Management's Discussion and Analysis

March 2, 2023

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

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

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

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

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

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

Performance
◦ Adjusted diluted earnings per share ("**Adjusted diluted EPS**")
◦ Adjusted earnings (loss) before net financial expenses (income), income taxes, depreciation and amortization ("**Adjusted EBITDA**")
◦ Adjusted net income (loss) attributable to SNC-Lavalin shareholders
◦ Booking-to-revenue ratio
◦ Earnings (loss) before net financial expenses (income), income taxes, depreciation and amortization ("**EBITDA**")
◦ Return on average shareholders' equity ("**ROASE**")
◦ Segment Adjusted EBITDA
◦ Segment Adjusted EBITDA to segment net revenue ratio (%)
◦ Segment net revenue
Liquidity
◦ Days Sales Outstanding ("**DSO**") for the Engineering Services segment
◦ Free cash flow (usage)
◦ Free cash flow (usage) to adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio
◦ Net cash generated from (used for) operating activities on a line of business / segment basis
◦ Net limited recourse and recourse debt
◦ Net limited recourse and recourse debt to Adjusted EBITDA ratio
◦ Working capital
◦ Current ratio
Other
◦ Organic revenue
◦ Organic revenue growth (contraction)

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

Changes in presentation

Segment disclosures and goodwill allocation to cash-generating units

Effective January 1, 2022, the Company implemented an operational realignment of the business to support the next phase of its transformation journey to growth. The new global market-facing structure is designed to best serve the evolving needs of the Company's clients, as well as support win-work efforts across its three core geographical markets (Canada, the United Kingdom and the United States), as a result of which the Company's internal reporting structure and review of operating results were modified, leading to the following reportable segments: i) Engineering Services, bringing together EDPM, Mining and Metallurgy (previously with Resources), as well as Infrastructure Services (but excluding Operations & Maintenance ("O&M") and Linxon); ii) Nuclear; iii) O&M; iv) Linxon; v) LSTK Projects; and vi) Capital. Refer to Section 2 of this MD&A and Note 4 to the 2022 Annual Financial Statements for a description and further details of each of the segments.

Following this operational realignment, effective January 1, 2022, the Company's goodwill is allocated to the following cash-generating units: i) Engineering Services – United Kingdom, Europe, Middle East, India and Canada; ii) Engineering Services – United States, Asia Pacific and Mining & Metallurgy; iii) Nuclear; iv) O&M; and v) Linxon. Refer to Note 14 to the 2022 Annual Financial Statements for more information on the allocation of the Company's goodwill as between the aforementioned cash-generating units.

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

Income statement

Effective January 1, 2022, the Company modified the presentation of its income statement by combining the line items "Corporate selling, general and administrative expenses" and "Loss (gain) arising on financial instruments at fair value through profit or loss" into the line item "Corporate selling, general and administrative expenses". Refer to Section 4.1.3.1 of this MD&A.

This change was made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of comparative figures.

Forward-Looking Statements

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

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on March 2, 2023. The assumptions are set out throughout this MD&A (particularly in the sections entitled "Critical Accounting Judgements and Key Sources of Estimation Uncertainty" and "How We Analyze and Report Our Results"). If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to, matters relating to: (a) epidemics, pandemics, including COVID-19, and other global health crises; (b) execution of the Company's "Pivoting to Growth Strategy" unveiled in September 2021; (c) fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently; (d) backlog and contracts with termination for convenience provisions; (e) contract awards and timing; (f) being a provider of services to government agencies; (g) international operations; (h) nuclear liability; (i) ownership interests in investments; (j) dependence on third parties; (k) supply chain disruptions; (l) joint ventures and partnerships; (m) information systems and data and compliance with privacy legislation; (n) qualified personnel; (o) competition; (p) professional liability or liability for faulty services; (q) monetary damages and penalties in connection with professional and engineering reports and opinions; (r) gaps in insurance coverage; (s) health and safety; (t) work stoppages, union negotiations and other labour matters; (u) global climate change, extreme weather conditions and the impact of natural or other disasters; (v) divestitures and the sale of significant assets; (w) intellectual property; (x) liquidity and financial position; (y) indebtedness; (z) impact of operating results and level of indebtedness on financial situation; (aa) security under the CDPQ Loan Agreement (as hereinafter defined); (bb) dependence on subsidiaries to help repay indebtedness; (cc) dividends; (dd) post-employment benefit obligations, including pension-related obligations; (ee) working capital requirements; (ff) collection from customers; (gg) impairment of goodwill and other assets; (hh) the impact on the Company of legal and regulatory proceedings, investigations and dispute settlements; (ii) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations; (jj) reputation of the Company; (kk) inherent limitations to the Company's control framework; (ll) environmental laws and regulations; (mm) global economic conditions; (nn) inflation; (oo) fluctuations in commodity prices; and (pp) income taxes.

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

The Company may, from time to time, make oral forward-looking statements. The Company advises that the above paragraphs and the risk factors described in this MD&A should be read for a description of certain factors that could cause the actual results of the Company to differ materially from those in the oral forward-looking statements. The forward-looking statements herein reflect the Company's expectations as at March 2, 2023, the date on which the Company's Board of Directors approved this document, and they are subject to change after this date. The Company does not undertake to update publicly or to revise any written or oral forward-looking information or statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

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1 Our Business

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

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

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

1.2 STRATEGIC PLAN AND OPERATIONAL REALIGNMENT

On September 28, 2021, the Company released its three-year global “Pivoting to Growth Strategy” outlining how and where the Company intends to drive profitable growth through 2024. The strategic plan is underpinned mainly by a focus on core geographic areas of operation – primarily Canada, the United Kingdom and the United States – and distinct end customer markets. Across the Company’s services, SNC-Lavalin leverages its end-to-end global capabilities to meet the demands of the future for the Company’s clients in decarbonization and sustainable solutions by connecting people, data and technology, and expects that the strategy be driven largely by four growth areas:

- Engineering Services in the United States;
- Nuclear lifecycle services, including decommissioning and waste management;
- Major Projects with a focus on collaborative contract models; and
- Digital Transformation.

As part of its strategic plan, the Company also intends to allocate capital to further strengthen its financial resilience and to support growth. Future delivery of positive cash flows will be prioritized with a view to further improving SNC-Lavalin’s leverage and targeting a return to an investment grade credit rating. The Company’s growth strategy may also be accelerated through organic and inorganic investments. Opportunistically and depending on the Company’s cash resources, surplus capital may be returned to shareholders through share buybacks or dividend growth.

To support the next phase of its transformation journey to growth, the Company has undertaken an operational realignment of the business, effective January 1, 2022. The new global market-facing structure is designed to best serve the evolving needs of the Company’s clients, as well as support win-work efforts across its three core geographical markets, and resulted in a change to the reporting segments as explained at Section 12.

2 How We Analyze and Report Our Results

2.1 HOW WE REPORT OUR RESULTS

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

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

PS&PM

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

Engineering Services incorporates consultancy, engineering, design and project management services around the world, primarily for the transportation, building & places, defence, water, industrial & mining and power & renewables markets. A significant portion of Engineering Services revenues are derived from the public sector, including national, provincial, state and local and municipal authorities. The Engineering Services segment derives its revenues primarily from reimbursable and engineering services contracts.

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

O&M consists of providing operations, maintenance and asset management solutions for bridges, transit systems, highways, buildings and industrial plants including power plants, water supply and treatment systems and desalination plants, as well as postal services and ships. The O&M segment derived all its revenues from reimbursable and engineering services contracts.

Linxon offers engineering, procurement, management and construction services for execution of large, complex alternative current power substations including expansions and electrification, notably through repetitive EPC offerings in the following markets: Utilities, Renewable, Conventional Generation, Transportation and Data centers. The Linxon segment derives its revenues mainly from standardized EPC contracts.

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

LSTK Projects is comprised of the remaining LSTK construction contracts of the Company, notably mass transit projects in Canada and one Mining & Metallurgy project in the Middle East. This segment also includes the financial results of legacy warranty costs and claims from completed LSTK projects. In July 2019, the Company decided to cease bidding on new LSTK construction contracts. The LSTK Projects segment derives all its revenues from LSTK construction contracts.

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

PS&PM Breakdown

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

(1) Nuclear includes one legacy LSTK construction contract.

The Company derives its PS&PM revenues from reimbursable and engineering services contracts (2022: 81%; 2021: 79%), standardized EPC contracts (2022: 8%; 2021: 8%) and LSTK construction contracts (2022: 11%; 2021: 13%).

CAPITAL

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

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

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

It is the Company's view that the aggregate fair value of its Capital investments is significantly higher than their net book value of $591.8 million as at December 31, 2022. The Company's remaining stake of 6.76% in 407 International Inc. ("Highway 407 ETR") represents the most significant portion of the total fair value of the Company's Capital investments portfolio.

As at December 31, 2022 and December 31, 2021, the net book value of Capital investments can be summarized as follows:

(IN MILLIONS $)	DECEMBER 31 2022	DECEMBER 31 2021
Highway 407 ETR [(1)]	$ —	$ —
Others [(2)]	591.8	620.0
Total	$ 591.8	$ 620.0

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

(2) The net book value as at December 31, 2021 included net assets from InPower BC General Partnership, which were classified as held for sale. Such investment was disposed of in the first quarter of 2022.

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

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

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

ADDITIONAL FINANCIAL INFORMATION ON CAPITAL INVESTMENTS

The Company provides additional financial information on its Capital investments to allow the reader to have a better understanding of the financial position, results of operations and cash flows for PS&PM activities and Capital investments. As such, the following information on the Company's Capital investments is included in the 2022 Annual Financial Statements:

Consolidated statement of financial position	The net book value of Capital investments accounted for by the equity method and at fair value through other comprehensive income, distinctively.
Consolidated statement of cash flows	Payments and refunds for Capital investments. Increase in (recovery of) receivables under service concession arrangements. Net cash inflow on disposal of Capital investments.
Note 5 to the audited annual consolidated financial statements	Note specific to Capital investments, including information on assets and liabilities of Capital investments presented on the Company's statements of financial position, income and expenses from Capital investments on the Company's income statements, as well as information on the Company's main Capital investments, with additional information on assets, liabilities, revenues and expenses of Capital investments accounted for the by the equity method (joint ventures and associates).

2.2 HOW WE BUDGET AND FORECAST OUR RESULTS

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

PROJECT/MARKET LEVEL

The budget information is prepared by individual projects and/or prospects, or on specific markets, which will form the primary basis for the Company's consolidated Annual Budget.

SECTOR LEVEL

The projects prospects/markets information is then compiled by each sector, along with various assumptions related to the operations of the sector, such as its level of selling, general and administrative expenses.

CONSOLIDATED LEVEL

The sector budgets are subsequently reviewed by the Company's senior executives.

The Annual Budget is a key tool used by management to monitor the Company's performance and progress against key financial objectives in accordance with the Company's strategic plan. The Company updates its annual expected results in the first, second and third quarters ("Quarterly Forecasts"), which are also presented to the Board of Directors.

The key elements taken into account when estimating revenues, gross margin and cash flows generated from (used for) operating activities for budget and forecast purposes from PS&PM activities are the following:

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

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

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

Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
Level of activity	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period. The level of activity can also depend on the availability and productivity of human resources.
Changes in the estimated costs to complete each individual project ("cost reforecasts")	Variation of the estimated costs to complete projects for contracts having revenue recognized over time using the percentage of completion method results in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given project are largely dependent on project execution and other factors, such as availability and productivity of internal and external resources and actual costs associated to each component of a given project.
Changes in the estimated revenues and in the recovery of such revenues	Variation of the estimated revenues of projects, including the impact from change orders, claims, incentives and penalties, as well as the change in estimates on the recovery of trade receivables and contract assets, may impact the financial results of the Company.
Changes in the results of its Capital investments	Variation in the financial results of each Capital investment accounted for under the consolidation or equity methods will impact the financial results of the Company. Additions to the Company's Capital investments portfolio, or divestitures from it, can also impact the Company's results.
Level of selling, general and administrative expenses	Variation in selling, general and administrative expenses has a direct impact on the profitability of the Company. The level of selling, general and administrative expenses is influenced by the level of activity, and can depend on several other factors not related to project execution or performance that can be recurring or not.
Acquisition-related costs and integration costs	Business acquisitions might require the Company to incur significant acquisition-related costs and integration costs, which have an impact on actual and future results.

SOURCE OF VARIATION	EXPLANATION
Restructuring and transformation costs, goodwill and other intangible assets impairment	Changes made to the way the Company operates, closure of certain locations where it conducts business, modifications to its offerings and changes in market perspectives might result, among other factors, in restructuring and transformation costs, and goodwill and other intangible assets impairment, having an impact on actual and future results.
Income taxes	Variation in income taxes impact the profitability of the Company, and depends on various factors, such as the geographic areas in which the Company is present, the statutory tax rates enacted, the nature of the revenues earned by the Company, the recoverability of deferred tax assets as well as tax assessments made by authorities.
Financial expense	Variation in interest rates could have an impact on the Company's results, as some of its financing bears interest at a variable rate.
Foreign exchange	As the Company operates in many countries, foreign currency exchange rates can cause variances to estimates as the budgets and forecasts are prepared at specific rates. It should be noted that the Company has a foreign exchange hedging policy that limits the volatility in results caused by foreign exchange fluctuations.
Timing of collection and of disbursements	Variation in the number of days required to invoice and then collect amounts due from clients, as well as variation in the payment terms from suppliers and subcontractors can impact the Company's cash flows generated from (used for) operating activities.
Unforeseen impacts related to ongoing and continued duration of COVID-19 pandemic and other future national or global health crises	Despite the alleviation of the worst effects of the COVID-19 pandemic in the key countries and regions in which the Company operates, it continues to remain inherently uncertain and difficult to quantify and account for all of the known and unknown effects of COVID-19 as well as future national or global health crises and to plan for such events in the Company's budgeting and planning processes, with COVID-19 having particularly impacted certain infrastructure projects. Refer to the updated risk factor entitled "Epidemics, pandemics, including COVID-19, and other global health crises" in Section 14 of this MD&A for a description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs.

