 38,262	\$ 38,043

<sup>(1)</sup> In addition, an amount of \$2.4 million of distribution receivable from a Capital investment accounted for by the equity method was included in "Other current financial assets" in the consolidated statement of financial position as at December 31, 2020 (2019: \$nil).

As at December 31, 2020 and 2019, SNC-Lavalin has the following balances with its related parties:

	DECEMBER 31 2020	DECEMBER 31 2019
Trade receivables from investments accounted for by the equity method	\$ 177,598	\$ 165,371
Retentions on client contracts from investments accounted for by the equity method <sup>(2)</sup>	110,169	108,330
Remaining commitment to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income (Note 5C) <sup>(3)</sup>	\$ 24,921	\$ 70,724

<sup>(2)</sup> Included in "Contract assets" or "Contract liabilities" in the statement of financial position

<sup>(3)</sup> Included in "Other current financial liabilities" in the statement of financial position

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

### 37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2020 and 2019, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out below:

	DECEMBER 31 2020	DECEMBER 31 2019	
SUBSIDIARIES	%	%	COUNTRY
Atkins China Limited	100.0	100.0	China
Atkins Danmark A/S	100.0	100.0	Denmark
Atkins International Holdings Limited	100.0	100.0	United Kingdom
Atkins Limited	100.0	100.0	United Kingdom
Atkins North America, Inc.	100.0	100.0	United States
Atkins Nuclear Secured Holdings Corporation	100.0	100.0	United States
AUSHI LLC (previously, Atkins US Holdings Inc.) <sup>(1)</sup>	100.0	100.0	United States
Candu Energy Inc.	100.0	100.0	Canada
Faithful+Gould, Inc.	100.0	100.0	United States
Faithful+Gould Limited	100.0	100.0	United Kingdom
Faithful+Gould Saudi Arabia Limited	51.0	51.0	Saudi Arabia
InPower BC General Partnership	100.0	100.0	Canada
Kentz Canada Holdings Limited	100.0	100.0	Canada
Kentz Corporation Limited	100.0	100.0	Jersey
Kentz Pty Ltd.	100.0	100.0	Australia
Kentz US Resources Corporation	100.0	100.0	United States
Linxon Gulf LLC <sup>(2)</sup>	49.0	49.0	United Arab Emirates
Linxon Pvt Ltd	51.0	51.0	United Kingdom
Linxon Switzerland Ltd	100.0	100.0	Switzerland
Protrans BC Operations Ltd.	100.0	100.0	Canada
P.T. SNC-Lavalin TPS	95.0	95.0	Indonesia
Saudi Arabian Kentz Co. Ltd.	75.0	75.0	Saudi Arabia
SNC-Lavalin SA	—	100.0	Belgium
SNC-Lavalin (GB) Holdings Limited	100.0	100.0	United Kingdom
SNC-Lavalin (GB) Limited	100.0	100.0	United Kingdom
SNC-Lavalin (Guernsey) Holdings Ltd.	100.0	100.0	Guernsey
SNC-Lavalin (Malaysia) Sdn. Bhd.	100.0	100.0	Malaysia
SNC-Lavalin (Proprietary) Limited	—	100.0	South Africa
SNC-Lavalin Algérie EURL	100.0	100.0	Algeria
SNC-Lavalin Arabia Co. Ltd.	100.0	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	100.0	100.0	Australia
SNC-Lavalin Capital Inc.	100.0	100.0	Canada
SNC-Lavalin Chile SpA	100.0	100.0	Chile
SNC-Lavalin Colombia S.A.S.	100.0	100.0	Colombia
SNC-Lavalin Construction Inc.	100.0	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors Inc.	100.0	100.0	United States
SNC-Lavalin Constructors International Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors (Pacific) Inc.	100.0	100.0	Canada
SNC-Lavalin Defence Programs Inc.	100.0	100.0	Canada
SNC-Lavalin Engineering India Private Limited	100.0	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	100.0	100.0	United States
SNC-Lavalin Europe B.V.	100.0	100.0	Netherlands
SNC-Lavalin Europe S.A.S.	100.0	100.0	France

<sup>(1)</sup> On December 31, 2020, Atkins US Holdings Inc. was converted from a Delaware corporation into a Delaware limited liability company bearing the name AUSHI LLC.

<sup>(2)</sup> Although the Company holds less than 50% of the equity shares of Linxon Gulf LLC, the Company exercises control over this entity based on its contractual agreements.