3 2022 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022	2021	CHANGE (%)
Income Statements			
Revenues	**$ 7,549.0**	$ 7,371.3	2.4%
Earnings before interest and taxes ("EBIT")	**95.0**	194.1	(51.0)%
EBITDA [1]	**346.5**	460.6	(24.8)%
Net income from continuing operations	**7.0**	105.7	(93.4)%
Net income (loss) from discontinued operations	**(6.9)**	566.4	N/A
Net income	**0.1**	672.1	(100.0)%
Diluted earnings per share from continuing operations ("Diluted EPS") (in $)	**0.09**	0.57	(83.4)%
Revenues from PS&PM from continuing operations	**7,439.9**	7,237.1	2.8%
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations from PS&PM	**(45.0)**	27.0	N/A
Adjusted net income attributable to SNC-Lavalin shareholders from PS&PM [1]	**112.8**	152.1	(25.8)%
Diluted EPS from PS&PM (in $)	**(0.26)**	0.15	N/A
Adjusted diluted EPS from PS&PM (in $) [1]	**0.64**	0.87	(25.8)%
Financial Position & Cash Flows			
Cash and cash equivalents (at December 31)	**$ 570.3**	$ 608.4	(6.3)%
Limited recourse debt (at December 31)	**400.0**	400.0	—%
Recourse debt (at December 31)	**1,470.6**	1,094.1	34.4%
Net limited recourse and recourse debt to Adjusted EBITDA ratio [1] (December 31)	**2.9**	1.7	70.1%
Net cash generated from (used for) operating activities	**(245.4)**	134.2	N/A
Free cash flow (usage) [1]	**(363.7)**	(15.9)	N/A
Additional Indicator			
Revenue backlog (at December 31)	**$ 12,551.4**	$ 12,597.0	(0.4)%

[1] Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 13 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

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

- Revenues in 2022 increased to $7,549.0 million compared to $7,371.3 million in 2021, mainly from Engineering Services and O&M, partially offset by lower revenues mainly from LSTK Projects, Linxon and Capital.
- Net income from continuing operations totaled $7.0 million in 2022 compared to $105.7 million in 2021. The main reasons for this variance were:
    - lower contributions from Engineering Services and Capital, combined with a loss from Linxon in 2022 compared to a positive contribution from this segment in 2021, partially offset by a higher contribution from Nuclear;
    - a $27.4 million DPCP Remediation Agreement expense (refer to Section 4.1.3.5) recognized in 2022;
    - a lower loss from LSTK Projects in 2022 compared to 2021. Such segment continued to suffer from labour shortages as well as supply chain disruptions causing project productivity losses, delays and cost increases; and
    - a lower level of corporate selling, general and administrative expenses in 2022 compared to 2021.
- Net loss from discontinued operations of $6.9 million in 2022, reflecting an adjustment to the gain on disposal of the Oil & Gas business resulting from an agreement reached on purchase price adjustments, compared to

a net income from discontinued operations of $566.4 million in 2021, mainly due to the gain on such disposal. This gain in 2021 was mainly due to the reclassification to net income of the cumulative exchange differences on translating foreign operations upon disposal of such operations.

- Cash and cash equivalents of $570.3 million as at December 31, 2022, compared to cash and cash equivalents of $608.4 million as at December 31, 2021, mainly due to net cash used for operating and investing activities, partially offset by net cash generated from financing activities.
- Revenue backlog of $12.6 billion as at December 31, 2022, substantially unchanged from the backlog level as at December 31, 2021, mainly reflecting a decrease in LSTK Projects, O&M, Linxon and Capital, offset by an increase in Engineering Services and Nuclear.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

COVID-19 PANDEMIC UPDATE

The Company continued to perform well in its SNCL Services activities in 2022 despite the impact of the COVID-19 pandemic. In the LSTK Projects segment, COVID-19 continued to have an impact on the Company's activities in 2022, notably from higher prices for goods and services, productivity impacts, limited availability of products and disruptions to supply chains.

Refer to the risk factor entitled "Epidemics, pandemics, including COVID-19, and other global health crises" in Section 14 of this MD&A for a more fulsome description of the various risks and uncertainties posed by COVID-19 to the Company and its business and financial affairs.

DISPOSAL OF INPOWER BC GENERAL PARTNERSHIP AND ITS RELATED HOLDING COMPANIES

On February 7, 2022, SNC-Lavalin announced that the Company completed the sale and transfer of its ownership interest in InPower BC General Partnership ("InPower BC G.P.") and its related holding companies to SNC-Lavalin Infrastructure Partners LP ("SNCL IP Partnership") in which the Company has a 20% ownership interest. This transaction resulted in a gain before income taxes of $4.3 million.

DPCP REMEDIATION AGREEMENT

On May 11, 2022, SNC-Lavalin announced the Québec Superior Court's approval of a remediation agreement (the "Remediation Agreement") following negotiations between the Company and the Québec Crown Prosecutor's Office ("DPCP"). In accordance with the Remediation Agreement, the Company will pay $29.6 million over three years regarding the charges laid against SNC-Lavalin Inc. and SNC-Lavalin International Inc. in connection with events concerning the Jacques Cartier Bridge Refurbishment project that occurred between 1997 and 2004.

On the same date, the Company announced the signing of an administrative agreement with Public Services and Procurement Canada ("PSPC") with regard to the same events mentioned above. This agreement allows the Company to continue to do business with the Government of Canada in accordance with its Integrity Regime originally adopted on July 3, 2015.

AMENDMENTS TO THE CREDIT AGREEMENT

On May 16, 2022, the Company announced the signature of an agreement with its lenders to amend its credit agreement. Pursuant to the amended and restated agreement (the "Credit Agreement"), the notional amount of the Company's revolving credit facility (the "Revolving Credit Facility") was reduced from $2,600 million to $2,000 million. The Company's Revolving Credit Facility will be further reduced to $1,800 million in April 2023. The notional amount of the unsecured non-revolving variable interest bearing term loan (the "Term Loan") remained unchanged, at $500 million. The maturity date of both the Revolving Credit Facility and the Term Loan (the "Credit Facilities") has been extended until May 2025.

The amendments also incorporated certain environmental, social and governance ("ESG") targets based on the achievement of reducing greenhouse gas emissions, as defined in the agreement, by 60% by 2025, using 2019 as a baseline year, and increasing diversity within the Company's workforce, focusing on achieving 25% of women representation in managerial and senior professional roles by 2025. If the Company achieves those targets, the overall borrowing costs under the Credit Facilities will decrease. If the Company fails to achieve its targets, the overall borrowing costs under the Credit Facilities will increase.

RUEDIGER CLASS ACTION DISMISSAL

On October 11, 2022, the Quebec Superior Court ruled dismissing the Ruediger Class Action (as defined in Note 33 to the 2022 Annual Financial Statements), as amended, on all grounds. On November 18, 2022, the plaintiffs appealed the ruling to the Québec Court of Appeal. The final judgment is expected to be rendered in 2024.

SERIES 7 DEBENTURES

In the fourth quarter of 2022, the Company issued, on a private placement basis, new Series 7 Debentures in the principal amount of $300 million, which bear interest at the rate of 7.00% *per annum* and mature in June 2026. The net proceeds of the offering were used to repay indebtedness and for general corporate purposes.

DISPOSAL OF CARLYLE GLOBAL INFRASTRUCTURE OPPORTUNITY FUND, L.P. ("CARLYLE")

In the fourth quarter of 2022, SNC-Lavalin completed the sale of its ownership interest in Carlyle for a total consideration of US$52.1 million (approximately CA$71.2 million), of which US$21.5 million (approximately CA$29.5 million) was collected in 2022 and the remaining balance is to be collected in 2023. The Company's ownership interest in Carlyle was accounted for at fair value through other comprehensive income.

4 Financial Performance Analysis

4.1 INCOME STATEMENT

The selected annual financial information presented in the table below has been derived from the 2022 Annual Financial Statements prepared in accordance with IFRS for each of the three most recently completed financial years, with the exception of the "Additional financial indicators from continuing operations" section below, which includes certain non-IFRS financial measures.

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021 (1)		2020 (2)
Revenues	$	7,549.0	$	7,371.3	$	7,007.5
Segment Adjusted EBIT - Total	$	413.1	$	489.3	$	125.3
Corporate selling, general and administrative expenses (2)	$	127.3	$	141.3	$	237.8
Impairment loss from expected credit losses		—		—		0.9
Restructuring and transformation costs		82.9		70.1		63.3
Amortization of intangible assets related to business combinations		84.3		89.5		126.8
Gain on disposals of Capital investments		(3.7)		(5.0)		(25.0)
Loss on disposal of PS&PM businesses		—		0.6		7.5
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		—		(1.3)		6.1
DPCP Remediation Agreement expense		27.4		—		—
EBIT	$	95.0	$	194.1	$	(292.0)
Net financial expenses	$	115.7	$	110.5	$	114.0
Earnings (loss) before income taxes from continuing operations	$	(20.7)	$	83.6	$	(406.0)
Income tax recovery	$	(27.8)	$	(22.0)	$	(59.0)
Net income (loss) from continuing operations	$	7.0	$	105.7	$	(346.9)
Net income (loss) from discontinued operations		(6.9)		566.4		(609.3)
Net income (loss)	$	0.1	$	672.1	$	(956.3)
Net income (loss) attributable to:						
SNC-Lavalin shareholders	$	9.8	$	666.6	$	(965.4)
Non-controlling interests		(9.6)		5.5		9.2
Net income (loss)	$	0.1	$	672.1	$	(956.3)
Earnings (loss) per share (in $):						
Basic	$	0.06	$	3.80	$	(5.50)
Diluted	$	0.06	$	3.80	$	(5.50)
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:						
From PS&PM	$	(45.0)	$	27.0	$	(401.7)
From Capital		61.6		73.2		45.6
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations	$	16.6	$	100.2	$	(356.1)
Earnings (loss) per share from continuing operations (in $):						
Basic	$	0.09	$	0.57	$	(2.03)
Diluted:						
From PS&PM	$	(0.26)	$	0.15	$	(2.29)
From Capital		0.35		0.42		0.26
Diluted earnings per share from continuing operations	$	0.09	$	0.57	$	(2.03)
Additional financial indicators from continuing operations:						
Adjusted EBITDA from PS&PM (3)	$	387.9	$	433.8	$	111.4
Adjusted diluted EPS from PS&PM (in $) (3)	$	0.64	$	0.87	$	(1.07)

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

(2) 2020 figures are derived from the Company's 2021 audited annual consolidated financial statements. Corporate selling, general and administrative expenses in 2020 included a $57.2 million negative fair value revaluation of a consideration receivable from the sale of 10.01% of the shares of Highway 407 ETR in 2019.

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

4.1.1 ANALYSIS OF REVENUES

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021 [1]	CHANGE (%)
Engineering Services	**$ 4,686.2**	$ 4,366.4	7.3%
Nuclear	**896.0**	904.7	(1.0)%
O&M	**497.2**	470.4	5.7%
Linxon	**561.2**	588.4	(4.6)%
SNCL Services - Total	**$ 6,640.6**	$ 6,330.0	4.9%
LSTK Projects	**$ 799.3**	$ 907.2	(11.9)%
PS&PM - Total	**$ 7,439.9**	$ 7,237.2	2.8%
Capital	**$ 109.2**	$ 134.1	(18.6)%
Total	**$ 7,549.0**	$ 7,371.3	2.4%

[1] Comparative figures have been restated (Refer to Section 12 of this MD&A).

Revenues in 2022 increased compared to 2021, mainly from Engineering Services and O&M, partially offset by lower revenues mainly from LSTK Projects, Linxon and Capital.

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

In addition, information on revenues by geographic area is provided at Section 6, while information on revenues by type of contracts is provided in Note 9 to the 2022 Annual Financial Statements.

4.1.2 ANALYSIS OF CONSOLIDATED NET INCOME, EBIT AND EBITDA

4.1.2.1 NET INCOME (LOSS) FROM CONTINUING OPERATIONS ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:		
From PS&PM	**$ (45.0)**	$ 27.0
From Capital	**61.6**	73.2
Net income attributable to SNC-Lavalin shareholders from continuing operations	**$ 16.6**	$ 100.2
Non-controlling interests	**(9.6)**	5.5
Net income from continuing operations	**$ 7.0**	$ 105.7

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

Net loss attributable to SNC-Lavalin shareholders from continuing operations from PS&PM was $45.0 million in 2022, compared to net income attributable to SNC-Lavalin shareholders from continuing operations from PS&PM of $27.0 million in 2021. The variance was mainly due to a lower contribution from Engineering Services and a loss from Linxon in 2022, compared to a positive contribution from this segment in 2021, combined with a $27.4 million DPCP Remediation Agreement expense recognized in the second quarter of 2022, partially offset by a lower loss from LSTK Projects combined with a lower level of corporate selling, general and administrative expenses and a higher contribution from Nuclear compared to 2021.

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

Net income attributable to SNC-Lavalin shareholders from continuing operations from Capital amounted to $61.6 million in 2022, compared to $73.2 million in 2021. The decrease was mainly due to a lower contribution from InPower BC G.P., since its disposal in February 2022, combined with lower contributions from certain other investments notably resulting from the shutdown of a power plant due to a planned major maintenance, partially offset by higher dividends received from Highway 407 ETR in 2022 compared to 2021.

NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS FROM CONTINUING OPERATIONS

Net loss attributable to non-controlling interests from continuing operations amounted to $9.6 million in 2022, compared to net income attributable to non-controlling interests from continuing operations of $5.5 million in 2021, both are mainly attributable to the allocation of net income (loss) to the non-controlling interest of Linxon.

4.1.2.2 NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS

The table below presents the main components of net income (loss) from discontinued operations for 2022 and 2021, which related to the disposal of the Oil & Gas business in 2021:

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2022		2021
Contribution from discontinued operations, before items listed below	$	—		(41.0)
Restructuring costs		—		(17.5)
Reversal of impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		—		4.9
Gain or adjustment on gain on disposal of Oil & Gas business before income taxes		**(7.5)**		573.0
Net financial expenses		—		(0.2)
Income tax recovery		**0.6**		47.2
Net income (loss) from discontinued operations	**$**	**(6.9)**	$	566.4

The $41.0 million loss from the Oil & Gas business in 2021 presented above included the favourable outcome from a claim on a legacy LSTK construction project, which was more than offset by unfavourable reforecasts on certain projects.

Restructuring costs related to discontinued operations were nil in 2022, compared to $17.5 million in 2021, mainly related to the closure of the Valerus operations.

An adjustment on gain on disposal of Oil & Gas business before income taxes was negative $7.5 million in 2022, resulting from an agreement reached on purchase price adjustments with the purchaser of the Oil & Gas business, compared to a gain on disposal of $573.0 million before income taxes in 2021, mainly due to the reclassification to net income of the cumulative exchange differences on translating foreign operations upon disposal of such operations.

The income tax recovery of $47.2 million in 2021 mainly resulted from revised estimates on the income tax liabilities related to the discontinued operations.

4.1.2.3 CONSOLIDATED EBIT, EBITDA AND ADJUSTED EBITDA ANALYSIS

EBITDA is a non-IFRS financial measure. EBITDA is defined and reconciled to net income from continuing operations in Section 13.

In 2022, EBIT was $95.0 million, compared to $194.1 million in 2021. The decrease in EBIT was primarily due to lower contributions from Engineering Services and Capital as well as a loss from Linxon in 2022, combined with a $27.4 million DPCP Remediation Agreement expense recognized in the second quarter of 2022, partially offset by a lower loss from LSTK Projects, lower corporate selling, general and administrative expenses and a higher contribution from Nuclear.

EBITDA was $346.5 million in 2022, compared to $460.6 million in 2021, with the decrease being mainly explained by the same factors described above for EBIT. **Adjusted EBITDA**, a non-IFRS measure described at Section 13.1, **amounted to $453.0 million for 2022**, compared to $525.0 million in 2021. When excluding results from Capital, **Adjusted EBITDA from PS&PM**, also a non-IFRS measure described at Section 13.1 (within the definition of Adjusted EBITDA), **amounted to $387.9 million in 2022**, compared to $433.8 million in 2021.

4.1.3 ANALYSIS OF OTHER LINE ITEMS IN THE INCOME STATEMENT

4.1.3.1 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022			2021 [1]		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses before loss (gain) arising on financial instruments at fair value through profit or loss	**$ 95.8**	**$ 28.2**	**$ 124.0**	$ 116.9	$ 28.2	$ 145.1
Loss (gain) arising on financial instruments at fair value through profit or loss	**3.3**	**—**	**3.3**	(3.7)	—	(3.7)
Corporate selling, general and administrative expenses	**$ 99.1**	**$ 28.2**	**$ 127.3**	$ 113.2	$ 28.2	$ 141.3

[1] Comparative figures have been restated (Refer to Section 12 of this MD&A).

Corporate selling, general and administrative expenses before loss (gain) arising on financial instruments at fair value through profit or loss totaled $124.0 million in 2022, compared to $145.1 million in 2021, mainly reflecting revised estimates on certain insurance provisions in 2021 and on long-term employee incentives in 2022.

The loss arising on financial instruments at fair value through profit or loss amounted to $3.3 million in 2022 (2021: a gain of $3.7 million).

4.1.3.2 RESTRUCTURING AND TRANSFORMATION COSTS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021
Restructuring costs	**$ 49.3**	$ 49.2
Transformation costs	**33.5**	20.9
Restructuring and transformation costs	**$ 82.9**	$ 70.1

The Company incurred $82.9 million of restructuring and transformation costs in 2022 (2021: $70.1 million) reflecting an increase in transformation costs.

The restructuring costs of $49.3 million recognized in 2022 included $35.9 million of non-cash charges, notably $26.1 million of impairment losses on right-of-use assets, mainly relating to non-cash charges incurred to right size the office real estate footprint to align with new working practices, and $9.8 million of impairment losses on property and equipment, while the remaining balance was mainly for severances.

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

4.1.3.3 AMORTIZATION OF INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021
Amortization of intangible assets related to business combinations	**$ 84.3**	$ 89.5

Amortization of intangible assets related to business combinations amounted to $84.3 million in 2022 (2021: $89.5 million) mainly attributable to the amortization expense of intangible assets related to Atkins, which was acquired in 2017.

4.1.3.4 GAIN ON DISPOSALS OF CAPITAL INVESTMENTS AND LOSS ON DISPOSAL OF A PS&PM BUSINESS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2022		2021
Gain on disposals of Capital investments	**$**	**(3.7)**	$	(5.0)
Loss on disposal of a PS&PM business	**$**	**—**	$	0.6

The gain on disposals of Capital investments amounted to $3.7 million in 2022, resulting mainly from a gain of $4.3 million on the disposal of InPower BC G.P. (refer to Note 5A to the 2022 Annual Financial statements).

In 2021, the Company received a contingent consideration of $5.0 million related to the previous disposal of a Capital investment accounted for by the equity method.

On July 16, 2021, SNC-Lavalin completed the sale of its ownership of 100% in Atkins Consulting Engineers Limited in Kenya. The loss on disposal of SNC-Lavalin's ownership interest in this subsidiary amounted to $0.6 million.

4.1.3.5 DPCP REMEDIATION AGREEMENT EXPENSE

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2022		2021
DPCP Remediation Agreement expense	**$**	**27.4**	$	—

The $27.4 million DPCP Remediation Agreement expense in 2022 represents the net present value of the installments payable over three years agreed as part of the DPCP Remediation Agreement (refer to Note 33 to the 2022 Annual Financial statements).

4.1.3.6 NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022						2021					
		FROM PS&PM		FROM CAPITAL		TOTAL		FROM PS&PM		FROM CAPITAL		TOTAL
Financial income	**$**	**(8.6)**	**$**	**(0.2)**	**$**	**(8.8)**	$	(4.5)	$	(0.3)	$	(4.8)
Interest on debt:												
Recourse		**61.9**		**—**		**61.9**		35.3		—		35.3
Limited recourse		**21.7**		**—**		**21.7**		15.8		—		15.8
Non-recourse		**3.8**		**4.2**		**8.0**		3.7		16.7		20.4
Net foreign exchange losses (gains)		**(3.8)**		**—**		**(3.9)**		1.4		—		1.4
Interest on lease liabilities		**18.8**		**—**		**18.8**		17.9		0.1		18.0
Other		**17.9**		**—**		**17.9**		24.3		—		24.3
Net financial expenses	**$**	**111.8**	**$**	**4.0**	**$**	**115.7**	$	93.9	$	16.6	$	110.5

Net financial expenses from PS&PM amounted to $111.8 million in 2022, compared to $93.9 million in 2021, mainly due to a higher level of interest expense on debt in 2022, reflecting mainly higher interest rates on variable rate debt, partially offset by higher financial income and net foreign exchange gains in 2022 compared to net foreign exchange losses in 2021, combined with lower other financial charges in 2022.

Net financial expenses from Capital were $4.0 million in 2022, compared to $16.6 million in 2021, mainly due to lower level of interest expense resulting from the disposal of InPower BC G.P. in February 2022.

4.1.3.7 INCOME TAXES ANALYSIS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022			2021		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Earnings (loss) from continuing operations before income taxes	**$ (85.7)**	**$ 64.9**	**$ (20.7)**	$ 4.1	$ 79.6	$ 83.6
Income tax expense (recovery)	**$ (31.0)**	**$ 3.3**	**$ (27.8)**	$ (28.4)	$ 6.4	$ (22.0)
Effective income tax rate (%)	**36.2%**	**5.1%**	**133.8%**	(694.3)%	8.0%	(26.3)%

In 2022, the Company reported an income tax recovery of $27.8 million, compared to an income tax recovery of $22.0 million in 2021.

In 2022, the effective income tax recovery rate from PS&PM was higher than the Canadian statutory income tax rate of 26.3%, mainly due to revised estimates on certain income tax liabilities and the geographic mix of earnings, partially offset by the non-tax deductible DPCP Remediation Agreement expense and other permanent items.

In 2021, the effective income tax rate from PS&PM was lower than the Canadian statutory income tax rate of 26.2%, mainly due to the geographic mix of earnings, net income not affected by tax and revised estimates on certain income tax liabilities, partially offset with a $19.0 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of loss carryforwards in the United States and other permanent items.

The effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.3% in 2022, mainly due to the non-taxable portion of investment income (including dividends from Highway 407 ETR) and the gain on disposal of InPower BC G.P.

In 2021, the effective income tax rate from Capital was lower than the Canadian statutory income tax rate of 26.2%, mainly due to the non-taxable portion of investment income, partially offset by a tax liability on the distribution from a Capital investment.

4.1.4 ANALYSIS OF SEGMENT RESULTS AND PERFORMANCE

4.1.4.1 ENGINEERING SERVICES

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022	2021 (1)	CHANGE (%)
Revenues from Engineering Services	**$ 4,686.2**	$ 4,366.5	7.3%
Segment Adjusted EBIT from Engineering Services	**$ 397.7**	$ 464.0	(14.3)%
Segment Adjusted EBIT to revenues ratio from Engineering Services (%)	**8.5%**	10.6%	
Additional information			
Segment Adjusted EBITDA from Engineering Services (2)	**$ 517.3**	$ 587.2	(11.9)%
Segment Adjusted EBITDA to segment net revenue from Engineering Services ratio (%) (2)	**14.6%**	17.8%	
Backlog (as at December 31)	**$ 4,662.1**	$ 3,769.0	23.7%
Booking-to-revenue ratio (%) (2)	**119%**	105%	

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

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

Engineering Services revenues were $4,686.2 million in 2022, compared to $4,366.5 million in 2021, a 7.3% increase. This increase was driven primarily by strong volume growth year-over-year in the United States, Canada and the United Kingdom as well as an increased volume in Mining & Metallurgy, partially offset by the decreased level of revenues in the Middle East, notably from the $93.0 million favourable outcome in 2021 from an arbitration award discussed below, and the unfavourable impact from the change in foreign exchange rates year-over-year mainly due to a weaker British pound compared to the Canadian dollar. Excluding the effect of foreign currency changes, Engineering Services organic revenue growth (a non-IFRS financial measure described at Section 13) was 9.3% when compared to 2021. Backlog was $4,662.1 million as at December 31, 2022, compared to $3,769.0 million as at December 31, 2021, a 23.7% increase, with a strong increase in the United States, the United Kingdom and the Middle East.

The major revenue contributors in 2022 included work in the United Kingdom as a result of a higher volume of rail, defence and infrastructure projects as the United Kingdom Government has continued to maintain spending on critical infrastructure. In the United States and Canada, ongoing major projects contributed to revenue during 2022, such as mass transit and hydro power projects.

Segment Adjusted EBIT from Engineering Services was $397.7 million (Segment Adjusted EBITDA of $517.3 million) in 2022, compared to a Segment Adjusted EBIT of $464.0 million (Segment Adjusted EBITDA of $587.2 million) in 2021. The adverse variance is mainly driven by a $93.0 million favourable outcome in the fourth quarter of 2021 from a confirmed arbitration decision related to unpaid additional services performed on a completed contract in the Middle East, partially offset by continued strong year on year performance in the core markets of the United Kingdom, Canada and the United States.

Segment Adjusted EBITDA to segment net revenue from Engineering Services ratio was 14.6% in 2022, compared to 17.8% in 2021, due to a lower Segment Adjusted EBITDA in 2022 and an increased segment net revenue in 2022. Refer to Section 13.4.6 for the calculation of this ratio.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring expenses, of which $7.9 million in 2022 ($19.3 million in 2021) were incurred in connection with the Engineering Services segment.

OTHER KEY PERFORMANCE INDICATOR

AS AT (IN NUMBER OF DAYS)	DECEMBER 31, 2022	DECEMBER 31, 2021 [1]
DSO for the Engineering Services segment [2]	**57 days**	60 days

[1] Comparative figures have been restated (Refer to Section 12 of this MD&A).

[2] DSO is a supplementary financial measure. Please refer to Section 13 for further information on this measure.

DSO for the Engineering Services segment stood at 57 days as at December 31, 2022 as compared to 60 days as at December 31, 2021.

4.1.4.2 NUCLEAR

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022	2021	CHANGE (%)
Revenues from Nuclear	**$ 896.0**	$ 904.7	(1.0)%
Segment Adjusted EBIT from Nuclear	**$ 144.0**	$ 135.9	6.0%
Segment Adjusted EBIT to revenues ratio from Nuclear (%)	**16.1%**	15.0%	
Additional information			
Segment Adjusted EBITDA from Nuclear [1]	**$ 158.1**	$ 151.6	4.3%
Backlog (as at December 31)	**$ 936.6**	$ 834.9	12.2%
Booking-to-revenue ratio (%) [1]	**112%**	94%	

[1] Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 13 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

Nuclear revenues amounted to $896.0 million in 2022, in line with 2021. This was primarily due to higher volumes from Europe which were offset mainly by lower volumes in the Unites States and Canada resulting mainly from a decreased level of activity on certain major projects. Excluding the effect of foreign currency changes, Nuclear organic revenue (a non-IFRS financial measure described at Section 13) in 2022 was also substantially in line with 2021.

The major revenue contributors in 2022 are reactor support and life extensions (53%), decommissioning and waste management (35%) and new builds (12%).

In 2022, Segment Adjusted EBIT from Nuclear increased to $144.0 million (Segment Adjusted EBITDA of $158.1 million), compared to $135.9 million (Segment Adjusted EBITDA of $151.6 million) in 2021, mainly due to higher contributions from Canada and Europe mainly from new project awards, partially offset by a lower contribution from the United States.

It should be noted that Segment Adjusted EBIT and Segment Adjusted EBITDA are presented before restructuring expenses, which were nil in 2022 ($6.6 million in 2021 were incurred in connection with the Nuclear segment).