### 37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	DECEMBER 31 2020	DECEMBER 31 2019	
SUBSIDIARIES	%	%	COUNTRY
SNC-Lavalin GEM Ontario Inc.	100.0	100.0	Canada
SNC-Lavalin GEM Québec Inc.	100.0	100.0	Canada
SNC-Lavalin Highway Holdings Inc.	100.0	100.0	Canada
SNC-Lavalin Inc.	100.0	100.0	Canada
SNC-Lavalin International Inc.	100.0	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	100.0	France
SNC-Lavalin Investments Inc.	100.0	100.0	Canada
SNC-Lavalin Major Projects Inc.	100.0	100.0	Canada
SNC-Lavalin Nuclear Inc.	100.0	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	100.0	Canada
SNC-Lavalin Peru S.A.	100.0	100.0	Peru
SNC-Lavalin Polska Sp. Z o.o.	100.0	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	100.0	100.0	Brazil
SNC-Lavalin Rail & Transit Limited	100.0	100.0	United Kingdom
SNC-Lavalin Romania S.A.	100.0	100.0	Romania
SNC-Lavalin SA (PTY) LTD	—	70.0	South Africa
SNC-Lavalin Stavibel Inc.	100.0	100.0	Canada
SNC-Lavalin UK Limited	100.0	100.0	United Kingdom
The Atkins North America Holdings Corporation	100.0	100.0	United States
The SNC-Lavalin Corporation	100.0	100.0	United States
TransitNEXT General Partnership	100.0	100.0	Canada
WS Atkins International Limited	100.0	100.0	United Kingdom
WS Atkins Limited (previously, WS Atkins plc)	100.0	100.0	United Kingdom
	DECEMBER 31 2020	DECEMBER 31 2019	
JOINT VENTURES	%	%	COUNTRY
<b>Capital investments</b>			
407 East Development Group General Partnership	50.0	50.0	Canada
407 International Inc. <sup>(1)</sup>	6.76	6.76	Canada
Crosslinx Transit Solutions General Partnership	25.0	25.0	Canada
Rideau Transit Group General Partnership	40.0	40.0	Canada
Signature on the Saint-Laurent Group General Partnership	50.0	50.0	Canada
TC Dôme S.A.S. <sup>(2)</sup>	51.0	51.0	France
<b>Other</b>			
Canadian National Energy Alliance Ltd.	50.0	50.0	Canada
Central Plateau Cleanup Company LLC	22.0	22.0	United States
Comprehensive Decommissioning International, LLC	40.0	40.0	United States
SNC-Lavalin International Inc. and Zuhair Fayeze Engineering Consultancies Company	50.0	50.0	Saudi Arabia
	DECEMBER 31 2020	DECEMBER 31 2019	
JOINT OPERATIONS	%	%	COUNTRY
407 East Construction General Partnership	50.0	50.0	Canada
Crosslinx Transit Solutions Constructors G.P.	25.0	25.0	Canada
NouvLR General Partnership	24.0	24.0	Canada
Signature on the Saint Lawrence Construction General Partnership	45.0	45.0	Canada
SLN-Aecon JV	40.0	40.0	Canada
SNC-Dragados-Pennecon G.P.	40.0	40.0	Canada
UGL Kentz Joint Venture	50.0	50.0	Australia

<sup>(1)</sup> Although the Company holds less than 20% of the equity shares of 407 International Inc., the Company exercises joint control over this entity based on its contractual agreements.

<sup>(2)</sup> Although the Company's ownership interest in TC Dôme S.A.S. is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

### 37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	DECEMBER 31 2020	DECEMBER 31 2019	
ASSOCIATES	%	%	COUNTRY
<b>Capital investments</b>			
Myah Tipaza S.p.A.	25.5	25.5	Algeria
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	26.0	Algeria
SNC-Lavalin Infrastructure Partners LP	20.0	20.0	Canada

### 38. GOVERNMENT GRANTS

In the year ended December 31, 2020, the Company participated in various government assistance programs related to COVID-19, mainly in Canada and in the United Kingdom. The main programs resulted in governments subsidizing a portion of salaries paid by qualifying employers who experienced a decrease in activities exceeding a certain threshold or subsidizing salaries of employees that were no longer providing services to their employers but continued to receive compensation.

In the year ended December 31, 2020, SNC-Lavalin recognized government grants in reduction of “Direct costs of activities” for \$75.3 million and in reduction of “Corporate selling, general and administrative expenses” for \$3.6 million in the consolidated income statement, as an offset of costs for which the grants were intended to compensate.