4.1.4.3 O&M

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022	2021 (1)	CHANGE (%)
Revenues from O&M	**$ 497.2**	$ 470.4	5.7%
Segment Adjusted EBIT from O&M	**$ 49.1**	$ 54.6	(10.1)%
Segment Adjusted EBIT to revenues ratio from O&M (%)	**9.9%**	11.6%	
Additional information			
Segment Adjusted EBITDA from O&M (2)	**$ 51.6**	$ 57.0	(9.5)%
Backlog (as at December 31)	**$ 5,353.9**	$ 5,705.4	(6.2)%
Booking-to-revenue ratio (%) (2)	**29%**	91%	

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

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

O&M revenues were $497.2 million in 2022, compared to $470.4 million in 2021, a 5.7% increase. This was mainly due to a higher level of additional services on existing contracts in 2022 compared to 2021. Excluding the effect of foreign currency changes, O&M organic revenue growth (a non-IFRS financial measure described at Section 13) in 2022 was 4.6% when compared to 2021.

The major revenue contributors in 2022 were in the Transportation, Defence and Social infrastructure sectors.

In 2022, Segment Adjusted EBIT from O&M was $49.1 million (Segment Adjusted EBITDA of $51.6 million), compared to a Segment Adjusted EBIT of $54.6 million (Segment Adjusted EBITDA of $57.0 million) in 2021, mainly due to the revenue mix resulting in lower gross margin, as well as increased bidding expenses.

4.1.4.4 LINXON

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022	2021 [1]	CHANGE (%)
Revenues from Linxon	**$ 561.2**	$ 588.4	(4.6)%
Segment Adjusted EBIT from Linxon	**$ (9.8)**	$ 18.2	(154.2)%
Segment Adjusted EBIT to revenues ratio from Linxon (%)	**(1.8)%**	3.1%	
Additional information			
Segment Adjusted EBITDA from Linxon [2]	**$ (5.7)**	$ 22.1	(125.9)%
Segment Adjusted EBITDA to segment net revenue from Linxon ratio (%) [2]	**(1.3)%**	4.5%	
Backlog (as at December 31)	**$ 881.8**	$ 974.2	(9.5)%
Booking-to-revenue ratio (%) [2]	**84%**	92%	

[1] Comparative figures have been restated (Refer to Section 12 of this MD&A).

[2] Non-IFRS financial measure or ratio or supplementary financial measure. Please refer to Section 13 for further information on these measures and for the reference to the reconciliation of these financial measures to the most directly comparable measure specified under IFRS, when applicable.

Linxon revenues were $561.2 million in 2022, compared to $588.4 million in 2021, a 4.6% decrease, mainly due to projects in Europe and Asia Pacific nearing completion, partially offset by an increase in the level of activity in the United States. Excluding the effect of foreign currency changes, Linxon organic revenue growth (a non-IFRS financial measure described at Section 13) in 2022 was 0.4% when compared to 2021.

The major revenue contributors in 2022 included projects in the United States and Middle East as a result of a ramp-up in existing projects and new awards.

In 2022, Segment Adjusted EBIT from Linxon decreased to a negative $9.8 million (Segment Adjusted EBITDA of negative $5.7 million), compared to a Segment Adjusted EBIT of $18.2 million (Segment Adjusted EBITDA of $22.1 million) in 2021, resulting mainly from project delays and higher costs on European projects and from lower volume in Asia Pacific in 2022, partially offset by higher contributions from projects in the United States.

Segment Adjusted EBITDA to segment net revenue from Linxon ratio was negative 1.3% in 2022, compared to 4.5% in 2021, mainly due to lower level of Segment Adjusted EBITDA. Refer to Section 13.4.6 for the calculation of this ratio.

4.1.4.5 LSTK PROJECTS

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021 (1)	CHANGE (%)
Revenues from LSTK Projects	**$**	**799.3**	$	907.2	(11.9)%
Segment Adjusted EBIT from LSTK Projects	**$**	**(261.3)**	$	(302.6)	(13.7)%
Segment Adjusted EBIT to revenues ratio from LSTK Projects (%)		**(32.7)%**		(33.4)%	
Additional information					
Segment Adjusted EBITDA from LSTK Projects (2)	**$**	**(238.8)**	$	(277.8)	(14.1)%
Backlog (as at December 31)	**$**	**685.5**	$	1,166.9	(41.3)%

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

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

LSTK Projects revenues were $799.3 million in 2022, compared to $907.2 million in 2021, as the LSTK projects backlog continued to reduce.

The major revenue contributors in 2022 included multiple projects for mass transit systems infrastructure projects in Central and Eastern Canada.

In 2022, Segment Adjusted EBIT from LSTK Projects was negative $261.3 million (negative Segment Adjusted EBITDA of $238.8 million), compared to a negative Segment Adjusted EBIT of $302.6 million (negative Segment Adjusted EBITDA of $277.8 million) in 2021. The negative Segment Adjusted EBIT in 2022 was mainly due to unfavourable cost reforecasts, as well as the productivity impacts of the COVID-19 Omicron variant in the early part of the year.

Throughout 2022, the LSTK Projects segment was affected by the impacts of labour strikes in the Province of Ontario, labour shortages and supply chain disruptions causing project productivity losses, delays, and cost increases. In addition, significant increases in inflation from macro-economic factors impacted direct labour, materials and other costs across the projects.

The negative Segment Adjusted EBIT in 2021 was mainly due to unfavourable cost reforecasts, primarily driven by COVID-19, supply chain disruptions and inflation, causing project productivity losses, delays and cost increases on the last remaining LSTK projects. Productivity impacts due to COVID-19 increased significantly with the Omicron variant, including materially higher workforce absenteeism levels on some projects for periods of time. In addition, delays on certain equipment deliveries and significant increases in inflation impacted direct labour, materials and other costs across the projects.

4.1.4.6 CAPITAL

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		2022		2021
Revenues from Capital	**$**	**109.2**	$	134.1
Segment Adjusted EBIT from Capital investments:				
From Highway 407 ETR		**50.7**		40.6
From other Capital investments [(1)]		**42.6**		78.7
Segment Adjusted EBIT from Capital	**$**	**93.3**	$	119.3

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

Revenues from Capital in 2022 decreased to $109.2 million, compared to $134.1 million in 2021, mainly due to the disposal of InPower BC G.P. to SNCL IP Partnership in February 2022 and lower contributions from certain other investments, notably resulting from the shutdown of a power plant due to a planned major maintenance, partially offset by higher dividends received from Highway 407 ETR in 2022, compared to 2021.

Segment Adjusted EBIT from Capital decreased to $93.3 million in 2022, compared to $119.3 million in 2021. The decrease in Segment Adjusted EBIT was mainly due to the same reasons stated above for revenues.

It should be noted that Segment Adjusted EBIT excludes a $3.7 million gain in 2022 on disposal of Capital investments and a $5.0 million gain in 2021 on disposal of a Capital investment accounted for by the equity method (refer to Section 4.1.3.4).

CAPITAL INVESTMENTS PORTFOLIO

The following table presents a list of SNC-Lavalin's main Capital investments as at December 31, 2022:

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD	SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	STATUS	DESCRIPTION OF ACTIVITIES
407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP ("407 EDGGP")	50%	Equity	Yes	2012	2045	In operation	Operates, maintains and rehabilitates Phase 1 of the new highway 407, east of Brock Road.
RIDEAU TRANSIT GROUP PARTNERSHIP ("RIDEAU")	40%	Equity	Yes	2013	2048	In operation	Designs, builds, finances and maintains the Confederation Line, City of Ottawa's light rail transit system.
HIGHWAY 407 ETR	6.76%	Equity	No	1999	2098	In operation	Operates, maintains and manages highway 407, a 108-km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
TRANSITNEXT GENERAL PARTNERSHIP ("TransitNEXT")	100%	Consolidation	Yes	2019	2049	Under construction	Designs, builds, finances and maintains the new Trillium Line extension, and also assumes responsibility for the long-term maintenance of the existing Trillium Line, under a 30-year contract.
MYAH TIPAZA S.p.A. ("MYAH TIPAZA")	25.5%	Equity	No	2008	N/A	In operation	Myah Tipaza owns, operates and maintains a 120,000 m^3/day seawater desalination plant in Algeria and sells the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement ending in 2036.
SHARIKET KAHRABA HADJRET EN NOUSS S.p.A. ("SKH")	26%	Equity	No	2006	N/A	In operation	Owns, operates and maintains a 1,227 - MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement ending in 2029.
SIGNATURE ON THE SAINT-LAURENT GROUP GENERAL PARTNERSHIP ("SSL")	50%	Equity	Yes	2015	2049	In operation	Designs, builds, finances, operates and maintains the New Champlain Bridge Corridor project.
CROSSLINX TRANSIT SOLUTIONS GENERAL PARTNERSHIP ("EGLINTON CROSSTOWN")	25%	Equity	Yes	2015	2051	Under construction	Designs, builds, finances and, once construction is completed, will operate and maintain the Eglinton Crosstown 19-km light rail line.
SNC-LAVALIN INFRASTRUCTURE PARTNERS LP	20%	Equity	No	2017	N/A	N/A	Holds the participations in Rainbow Hospital Partnership, Chinook Roads Partnership, InTransit BC Limited Partnership, Okanagan Lake Concession Limited Partnership, McGill Healthcare Infrastructure Group and InPower BC G.P..

N/A: not applicable

5 Backlog (Remaining Performance Obligations)

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

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

- **Reimbursable and engineering services contracts**: Reimbursable and engineering services contracts include all revenue-generating contracts of the Company, except standardized EPC contracts and LSTK construction contracts described below. Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms, such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap or a target price accompanied by incentives and/or disincentives. Engineering services contracts include time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks. Reimbursable and engineering services contracts also include all O&M contracts, most of which are fixed-price agreements subject to price-adjustment clauses such as inflation-driven indexation.
- **Standardized EPC contracts**: Under standardized EPC contracts, the Company provides repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary.
- **LSTK construction contracts**: Under LSTK construction contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs. Although these projects are at a lump-sum price, the amount of associated revenue could nevertheless vary based on change orders, claims or other contract modifications, negotiated or otherwise awarded, which might take various forms. Projects in this category were all initiated as lump-sum contracts, and while in some cases have been modified to change their lump-sum risk exposure, continue to be presented in this category.

REVENUE BACKLOG BY SEGMENT AND GEOGRAPHIC AREA

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

(IN MILLIONS CA$) BY SEGMENT		DECEMBER 31 2022		DECEMBER 31 2021[1]
Engineering Services	$	4,662.1	$	3,769.0
Nuclear		936.6		834.9
O&M		5,353.9		5,705.4
Linxon		881.8		974.2
SNCL Services - Total	$	**11,834.4**	$	11,283.5
LSTK Projects	$	**685.5**	$	1,166.9
PS&PM - Total	$	**12,519.9**	$	12,450.4
Capital [2]	$	**31.6**	$	146.6
Total	$	**12,551.4**	$	12,597.0
From Canada	$	6,759.6	$	7,416.0
Outside Canada		5,791.9		5,181.0
Total	$	**12,551.4**	$	12,597.0

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

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

The Company's revenue backlog was $12.6 billion as at December 31, 2022, substantially unchanged from the backlog level as at December 31, 2021, mainly reflecting a decrease in LSTK Projects, O&M, Linxon and Capital, offset by an increase in Engineering Services and Nuclear. The decrease of backlog for Capital was mainly due to the disposal of InPower BC G.P. in the first quarter of 2022.

BACKLOG RECONCILIATION

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

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021
Opening backlog	$	12,597.0	$	13,187.8
Plus: Contract bookings during the year		7,353.2		6,614.7
Backlog from a business combination during the year		0.3		—
Less: Revenues from contracts with customers recognized during the year		7,399.1		7,204.2
Backlog of business sold during the year		—		1.3
Ending backlog	$	**12,551.4**	$	12,597.0
Booking-to-revenue ratio [1]		**0.99**		0.92

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

BACKLOG BY TYPES OF CONTRACTS

The following tables show the amounts and proportions of reimbursable and engineering services contracts, standardized EPC contracts and LSTK construction contracts included in each segment's backlog as at December 31, 2022 and 2021:

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

AT DECEMBER 31, 2021 [(1)] (IN MILLIONS $)	REIMBURSABLE AND ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
Engineering Services	$ 3,714.6	99%	$ 54.4	1%	$ —	—%
Nuclear	810.5	97%	—	—%	24.4	3%
O&M	5,705.4	100%	—	—%	—	—%
Linxon	60.3	6%	913.9	94%	—	—%
SNCL Services - Total	**$ 10,290.7**	**91%**	**$ 968.3**	**9%**	**$ 24.4**	**—%**
LSTK Projects	**$ —**	**—%**	**$ —**	**—%**	**$ 1,166.9**	**100%**
PS&PM - Total	**$ 10,290.7**	**83%**	**$ 968.3**	**8%**	**$ 1,191.3**	**10%**
Capital	$ 146.6	100%	$ —	—%	$ —	—%
Total	**$ 10,437.3**	**83%**	**$ 968.3**	**8%**	**$ 1,191.3**	**9%**

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

6 Geographic Breakdown of Revenues

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022		2021	
	TOTAL	%	TOTAL	%
Americas:				
Canada	**$ 2,352.0**	**31 %**	$ 2,347.6	32 %
United States	**1,470.3**	**19 %**	1,299.3	18 %
Latin America	**103.3**	**1 %**	85.4	1 %
Europe:				
United Kingdom	**2,189.5**	**29 %**	2,136.8	29 %
Other	**341.0**	**5 %**	462.1	6 %
Middle East and Africa:				
Middle East	**634.9**	**8 %**	522.4	7 %
Africa	**141.9**	**2 %**	154.8	2 %
Asia Pacific	**316.0**	**4 %**	362.8	5 %
Total	**$ 7,549.0**	**100 %**	$ 7,371.3	100 %

AMERICAS:

- **Revenues in Canada in 2022 were in line with** 2021, mainly due to an increase in Engineering Services and O&M, partially offset by a decrease in LSTK Projects.
- **Revenues in the United States in 2022 increased** compared to 2021, mainly due to an increase in Engineering Services and Linxon.
- **Revenues in Latin America in 2022 increased** compared to 2021, mainly due to an increase in Engineering Services.

EUROPE:

- **Revenues in the United Kingdom increased in 2022** compared to 2021, mainly due to an increase in Engineering Services and Nuclear, partially offset by a decrease in Linxon.
- **Revenues in other countries in Europe decreased in 2022** compared to 2021, mainly due to a decrease in Linxon.

MIDDLE EAST AND AFRICA:

- **Revenues in the Middle East increased in 2022** compared to 2021, mainly due to an increase of activities in Linxon.
- **Revenues in Africa decreased in 2022** compared to 2021, primarily due to a decrease in Capital.

ASIA PACIFIC:

- **Revenues in Asia Pacific decreased in 2022** compared to the previous year, mainly reflecting a decrease in Linxon.

7 Fourth Quarter Results

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021	CHANGE (%)
Income Statements			
Revenues	**$ 1,900.1**	$ 1,944.9	(2.3)%
Net income (loss) attributable to SNC-Lavalin shareholders:			
From PS&PM	**$ (90.6)**	$ (105.5)	(14.0)%
From Capital	**36.3**	52.6	(31.0)%
Net loss attributable to SNC-Lavalin shareholders	**$ (54.4)**	$ (52.9)	2.8%
Loss per share attributable to SNC-Lavalin shareholders (in $):			
Basic	**$ (0.31)**	$ (0.30)	2.8%
Diluted	**$ (0.31)**	$ (0.30)	2.8%
Net income (loss) attributable to SNC-Lavalin shareholders from continuing operations:			
From PS&PM	**$ (90.6)**	$ (67.9)	33.5%
From Capital	**36.3**	52.6	(31.0)%
Net loss attributable to SNC-Lavalin shareholders from continuing operations	**$ (54.4)**	$ (15.3)	254.6%
Additional indicators			
Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM [(1)]	**$ (32.5)**	$ (25.6)	27.3%
Diluted EPS from continuing operations (in $)	**$ (0.31)**	$ (0.09)	254.6%
Diluted EPS from PS&PM (in $)	**$ (0.52)**	$ (0.39)	33.5%
Adjusted diluted EPS from PS&PM (in $) [(1)]	**$ (0.19)**	$ (0.15)	27.3%

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

- **Revenues totaled $1,900.1 million in the fourth quarter of 2022,** compared to $1,944.9 million in the corresponding quarter of 2021, mainly reflecting a decrease in LSTK Projects, Linxon and Capital, partially offset by an increase mainly in Engineering Services and O&M.
- **For the fourth quarter of 2022, the net loss attributable to SNC-Lavalin shareholders was $54.4 million ($0.31 per diluted share),** compared to a net loss attributable to SNC-Lavalin shareholders of $52.9 million ($0.30 per diluted share) for the fourth quarter of 2021, reflecting mainly:
  - a lower contribution from Engineering Services and Capital and a loss from Linxon in the fourth quarter of 2022, partially offset mainly by a lower loss from LSTK Projects and a higher contribution from Nuclear in the fourth quarter of 2022;
  - a lower income tax recovery from continuing operations of $38.5 million in the fourth quarter of 2022 compared to an income tax recovery from continuing operations of $47.8 million in the fourth quarter of 2021;
  - higher restructuring and transformation costs and higher net financial expenses, partially offset by lower Corporate selling, general and administrative expenses in the fourth quarter of 2022 compared to the corresponding period of 2021; and
  - no result from discontinued operations in the fourth quarter of 2022 compared to a net loss from discontinued operations of $37.6 million in the corresponding period of 2021.
- **For the fourth quarter of 2022, the Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM was $32.5 million ($0.19 per diluted share),** compared to an adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM of $25.6 million ($0.15 per diluted share) for the comparable quarter in 2021, for the same reasons stated above, except for the change in restructuring and transformation costs and results from discontinued operations, which are excluded from this non-IFRS measure.

AS AT (IN MILLIONS $)	DECEMBER 31, 2022	SEPTEMBER 30, 2022	CHANGE (%)
Additional Indicator			
Cash and cash equivalents	**$ 570.3**	$ 482.6	18.2%
Revenue backlog	**$ 12,551.4**	$ 12,362.0	1.5%

- **At the end of December 31, 2022, the Company's cash and cash equivalents amounted to $570.3 million**, compared to $482.6 million as at September 30, 2022. The increase is mainly attributable to net cash generated from operating activities of $176.0 million in the fourth quarter of 2022, combined with net cash generated from investing activities of $36.3 million, partially offset by net cash used for financing activities of $127.8 million.
- From a business line perspective, SNCL Services generated $339.7 million of net cash from operating activities in the fourth quarter of 2022 compared to $208.2 million in the fourth quarter of 2021, while LSTK Projects used $56.4 million of net cash for operating activities in the fourth quarter of 2022 compared to $23.5 million used in the fourth quarter of 2021. Discontinued operations did not generate cash from operating activities in the fourth quarter of 2022, compared to $16.7 million in the fourth quarter of 2021. The remaining balance of cash flows used for operating activities relates to Capital, corporate activities and items not allocated to the Company's segments or to discontinued operations. Net cash generated from (used for) operating activities on a line of business/segment basis is a supplementary financial measure. An explanation of the composition of this supplementary financial measure is provided in Section 13.2.
- **Revenue backlog was $12.6 billion as at December 31, 2022,** compared to $12.4 billion as at September 30, 2022, mainly reflecting an increase in Linxon, Nuclear and Engineering Services, partially offset by a decrease in O&M.

The following table summarizes the Company's revenues and Segment Adjusted EBIT and reconciles the Segment Adjusted EBIT to the Company's net loss attributable to SNC-Lavalin shareholders for the fourth quarters ended December 31, 2022 and 2021.

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)	**2022**		2021	
BY SEGMENT	REVENUES	SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT
Engineering Services	**$ 1,242.9**	**$ 119.2**	$ 1,216.3	$ 189.5
Nuclear	**223.6**	**40.6**	220.4	34.8
O&M	**131.6**	**10.2**	114.6	11.5
Linxon	**133.9**	**(14.2)**	164.3	3.2
Total SNCL Services	**$ 1,732.1**	**$ 155.9**	$ 1,715.6	$ 239.0
LSTK Projects	**$ 118.6**	**$ (150.2)**	$ 164.1	$ (233.0)
Total PS&PM	**$ 1,850.7**	**$ 5.7**	$ 1,879.7	$ 6.0
Capital	**49.4**	**45.2**	65.2	60.6
Total revenues and Segment Adjusted EBIT	**$ 1,900.1**	**$ 50.9**	$ 1,944.9	$ 66.6
Corporate selling, general and administrative expenses not allocated to the segments		**(31.3)**		(53.3)
Restructuring and transformation costs		**(53.9)**		(30.9)
Amortization of intangible assets related to business combinations		**(21.5)**		(23.4)
Gain (loss) on disposals of Capital investments		**(0.6)**		5.0
EBIT		**$ (56.5)**		$ (35.9)
Net financial expenses		**46.9**		27.0
Loss before income taxes from continuing operations		**$ (103.4)**		$ (62.9)
Income tax recovery		**(38.5)**		(47.8)
Net loss from continuing operations		**$ (64.9)**		$ (15.1)
Net loss from discontinued operations		**—**		(37.6)
Net loss		**$ (64.9)**		$ (52.7)
Less: Non-controlling interests		**(10.6)**		0.2
Net loss attributable to SNC-Lavalin shareholders		**$ (54.4)**		$ (52.9)

Total Segment Adjusted EBIT in the fourth quarter of 2022 was $50.9 million, compared to a total Segment Adjusted EBIT of $66.6 million in the fourth quarter of 2021. The variance is largely attributable to a lower contribution from Engineering Services and Capital and a loss from Linxon, partially offset by a lower loss from LSTK Projects and a higher contribution from Nuclear.

The variance in contribution from Engineering Services reflected mainly a $93.0 million favourable outcome from a confirmed arbitration decision in 2021 related to unpaid additional services performed on a completed contract in the Middle East. Such favourable outcome was reflected as additional revenue in 2021, leading to a corresponding contribution to the Segment Adjusted EBIT.

The lower contribution from Capital mainly reflected lower dividends received from Highway 407 ETR in the fourth quarter of 2022, a decreased contribution from InPower BC G.P. since its disposal to SNCL IP Partnership in February 2022 and lower contributions from certain other investments notably resulting from the shutdown of a power plant due to a planned major maintenance.

The loss in Linxon in the fourth quarter of 2022 resulted mainly from unfavourable reforecasts on certain projects.

The losses in LSTK Projects in the fourth quarter of 2022 were mainly due to unfavourable cost reforecasts on certain major projects that continued to be affected by high construction and materials inflation rates, supply chain disruptions and labour actions.

The losses in LSTK Projects in the fourth quarter of 2021 were mainly due to unfavourable cost reforecasts, primarily driven by COVID-19, supply chain disruptions, inflation and commissioning challenges, causing productivity losses, delays and cost increases on the last remaining LSTK construction projects. Productivity impacts due to COVID-19 increased significantly with the Omicron variant, including materially higher workforce absenteeism levels on some projects for periods of time. In addition, delays on certain equipment deliveries and significant increases in inflation impacted direct labour, materials and other costs across the projects.

The impact of these were higher than foreseen by the Company in previous periods, and as a result, the forecasted costs to complete the LSTK construction projects had to be increased and adjusted in the fourth quarter of 2022 and in the fourth quarter of 2021.

The higher contribution from Nuclear in the fourth quarter of 2022 is mainly due to higher contributions from Canada, Europe and the United States.

Corporate selling, general and administrative expenses not allocated to segments amounted to $31.3 million in the fourth quarter of 2022, compared to $53.3 million in the corresponding period of 2021. The variance is mainly due to revised estimates on certain insurance provisions in the fourth quarter of 2021.

In the fourth quarter of 2021, the Company recognized a pre-tax gain of $5.0 million from a contingent consideration receivable related to the previous disposal of a Capital investment accounted for by the equity method. Such gain was included in “Gain (loss) on disposals of Capital investments”.

Restructuring and transformation costs amounted to $53.9 million in the fourth quarter of 2022, compared to $30.9 million in the corresponding period of 2021. The increase was mainly due to non-cash charges incurred to right size the office real estate footprint to align with new working practices.

Net financial expenses amounted to $46.9 million in the fourth quarter of 2022, compared to $27.0 million in the corresponding period of 2021. The variance is mainly due to higher level of interest expense in the fourth quarter of 2022, reflecting mainly the increase in interest rates experienced during the year.

The income tax recovery of $38.5 million in the fourth quarter of 2022 was mainly a result of the loss for the period. The effective income tax recovery rate was higher than the Canadian statutory income tax rate mainly due to revised estimates on certain income tax liabilities and net income not affected by tax, partially offset by the geographic mix of earnings and other permanent items.

The income tax recovery of $47.8 million in the fourth quarter of 2021 was mainly a result of the loss for the period. The effective income tax recovery rate was higher than the Canadian statutory income tax rate mainly due to the geographic mix of earnings, net income not affected by tax and revised estimates on certain income tax liabilities, partially offset with a $19.0 million reduction of previously recognized deferred income tax assets resulting from a re-assessment of the future recoverability of loss carryforwards in the United States.

Net loss from discontinued operations was nil in the fourth quarter of 2022, compared to $37.6 million in the fourth quarter of 2021. The net loss from discontinued operations in the fourth quarter of 2021 related to the Oil & Gas business disposed in 2021.

8 Liquidity and Capital Resources

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

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

8.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

YEARS ENDED DECEMBER 31 (IN MILLIONS $)		**2022**		2021
Cash flows generated from (used for):				
Operating activities	**$**	**(245.4)**	$	134.2
Investing activities		**(82.5)**		(263.7)
Financing activities		**283.1**		(192.5)
Increase (decrease) from exchange differences on translating cash and cash equivalents		**4.4**		(0.2)
Net decrease in cash and cash equivalents	**$**	**(40.3)**	$	(322.3)
Cash and cash equivalents at beginning of year		**610.6**		932.9
Cash and cash equivalents at end of year	**$**	**570.3**	$	610.6
Less: Cash and cash equivalents included in the assets of disposal group classified as held for sale	**$**	**—**	$	2.2
Cash and cash equivalents at end of year as presented on the consolidated statement of financial position	**$**	**570.3**	$	608.4

Cash and cash equivalents decreased by $40.3 million in 2022, compared to a decrease of $322.3 million in 2021, as discussed further below.

OPERATING ACTIVITIES

Net cash used for operating activities totaled $245.4 million in 2022, compared to net cash generated from operating activities of $134.2 million in 2021, a variance reconciled as follows:

(IN MILLIONS $)		
Net cash generated from operating activities for the year ended December 31, 2021	$	134.2
Changes between the years ended December 31, 2022 and 2021:		
Decrease in net income		(671.9)
Decrease in income tax recovery recognized in net income		40.8
Decrease in depreciation and amortization		(19.9)
Increase in interest paid		(23.6)
Decrease in income from Capital investments accounted for by the equity method		9.5
Decrease in dividends and distributions received from Capital investments accounted for by the equity method		(10.7)
Decrease in expense recognized in respect of cash-settled share-based payment arrangements		(21.1)
Lower net change in provisions related to forecasted losses on certain contracts		23.6
Variance from net gain in 2021 and adjustment on net gain in 2022 on disposals of PS&PM businesses		579.9
DPCP Remediation Agreement expense in 2022		27.4
Increase in payments related to federal charges settlement (PPSC) and DPCP Remediation Agreement		(21.0)
Decrease from net change in other provisions		(128.3)
Other items		(0.9)
Changes in net cash used for operating activities before net change in non-cash working capital items	$	(216.2)
Variance from net change in non-cash working capital items		(163.4)
Net cash used for operating activities for the year ended December 31, 2022	**$**	**(245.4)**

- **Net cash generated from operating activities before net change in non-cash working capital items totaled $15.2 million in 2022,** compared to net cash generated from operating activities before net change in non-cash working capital items of $231.4 million in 2021.