### 39. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

#### A) DISCONTINUED OPERATIONS - OIL & GAS BUSINESS

On February 9, 2021, the Company announced that it entered into a binding agreement to sell its Oil & Gas business, which was previously included in the Resources segment, to Kentech Corporate Holdings Limited. The transaction, subject to regulatory approvals and satisfaction of customary closing conditions, is expected to be completed in 2021. As at December 31, 2020, the Oil & Gas business was classified as a disposal group held for sale and as a discontinued operation.

The results of the Oil & Gas business for the years ended December 31, 2020 and 2019 were as follows:

YEARS ENDED DECEMBER 31	2020	2019
Revenues from PS&PM	\$ 1,142,375	\$ 1,885,778
Impairment of goodwill	—	(1,801,015)
Impairment of intangible assets related to business combinations	—	(72,831)
Other expenses	(1,423,078)	(2,239,144)
Gain on disposal of South African subsidiaries (Note 6)	6,205	—
Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(271,566)	—
<b>EBIT from discontinued operations</b>	<b>(546,064)</b>	<b>(2,227,212)</b>
Net financial income (expenses)	(261)	3,026
<b>Loss before income taxes from discontinued operations</b>	<b>(546,325)</b>	<b>(2,224,186)</b>
Income taxes related to pre-tax loss from the ordinary activities of discontinued operations	(73,064)	111,610
Income taxes related to remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	10,045	—
<b>Net loss from discontinued operations</b>	<b>\$ (609,344)</b>	<b>\$ (2,112,576)</b>

#### *Impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell*

Following the classification of the Oil & Gas business as held for sale, a write-down of \$271.6 million (\$261.5 million after income taxes) was recognized as at December 31, 2020 to reduce the carrying amount of the assets in the disposal group classified as held for sale to their estimated fair value less cost to sell. The expected proceeds to be received by the Company as contemplated in the agreement with Kentech Corporate Holdings Limited is substantially aligned with the Company’s estimated fair value of the disposal group classified as held for sale.

### 39. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTINUED)

#### Loss per share from discontinued operations

The loss per share from discontinued operations for the years ended December 31, 2020 and 2019 was as follows:

YEARS ENDED DECEMBER 31	2020	2019
Loss per share from discontinued operations – Basic	\$ (3.47)	\$ (12.03)
Loss per share from discontinued operations – Diluted	\$ (3.47)	\$ (12.03)

#### Cash flows from discontinued operations

The net cash flows incurred by the Oil & Gas business for the years ended December 31, 2020 and 2019 were as follows:

YEARS ENDED DECEMBER 31	2020	2019
Operating activities	\$ (165,899)	\$ (187,426)
Investing activities	(15,945)	(2,534)
Financing activities	(12,611)	(9,740)
<b>Net cash outflow from discontinued operations</b>	<b>\$ (194,455)</b>	<b>\$ (199,700)</b>

#### B) OTHER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at December 31, 2020, the Company classified Atkins Consulting Engineers Limited (Kenya), which is part of the EDPM segment, as a disposal group classified as held for sale. Upon such classification, SNC-Lavalin recognized an impairment loss on remeasurement of assets of the disposal group to their fair value less cost to sell in the amount of \$6.1 million before and after income taxes. At the beginning of 2021, the Company has entered into an agreement to sell its ownership interest in this disposal group classified as held for sale. The transaction, subject to regulatory approvals and satisfaction of customary closing conditions, is expected to be completed in 2021.

#### C) PRESENTATION OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities of the disposal groups classified as held for sale (see Notes 39A and 39B) as at December 31, 2020 were as follows:

AT DECEMBER 31	2020
Cash and cash equivalents	\$ —
Other current financial assets	134,689
Current non-financial assets	96,647
Deferred income tax asset (Note 29A)	6,259
Non-current financial assets	2,202
Other non-current non-financial assets	33,377
<b>Assets of disposal groups classified as held for sale</b>	<b>273,174</b>
Current financial liabilities	198,231
Current non-financial liabilities	95,073
Deferred income tax liability (Note 29A)	1,495
Non-current financial liabilities	12,279
Other non-current non-financial liabilities	33,225
<b>Liabilities of disposal groups classified as held for sale</b>	<b>340,303</b>
<b>Net liabilities of disposal groups classified as held for sale</b>	<b>\$ (67,129)</b>

Cumulative amounts recognized in the other comprehensive income related to the disposal groups classified as held for sale as at December 31, 2020 were as follows:

AT DECEMBER 31	2020
Exchange differences on translating foreign operations	\$ 594,141
<b>Other components of equity of disposal groups classified as held for sale</b>	<b>\$ 594,141</b>