- As detailed in Note 28C to the 2022 Annual Financial Statements, **net change in non-cash working capital items used net cash of $260.6 million in 2022,** compared to net cash used of $97.2 million in 2021. This difference mainly reflected an unfavourable variance in other current financial assets, trade receivables, other current financial liabilities and other current non-financial assets, partially offset by a favourable variance mainly in trade payables and accrued liabilities, other current non-financial liabilities, contract assets and contract liabilities.

- From a business line perspective, SNCL Services generated $552.2 million of net cash from operating activities in 2022 compared to $565.8 million in 2021, while LSTK Projects used $425.0 million of net cash for operating activities in 2022 compared to $288.7 million used in 2021. Discontinued operations did not generate cash from operating activities in 2022, compared to $37.8 million in 2021 (Refer to Note 6A to 2022 Annual Financial Statements). The remaining balance of cash flows used for operating activities relates to Capital, corporate activities and items not allocated to the Company's segments or to discontinued operations. Net cash generated from (used for) operating activities on a line of business/segment basis is a supplementary financial measure. An explanation of the composition of this supplementary financial measure is provided in Section 13.2.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to $82.5 million in 2022, compared to net cash used for investing activities of $263.7 million in 2021, a variance reconciled as follows:

(IN MILLIONS $)

Net cash used for investing activities for the year ended December 31, 2021	$	**(263.7)**
Changes between the years ended December 31, 2022 and 2021:		
Increase in acquisition of property and equipment		(3.5)
Increase in payments for Capital investments		(9.9)
Increase in refunds for Capital investments		9.3
Favourable variance in change in restricted cash position		6.6
Lower increase in receivables under service concession arrangements, net of recovery		107.7
Increase in cash inflow from the disposal of Capital investments		65.0
Lower cash outflow on disposals of PS&PM businesses		20.4
Other items		(14.2)
Net cash used for investing activities for the year ended December 31, 2022	**$**	**(82.5)**

- **In 2022, payments for Capital investments amounted to $39.6 million,** compared to $29.7 million in 2021.The payments made in 2022 and 2021 included the contributions made by the Company to Carlyle Global Infrastructure Opportunity Fund, L.P. prior to the sale by the Company of its ownership interest in such fund in the fourth quarter of 2022.
- **The increase in cash inflow from the disposal of Capital investments** is mainly due to $40.5 million of cash inflow on the disposal of InPower BC G.P. in the first quarter of 2022 as well as a partial payment of US$21.5 million (approximately CA$29.5 million) received on the sale of the Company's ownership interest in Carlyle in 2022.

FINANCING ACTIVITIES

Net cash generated from financing activities totaled $283.1 million in 2022, compared to net cash used for financing activities of $192.5 million in 2021, a variance reconciled as follows:

(IN MILLIONS $)

Net cash used for financing activities for the year ended December 31, 2021	$	**(192.5)**
Changes between the years ended December 31, 2022 and 2021:		
Higher repayment of recourse debt and payment for debt issue costs		(224.3)
Higher increase in recourse debt		675.2
Lower repayment of non-recourse debt		17.0
Lower payment of lease liabilities		14.3
Other items		(6.5)
Net cash generated from financing activities for the year ended December 31, 2022	**$**	**283.1**

- The changes in cash flows related to financing activities between 2022 and 2021 were primarily explained by the elements in the table above. Notably, the following transactions on recourse debt, other than draw downs and repayments under the Company's committed revolving facility, took place during 2022 and 2021:
    - In the fourth quarter of 2022, the Company issued new Series 7 Debentures in the principal amount of $300 million.
    - In the first quarter of 2021, SNC-Lavalin repaid in full at maturity the Series 3 Debentures for an aggregate principal amount of $175.0 million.
- The Company also provides a reconciliation between the opening and closing balances in its statement of financial position for liabilities arising from financing activities for the years ended December 31, 2022 and 2021 in Note 28D to the 2022 Annual Financial Statements.

- The Company did not issue and did not repurchase any shares during either 2022 or 2021. The number of common shares outstanding as at February 21, 2023 was 175,554,252, while 339,239 stock options were outstanding as at the same date.
- **Dividends paid during 2022** were in line with dividends paid in 2021.

FREE CASH FLOW (USAGE)

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

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021
Net cash generated from (used for) operating activities	**$ (245.4)**	$ 134.2
Payments related to federal charges settlement (PPSC) and DPCP Remediation Agreement included in operating activities above	**77.0**	56.0
Acquisition of property and equipment	**(109.8)**	(106.3)
Payment of lease liabilities	**(85.5)**	(99.8)
Free cash flow (usage) [1]	**$ (363.7)**	$ (15.9)

[1] Non-IFRS financial measure. Please refer to Section 13 for further information on this financial measure.

The Company's free cash flow usage was $363.7 million in 2022, compared to free cash flow usage of $15.9 million in 2021, mainly reflecting the net cash used for operating activities in 2022, compared to net cash generated from operating activities for the corresponding period of 2021.

8.2 CAPITAL STRUCTURE MANAGEMENT

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

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

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

8.3 CAPITAL RESOURCES

(IN MILLIONS $)	DECEMBER 31 2022	DECEMBER 31 2021
Cash and cash equivalents	**$ 570.3**	$ 608.4
Unused portion of committed Revolving Credit Facility [1], [2]	**$ 1,633.3**	$ 2,292.7

[1] Including cash draws and letters of credit issued on a committed basis, but excluding bilateral letters of credit that can be issued on a non-committed basis.
[2] Before considering potential limitations resulting from contractual covenants.

As at December 31, 2022, the Company had cash and cash equivalents totaling $570.3 million, compared to $608.4 million as at December 31, 2021.

Furthermore, as at December 31, 2022, the Company had a committed Revolving Credit Facility of $2,000 million under its Credit Agreement (December 31, 2021: $2,600 million), of which $1,633.3 million was unused (December 31, 2021: $2,292.7 million), and uncommitted credit facilities by way of bilateral letters of credit.

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

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

8.4 DEBT AND FINANCING AGREEMENTS

FINANCIAL COVENANTS

The Company was required to maintain, as at December 31, 2022, a ratio of net recourse debt to EBITDA (as defined under the relevant agreements) not to exceed: (a) 3.75x under the Company’s Credit Agreement; and (b) 3.50x under the loan agreement, dated as of April 20, 2017, between SNC-Lavalin Highway Holdings Inc. (“Highway Holdings”), an indirect wholly-owned subsidiary of the Company, and CDPQ Revenu fixe I Inc. (“CDPQ RF”), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (as amended, restated or otherwise modified, from time to time, the “CDPQ Loan Agreement” and the limited recourse loan established thereunder, the “CDPQ Loan”). The Company was in compliance with these covenants as at December 31, 2022.

The terms “net recourse debt” and “EBITDA” are defined in the Credit Agreement and in the CDPQ Loan Agreement and do not correspond to the similarly labelled financial measures used in this MD&A. Furthermore, the covenant ratio is calculated using certain financial information not disclosed in the 2022 Annual Financial Statements or in this MD&A, or not considered recourse debt in these documents.

REPAYMENT OF SERIES 3 DEBENTURES

In the first quarter of 2021, SNC-Lavalin repaid in full at maturity the Series 3 Debentures for an aggregate principal amount of $175.0 million.

ISSUANCE OF SERIES 7 DEBENTURES

In the fourth quarter of 2022, the Company issued, on a private placement basis, new Series 7 Debentures in the principal amount of $300 million, which bear interest at the rate of 7.00% *per annum* and mature in June 2026.

AMENDMENTS TO THE CREDIT AGREEMENT

On May 16, 2022, the Company announced the signature of an agreement with its lenders to amend its existing credit agreement. Pursuant to the amended and restated agreement, the notional amount of the Company’s Revolving Credit Facility was reduced from $2,600 million to $2,000 million. The Company’s Revolving Credit Facility will be further reduced to $1,800 million in April 2023. The notional amount of the Term Loan remained unchanged, at $500 million. The maturity date of the Credit Facilities has been extended to May 2025.

The amendments also incorporated certain ESG targets based on the achievement of reducing greenhouse gas emissions, as defined in the agreement, by 60% by 2025, using 2019 as a baseline year, and increasing diversity within the Company’s workforce, focusing on achieving 25% of women representation in managerial and senior professional roles by 2025. If the Company achieves those targets, the overall borrowing costs under the Credit Facilities will decrease. If the Company fails to achieve its targets, the overall borrowing costs under the Credit Facilities will increase.

HEDGING OF A PORTION OF THE TERM LOAN

In the third quarter of 2022, the Company entered into interest rate swap agreements with financial institutions related to its variable interest bearing Term Loan in the aggregate principal amount of $500 million. Under the interest rate swap agreements, the Company pays interest at a fixed rate and receives interest at a variable rate on a total nominal amount of $250 million. The interest rate swap agreements will expire in April 2025. This hedge is classified as a cash flow hedge.

8.5 CAPITAL MANAGEMENT INDICATORS

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

NET LIMITED RECOURSE AND RECOURSE DEBT TO ADJUSTED EBITDA RATIO

Net limited recourse and recourse debt to Adjusted EBITDA is a non-IFRS ratio used to analyze the Company's financial leverage. Such ratio does not correspond to the financial covenant ratio discussed at Section 8.4. It is calculated by comparing the net limited recourse and recourse debt at the end of a given period with Adjusted EBITDA of the corresponding trailing twelve-month period, as follows:

(IN MILLIONS $, EXCEPT FOR RATIO)	**DECEMBER 31 2022**	DECEMBER 31 2021
Limited recourse	**$ 400.0**	$ 400.0
Recourse debt	**1,470.6**	1,094.1
Less:		
Cash and cash equivalents	**570.3**	608.4
Net limited recourse and recourse debt [(1)]	**$ 1,300.3**	$ 885.7
Adjusted EBITDA (trailing 12 months) [(1)]	**$ 453.0**	$ 525.0
Net limited recourse and recourse debt to Adjusted EBITDA ratio [(1)]	**2.9**	1.7

(1) Non-IFRS financial measure or ratio. Please refer to Section 13 for further information on these financial measures.

While the level of limited recourse debt remained unchanged as at December 31, 2022 compared to December 31, 2021, the increase in recourse debt in 2022 combined with the decrease in cash and cash equivalents during the same period resulted in a higher level of net limited recourse and recourse debt as at December 31, 2022 compared to December 31, 2021. When considering the lower level of Adjusted EBITDA for the 12-month period ended December 31, 2022 compared to the 12-month period ended December 31, 2021, the net limited recourse and recourse debt to Adjusted EBITDA ratio increased to 2.9 as at December 31, 2022 compared to 1.7 as at December 31, 2021.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a supplementary financial measure. A definition of this supplementary financial measure is provided in Section 13. **ROASE was 0.3% in 2022**, compared to 14.3% for the corresponding period of 2021.

8.6 CREDIT RATINGS

On April 22, 2022, DBRS Limited ("DBRS") confirmed the Issuer Rating and Senior Debentures rating at BB (high) with Stable trends as well as the Recovery Rating of the Senior Debentures at RR4.

On June 29, 2022, S&P affirmed its BB+ issuer credit rating and maintained its outlook at Stable.

On December 12, 2022, DBRS assigned a rating of BB (high) with a Recovery Rating of RR4 and a Stable trend on the Series 7 Debentures. On the same date, S&P assigned a BB+ issue-level rating on the Series 7 Debentures.

8.7 DIVIDENDS DECLARED

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

YEARS ENDED DECEMBER 31 (IN $)	2022	2021	2020
Dividends per share declared to SNC-Lavalin shareholders [(1)]	$ 0.08	$ 0.08	$ 0.08
Dividend decrease (%)	—%	—%	(67%)

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

Total cash dividends paid in 2022 were $14.0 million, in line with 2021. The Company has paid quarterly dividends for 33 consecutive years. The Board of Directors of the Company determines the dividend policy.

8.8 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

CONTRACTUAL OBLIGATIONS

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

(IN MILLIONS $)	2023	2024-2025	2026-2027	THEREAFTER	TOTAL
Short-term debt, long-term debt repayments, commitments to invest and lease liabilities:					
Recourse	$ 380.3	$ 800.0	$ 300.0	$ —	**$ 1,480.3**
Limited recourse	—	400.0	—	—	**400.0**
Non-recourse	172.4	15.2	0.3	—	**187.9**
Commitments to invest in Capital investments	24.9	—	—	—	**24.9**
Lease liabilities	103.8	149.4	82.5	203.8	**539.5**
Total	$ 681.4	$ 1,364.7	$ 382.7	$ 203.8	**$ 2,632.6**

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 20D to the 2022 Annual Financial Statements. The commitments to invest in Capital investments result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5C to the 2022 Annual Financial Statements. At December 31, 2022, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2021: Eglinton Crosstown) and were presented in "Other current financial liabilities" (see Note 18 to the 2022 Annual Financial Statements) since they are either expected to be paid in the following year or are callable on demand. Information regarding the Company's lease liabilities can be obtained in Note 34 to the 2022 Annual Financial Statements.

FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 30 to the 2022 Annual Financial Statements.

Derivative financial instruments
SNC-Lavalin enters or may enter into derivative financial instruments, namely: ◦ Forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates; ◦ Interest-rate swaps to hedge the variability of interest rates relating to financing arrangements; ◦ Derivative financial instruments to limit its exposure to the variability of the fair value of the share units awarded as part of share unit plans, which fluctuates according to the Company's share price; and ◦ Commodity swap agreements for certain contracts to hedge the variability of commodity prices. Refer to Note 30 to the 2022 Annual Financial Statements for further details.
All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

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

9 Financial Position

9.1 CONSOLIDATED FINANCIAL POSITION ANALYSIS

ASSETS

AT DECEMBER 31 (IN MILLIONS $)	2022	2021	CHANGE ($)	EXPLANATIONS
Current Assets				
Cash and cash equivalents	**$ 570.3**	$ 608.4	$ (38.2)	See discussion in Section 8.1.
Restricted cash	**22.2**	13.4	8.8	Not a significant change compared to prior year.
Trade receivables	**1,177.4**	1,145.9	31.5	Increase is mainly due to variation on multiple projects.
Contract assets	**1,171.0**	1,119.0	51.9	Increase is mainly due to variation on multiple projects.
Inventories	**17.4**	17.0	0.4	Not a significant change compared to prior year.
Other current financial assets	**180.6**	138.4	42.2	Increase is mainly due to the consideration receivable related to the disposal of Carlyle in 2022 and an increase from the current portion of receivables under service concession arrangements in 2022.
Other current non-financial assets	**222.7**	246.2	(23.4)	Decrease is mainly due to a decrease in income taxes and other taxes receivable.
Assets of disposal group classified as held for sale	**—**	343.9	(343.9)	Change mainly reflects the disposal in 2022 of all assets of InPower BC G.P. and its related holding companies that were classified as a disposal group held for sale as at December 31, 2021.
Total current assets	**$ 3,361.6**	$ 3,632.3	$ (270.7)	
Property and equipment	**$ 334.6**	$ 333.5	$ 1.1	Not a significant change compared to prior year.
Right-of-use-assets	**287.8**	355.6	(67.8)	Decrease reflects higher impairment losses on right-of-use assets and depreciation expense during the year, partially offset by additions during the year.
Capital investments accounted for by the equity method	**406.9**	380.7	26.2	Increase is mainly due to consideration received in equity instruments of SNCL IP Partnership upon disposal of InPower BC G.P., gain on foreign exchange currency translation and income exceeding dividends in 2022.
Capital investments at fair value through other comprehensive income	**—**	41.3	(41.3)	Change is due to the sale of the Company's ownership interest in Carlyle in 2022.
Goodwill	**3,370.7**	3,382.9	(12.2)	Decrease is due to foreign currency translation.
Intangible assets related to business combinations	**345.5**	445.7	(100.2)	Decrease is mainly due to amortization expense recognized in 2022.
Deferred income tax asset	**794.9**	658.1	136.8	Increase is mainly due to an increase in unused tax losses.
Non-current portion of receivables under service concession arrangements	**320.3**	304.2	16.2	Increase reflects mainly the progress made by TransitNEXT on the construction of the Trillium Line project, partially offset by the classification as current asset of a portion of the receivable.
Other non-current financial assets	**32.1**	25.4	6.7	Not a significant change compared with prior year.
Other non-current non-financial assets	**205.6**	316.2	(110.6)	Decrease is mainly due to a decrease in post-employment benefit assets.
Total assets	**$ 9,460.0**	$ 9,876.0	$ (416.0)	

LIABILITIES

AT DECEMBER 31 (IN MILLIONS $)	2022	2021	CHANGE ($)	EXPLANATIONS
Current Liabilities				
Trade payables and accrued liabilities	**$ 1,704.4**	$ 1,652.5	$ 51.8	Increase is principally attributable to variations in multiple projects and accrued expenses.
Contract liabilities	**846.8**	838.2	8.6	Not a significant change compared to prior year.
Other current financial liabilities	**213.9**	205.8	8.1	Not a significant change compared to prior year.
Other current non-financial liabilities	**294.6**	328.1	(33.5)	Decrease mainly reflects a decrease in the current portion of share unit plans' liabilities, partially offset by an increase in income taxes and other taxes payable.
Current portion of provisions	**240.1**	425.6	(185.5)	Refer to Note 22 to the 2022 Annual Financial Statements for details.
Current portion of lease liabilities	**87.6**	91.3	(3.7)	Not a significant change compared to prior year.
Short-term debt and current portion of long-term debt:				
Recourse	**376.3**	96.9	279.4	Increase mainly reflects the reclassification in current liabilities of Series 4 Debentures due in March 2023, as well as additional draws on the Revolving Credit Facility.
Non-recourse	**171.0**	14.0	157.0	Increase mainly reflects the reclassification of the credit facility of TransitNEXT General Partnership to current liabilities.
Liabilities of disposal group classified as held for sale	**—**	298.9	(298.9)	Change mainly reflects the disposal in 2022 of all liabilities of InPower BC General Partnership and its related holding companies that were classified as a disposal group held for sale as at December 31, 2021.
Total current liabilities	**$ 3,934.7**	$ 3,951.3	$ (16.6)	
Long-term debt:				
Recourse	**$ 1,094.3**	$ 997.2	$ 97.0	Increase is mainly due to the issuance of Series 7 Debentures in 2022, partially offset by the reclassification of the Series 4 Debentures to current liabilities.
Limited recourse	**400.0**	400.0	—	No variance compared to prior year.
Non-recourse	**14.9**	156.0	(141.2)	Decrease is mainly due to the reclassification of the credit facility of TransitNEXT General Partnership to current liabilities.
Other non-current financial liabilities	**100.1**	137.5	(37.4)	Decrease is mainly due to decrease in the non-current portion of the federal charges settlement (PPSC) liability initially recognized in 2019, partially offset by an increase in the liability related to derivative financial instruments.
Non-current portion of provisions	**347.4**	470.4	(123.1)	Refer to Note 22 to the 2022 Annual Financial Statements for details.
Non-current portion of lease liabilities	**348.7**	405.7	(57.1)	Decrease mainly due to passage of time of existing lease contracts.
Other non-current non-financial liabilities	**28.5**	—	28.5	Balance as at the end of 2022 is based on the maturity of non-current non-financial liabilities.
Deferred income tax liability	**312.5**	364.2	(51.7)	Decrease is mainly due to the impact of the remeasurement of the net defined benefit pension asset (liability) and of the reduction in intangible assets related to business combinations on the deferred tax liability.
Total liabilities	**$ 6,580.9**	$ 6,882.5	$ (301.6)	

EQUITY

AT DECEMBER 31 (IN MILLIONS $)	2022	2021	CHANGE ($)	EXPLANATIONS
Share capital	**$ 1,805.1**	$ 1,805.1	$ —	No variance compared to prior year.
Retained earnings	**1,404.6**	1,501.6	(97.0)	Decrease is mainly attributable to the 2022 other comprehensive loss mainly related to the remeasurement of defined benefit plans.
Other components of equity	**(340.2)**	(333.3)	(6.9)	Not a significant change compared to prior year.
Equity attributable to SNC-Lavalin shareholders	**$ 2,869.5**	$ 2,973.4	$ (103.9)	
Non-controlling interests	**9.6**	20.1	(10.5)	Decrease is mainly due to the net loss of Linxon.
Total equity	**$ 2,879.1**	$ 2,993.5	$ (114.4)	

WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022	2021	CHANGE ($)	EXPLANATIONS
Working Capital [(1)]	**$ (573.1)**	$ (319.0)	$ (254.1)	Decrease is due to the variance of multiple current assets and liabilities, the most significant being the increase in short-term debt and current portion of long-term debt, partially offset by the decrease in current portion of provisions.
Current Ratio [(1)]	**0.85**	0.92	(0.06)	

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

10 Related Party Transactions

The Company discloses information on its related party transactions, as defined in IAS 24, *Related Party Disclosures*, in Note 36 to the 2022 Annual Financial Statements.

11 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the 2022 Annual Financial Statements, management is required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the 2022 Annual Financial Statements.

12 Accounting Policies and Changes

Please refer to Note 2 to the 2022 Annual Financial Statements for more information regarding the Company's significant accounting policies and changes, including the first two changes made to comparative figures described below.

Effective January 1, 2022, the Company implemented an operational realignment of the business to support the next phase of its transformation journey to growth. The new global market-facing structure is designed to best serve the evolving needs of the Company’s clients, as well as support win-work efforts across its three core geographical markets (Canada, the United Kingdom and the United States), as a result of which the Company’s internal reporting structure and review of operating results were modified, leading to the following reportable segments: i) Engineering Services, bringing together EDPM, Mining and Metallurgy (previously with Resources), as well as Infrastructure Services (but excluding O&M and Linxon); ii) Nuclear; iii) O&M; iv) Linxon; v) LSTK Projects; and vi) Capital. Refer to Section 2 of this MD&A and Note 4 to the 2022 Annual Financial Statements for a description and further details of each of the segments.

Following this operational realignment, effective January 1, 2022, the Company’s goodwill is allocated to the following cash-generating units: i) Engineering Services – United Kingdom, Europe, Middle East, India and Canada; ii) Engineering Services – United States, Asia Pacific and Mining & Metallurgy; iii) Nuclear; iv) O&M; and v) Linxon. Refer to Note 14 to the 2022 Annual Financial Statements for more information on the allocation of the Company’s goodwill as between the aforementioned cash-generating units.

Effective January 1, 2022, the Company modified the presentation of its income statement by combining the line items “Corporate selling, general and administrative expenses” and “Loss (gain) arising on financial instruments at fair value through profit or loss” into the line item “Corporate selling, general and administrative expenses”.

The changes described above were made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of comparative figures.

In addition, effective January 1, 2022, the Company modified the characterization of corporate expenses allocated to its segments when calculating and in presenting Segment Adjusted EBIT. As such, the nature of the corporate expenses allocated to the individual segments, such as depreciation and amortization expenses on corporate assets, now follows the amount being transferred to the segments in order to better reflect the underlying nature of the costs being allocated. In the past, the allocation was made through a general expense allocation, resulting in the nature of the expense not having been reflected in the segment financial performance measure for periods ending on and before December 31, 2021. This modification did not result in any change in the methodology used to allocate corporate expenses to segments and, therefore, did not have any impact on Segment Adjusted EBIT disclosed in the prior, comparative periods, although it did impact Segment Adjusted EBITDA. Therefore, the Company has restated Segment Adjusted EBITDA for the prior, comparative periods ended on or before December 31, 2021 presented in order to conform with this modification.

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

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

13.1 PERFORMANCE

Adjusted diluted earnings per share ("Adjusted diluted EPS") is defined as adjusted net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS is a non-IFRS ratio that is an indicator of the financial performance of the Company's activities and allows the Company to present adjusted net income (loss) attributable to SNC-Lavalin shareholders on a diluted share basis. Refer to **Section 13.4.1** for a reconciliation of Adjusted diluted EPS to diluted EPS (namely, net income (loss) per diluted share) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital, as the Company believes that such measures are useful since these activities are usually analyzed separately by the Company.

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts. Adjusted EBITDA is based on EBITDA from continuing operations and excludes, when applicable to any given period, charges related to restructuring and transformation costs, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell and the DPCP Remediation Agreement expense. It should be noted that the adjustment to provision for the Pyrrhotite Case litigation (as described in Note 33 to the 2022 Annual Financial Statements), the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the Guaranteed Minimum Pension ("GMP") equalization expenses and the federal charges settlement (PPSC) expense were removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current and prior year periods, while the DPCP Remediation Agreement expense, which is similar in nature to the federal charges settlement (PPSC) (but for the Province of Québec as opposed to Canadian federal government), was added to the list of adjustments in the second quarter of 2022. The Company believes that Adjusted EBITDA is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted EBITDA is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. Refer to **Section 13.4.2** for a reconciliation of Adjusted EBITDA to net income (loss) from continuing operations as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except for the gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital), as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Adjusted net income (loss) attributable to SNC-Lavalin shareholders is a non-IFRS financial measure and is defined as net income (loss) attributable to SNC-Lavalin shareholders from continuing operations, adjusted for certain specific items that are significant but are not, based on management's judgement, reflective of the Company's underlying operations. These adjustments are, when applicable to any given period, restructuring and transformation costs, amortization of intangible assets related to business combinations, gains (losses) on disposals of PS&PM businesses and Capital investments (or adjustments to gains or losses on such disposals), the reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell, the DPCP Remediation Agreement expense, as well as income taxes and non-controlling interests on these adjustments. It should be noted that the adjustment to provision for the Pyrrhotite Case litigation, the fair value revaluation of the Highway 407 ETR contingent consideration receivable, the Guaranteed Minimum Pension ("GMP") equalization expenses and the federal charges settlement (PPSC) expense were removed from the list of adjustments disclosed in prior periods as there was no adjustment of this nature in the current and prior year periods, while the DPCP Remediation Agreement expense, which is similar in nature to the federal charges settlement (PPSC) (but for the Province of Québec as opposed to Canadian federal government), was added to the list of adjustments in the second quarter of 2022. The Company believes that Adjusted net income (loss) attributable to SNC-Lavalin shareholders is useful for providing securities analysts, investors and others with additional information to assist them in understanding components of its financial results, including a more complete understanding of factors and trends affecting the Company's operating performance. Adjusted net income (loss) attributable to SNC-Lavalin shareholders is believed to supplement information provided, as it highlights trends that may not otherwise be apparent when relying solely on IFRS financial measures. It is also used by management to evaluate the performance of the activities of the Company from period to period. Refer to **Section 13.4.1** for a reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) as determined under IFRS. Such reconciliation is provided on a consolidated basis and also separately for PS&PM activities and for Capital (all adjustments listed above apply to PS&PM activities, except for the fair value revaluation of the Highway 407 ETR contingent consideration receivable and gains (losses) on disposals of Capital investments (or adjustments to gains or losses on such disposals), which only apply to Capital), as the Company believes that such measures are useful since these activities are analyzed separately by the Company.

Booking-to-revenue ratio is a non-IFRS ratio that corresponds to contract bookings divided by revenues for a given period. This measure provides a useful basis for assessing the renewal of business, as it compares the value of performance obligations added in a given period to the amount of revenue recognized upon satisfying performance obligations in the same period. It should be noted that the amount of revenue used to calculate this ratio includes only revenues that are under the scope of IFRS 15, *Revenues from contracts with customers* ("IFRS 15") and are disclosed in Note 9 to the 2022 Annual Financial Statements. Refer to **Section 13.4.3** for the calculation of the booking-to-revenue ratio for selected segments in respect of which the Company believes to be the most meaningful.

EBITDA is a non-IFRS financial measure and is defined as earnings from continuing operations before net financial expenses (income), income taxes, depreciation and amortization. As such, this financial measure allows comparability of operating results from one period to another by excluding the effects of items that are usually associated with investing and financing activities. Refer to **Section 13.4.2** for a reconciliation of EBITDA to net income (loss) from continuing operations as determined under IFRS.

Return on Average Shareholders' Equity ("ROASE") is a supplementary financial measure and corresponds to the trailing 12-month net income (loss) attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity". The Company excludes "other components of equity" because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income (loss) of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. The Company believes that this financial measure is useful to compare its profitability to a measure of equity that excludes certain elements prone to volatility. See **Section 8.5**.

Segment Adjusted EBITDA is a non-IFRS financial measure derived from Segment Adjusted EBIT (defined in Note 4 to the 2021 Annual Financial Statements) and is used by management to evaluate the performance of the Company's segments but excluding certain items related to investing activities, through the exclusion of depreciation and amortization from direct costs of activities. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance to that of its peers. See a reconciliation of Segment Adjusted EBITDA to Segment Adjusted EBIT and consolidated EBIT in **Section 13.4.4**.

Segment Adjusted EBITDA to segment net revenue ratio for the Engineering Services and Linxon segments is a non-IFRS ratio used to analyze the profitability of the Company's segments and management believes that it facilitates period-to-period comparisons, as well as comparison with peers. This ratio is calculated by dividing the amount of Segment Adjusted EBITDA of a given period by the amount of segment net revenue for the same period. Refer to **Section 13.4.6** of this MD&A for the calculation of this ratio.

Segment net revenue is a non-IFRS financial measure that consists of 1) segment revenues less direct costs for sub-contractors and other direct expenses that are recoverable directly from clients for Engineering Services and 2) segment revenues less costs of equipment provided by the minority shareholder of Linxon. The Company commenced presenting segment net revenues for Linxon for the second quarter of 2022 as management believes that it also provides meaningful information on the performance of this segment. Management believes that this measure is used by certain securities analysts and investors when comparing the Company's performance against competitors and peer companies. Refer to **Section 13.4.6** of this MD&A for a quantitative reconciliation of this measure to segment revenue.

13.2 LIQUIDITY

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

Free cash flow (usage) is a non-IFRS financial measure and is defined as net cash generated from (used for) operating activities less acquisition of property and equipment, payment of lease liabilities, the federal charges settlement (PPSC) and the DPCP Remediation Agreement included in operating activities. SNC-Lavalin believes that free cash flow (usage) provides a meaningful measure of discretionary cash generated (used) by and available to the Company to service debt, meet other payment obligations and make strategic investments, among other things. It should be noted that the DPCP Remediation Agreement (described above) is, as of the second quarter of 2022, a new item subtracted from net cash generated from (used for) operating activities to calculate free cash flow (usage). This non-IFRS measure excludes the impact of the federal charges settlement (PPSC) (refer to Note 18 to the 2022 Annual Financial Statements and to **Section 14** of this MD&A) and the DPCP Remediation Agreement expense (refer to Note 33 to the 2022 Annual Financial Statements) included in operating activities as the Company believes that such elements are not representative of its capacity to generate cash flow from its ongoing operations. Refer to **Section 8.1** for a reconciliation of free cash flow (usage) to net cash generated from (used for) operating activities.

Free cash flow (usage) to adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio is a non-IFRS ratio calculated by dividing free cash flow (usage) by adjusted net income (loss) attributable to SNC-Lavalin shareholders, both non-IFRS measures. The Company believes that such ratio is useful when analyzing the ability of the Company to convert its profitability into cash. Refer to **Section 13.4.7** of this MD&A for the calculation of this ratio.

Net cash generated from (used for) operating activities on a line of business/segment basis is a supplementary financial measure and is identical in composition to net cash generated from (used for) operating activities as reported in the financial statements, except that it is provided on a line of business/segment basis as opposed to on a consolidated basis. As described elsewhere in this MD&A, the SNCL Services line of business is comprised of the Engineering Services, Nuclear, O&M and Linxon segments. The Company believes that it is useful to investors to provide this supplementary financial measure on a business line/segment basis due to the importance of the SNCL Services line of business to the Company and that it is also relevant and useful for investors to be presented this measure for the Company's core engineering services without including items from either LSTK Projects, Capital, corporate activities, as well as items not allocated to the Company's segments or to discontinued operations. The Company also believes that it is relevant and useful to disclose this supplementary financial measure for LSTK Projects as the Company is completing the projects in this segment. These measures are presented at **Section 8.1**.

Net limited recourse and recourse debt is a non-IFRS financial measure corresponding to the total amount of limited recourse and recourse debt, minus the amount of cash and cash equivalents at the end of a given period. This measure is used by management to analyze the indebtedness of the Company, excluding lease liabilities as well as indebtedness related to non-recourse financing. Refer to **Section 8.5** for a calculation of this non-IFRS measure.

Net limited recourse and recourse debt to Adjusted EBITDA ratio is a non-IFRS ratio used to analyze the Company’s financial leverage. It is calculated by comparing the Net limited recourse and recourse debt at the end of a given period with Adjusted EBITDA of the corresponding trailing twelve-month period. Management believes that this measure is useful in evaluating the Company’s ability to service its limited recourse and recourse debt from its continuing operations. Refer to **Section 8.5** for a calculation of this non-IFRS ratio.

Working capital corresponds to the amount of the Company’s total current assets minus its total current liabilities and the **Current ratio** corresponds to the Company’s total current assets divided by its total current liabilities. This measure and ratio are supplementary financial measures used to compare the Company’s current assets with its current liabilities and are believed to be useful metrics in analyzing the Company’s liquidity. These measures are presented at **Section 9.1**.

13.3 OTHER

Organic revenue is a non-IFRS financial measure corresponding to the amount of revenue of a given period, excluding the effect of acquisitions, disposals and foreign currency changes of the same period. This non-IFRS measure is used to analyze the level of activity of the Company excluding the effect of certain transactions and the impact of foreign exchange fluctuations in order to facilitate period-to-period comparisons, as well as comparison with peers. As such, **organic revenue growth (contraction)** is a non-IFRS ratio calculated by comparing the amount of organic revenue of a given period with the amount of organic revenue of the comparative period. Both organic revenue and organic revenue growth (contraction) do not have a standardized definition within IFRS and other issuers may define these measures differently and, accordingly, these measures may not be comparable to similar measures used by other issuers. Refer to **Section 13.4.5** for calculations of the organic revenue growth (contraction) ratio.

13.4 RECONCILIATIONS

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

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

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022				2021			
	Before taxes	Taxes	After taxes	Diluted EPS in $	Before taxes	Taxes	After taxes	Diluted EPS in $
Net loss attributable to SNC-Lavalin shareholders from continuing operations			**$ (54.4)**	**$ (0.31)**			$ (15.3)	$ (0.09)
Restructuring and transformation costs	**$ 53.9**	**$(12.6)**	**$ 41.4**		$ 30.9	$ (6.7)	$ 24.2	
Amortization of intangible assets related to business combinations	**21.5**	**(4.8)**	**16.8**		23.4	(5.2)	18.1	
Loss (gain) on disposals of Capital investments	**0.6**	**—**	**0.6**		(5.0)	1.4	(3.7)	
Total adjustments	**$ 76.0**	**$(17.4)**	**$ 58.7**	**$ 0.33**	$ 49.2	$(10.5)	$ 38.7	$ 0.22
Adjusted net income attributable to SNC-Lavalin shareholders			**$ 4.3**	**$ 0.02**			$ 23.4	$ 0.13
Net income attributable to SNC-Lavalin shareholders from Capital			**$ 36.3**	**$ 0.21**			$ 52.6	$ 0.30
Loss (gain) on disposals of Capital investments already considered above	**$ 0.6**	**$ —**	**$ 0.6**		$ (5.0)	$ 1.4	$ (3.7)	
Total adjustments	**$ 0.6**	**$ —**	**$ 0.6**	**$ —**	$ (5.0)	$ 1.4	$ (3.7)	$ (0.02)
Adjusted net income attributable to SNC-Lavalin shareholders from Capital			**$ 36.9**	**$ 0.21**			$ 48.9	$ 0.28
Adjusted net loss attributable to SNC-Lavalin shareholders from PS&PM			**$ (32.5)**	**$ (0.19)**			$ (25.6)	$ (0.15)

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022				2021			
	Before taxes	Taxes	After taxes	Diluted EPS in $	Before taxes	Taxes	After taxes	Diluted EPS in $
Net income attributable to SNC-Lavalin shareholders from continuing operations			**$ 16.6**	**$ 0.09**			$ 100.2	$ 0.57
Restructuring and transformation costs	**$ 82.9**	**$(19.2)**	**$ 63.7**		$ 70.1	$(16.5)	$ 53.6	
Amortization of intangible assets related to business combinations	**84.3**	**(17.6)**	**66.6**		89.5	(17.3)	72.1	
Gain on disposals of Capital investments	**(3.7)**	**(0.1)**	**(3.8)**		(5.0)	1.4	(3.7)	
Loss on disposal of a PS&PM business	**—**	**—**	**—**		0.6	—	0.6	
Reversal of impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**—**	**—**	**—**		(1.3)	—	(1.3)	
DPCP Remediation Agreement expense	**27.4**	**—**	**27.4**		—	—	—	
Total adjustments	**$190.8**	**$ (36.9)**	**$ 153.9**	**$ 0.88**	$153.9	$(32.5)	$ 121.5	$ 0.69
Adjusted net income attributable to SNC-Lavalin shareholders			**$ 170.6**	**$ 0.97**			$ 221.6	$ 1.26
Net income attributable to SNC-Lavalin shareholders from Capital			**$ 61.6**	**$ 0.35**			$ 73.2	$ 0.42
Gain on disposals of Capital investments already considered above	**$ (3.7)**	**$ (0.1)**	**$ (3.8)**		$ (5.0)	$ 1.4	$ (3.7)	
Total adjustments	**$ (3.7)**	**$ (0.1)**	**$ (3.8)**	**$ (0.02)**	$ (5.0)	$ 1.4	$ (3.7)	$ (0.02)
Adjusted net income attributable to SNC-Lavalin shareholders from Capital			**$ 57.8**	**$ 0.33**			$ 69.5	$ 0.40
Adjusted net income attributable to SNC-Lavalin shareholders from PS&PM			**$ 112.8**	**$ 0.64**			$ 152.1	$ 0.87

13.4.2 CONSOLIDATED EBITDA AND ADJUSTED EBITDA

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)	2022			2021		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	**$ (101.2)**	**$ 36.3**	**$ (64.9)**	$ (67.7)	$ 52.6	$ (15.1)
Net financial expenses	**45.9**	**1.1**	**46.9**	22.9	4.1	27.0
Income tax expense (recovery)	**(38.7)**	**0.2**	**(38.5)**	(49.7)	1.9	(47.8)
EBIT	**$ (94.1)**	**$ 37.6**	**$ (56.5)**	$ (94.5)	$ 58.5	$ (35.9)
Depreciation and amortization	**$ 60.3**	**$ —**	**$ 60.3**	$ 68.5	$ —	$ 68.5
EBITDA	**$ (33.8)**	**$ 37.6**	**$ 3.9**	$ (25.9)	$ 58.5	$ 32.6
Restructuring and transformation costs	**$ 53.9**	**$ —**	**$ 53.9**	$ 30.9	$ —	$ 30.9
Loss (gain) on disposals of Capital investments	**—**	**0.6**	**0.6**	—	(5.0)	(5.0)
Adjusted EBITDA	**$ 20.2**	**$ 38.2**	**$ 58.4**	$ 4.9	$ 53.5	$ 58.5

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022			2021		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss) from continuing operations	**$ (54.6)**	**$ 61.6**	**$ 7.0**	$ 32.5	$ 73.2	$ 105.7
Net financial expenses	**111.8**	**4.0**	**115.7**	93.9	16.6	110.5
Income tax expense (recovery)	**(31.0)**	**3.3**	**(27.8)**	(28.4)	6.4	(22.0)
EBIT	**$ 26.1**	**$ 68.9**	**$ 95.0**	$ 98.0	$ 96.1	$ 194.1
Depreciation and amortization	**$ 251.4**	**$ —**	**$ 251.4**	$ 266.4	$ 0.1	$ 266.5
EBITDA	**$ 277.5**	**$ 68.9**	**$ 346.5**	$ 364.4	$ 96.2	$ 460.6
Restructuring and transformation costs	**$ 82.9**	**$ —**	**$ 82.9**	$ 70.1	$ —	$ 70.1
Gain on disposals of Capital investments	**—**	**(3.7)**	**(3.7)**	—	(5.0)	(5.0)
Loss on disposal of a PS&PM business	**—**	**—**	**—**	0.6	—	0.6
Reversal of impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**—**	**—**	**—**	(1.3)	—	(1.3)
DPCP Remediation Agreement expense	**27.4**	**—**	**27.4**	—	—	—
Adjusted EBITDA	**$ 387.9**	**$ 65.2**	**$ 453.0**	$ 433.8	$ 91.2	$ 525.0

13.4.3 BOOKING-TO-REVENUE RATIO

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022				
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total
Opening backlog	**$ 4,622.9**	**$ 859.0**	**$ 5,418.0**	**$ 763.8**	**$ 11,663.7**
Plus: Contract bookings during the period	**1,304.9**	**264.6**	**67.6**	**252.0**	**1,889.0**
Less: Revenues from contracts with customers recognized during the period	**1,265.7**	**187.0**	**131.6**	**133.9**	**1,718.3**
Ending backlog	**$ 4,662.1**	**$ 936.6**	**$ 5,353.9**	**$ 881.8**	**$ 11,834.4**
Booking-to-revenue ratio (in %)	**103%**	**141%**	**51%**	**188%**	**110%**

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021				
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total
Opening backlog	$ 3,843.2	$ 802.5	$ 5,783.0	$ 1,018.1	$ 11,446.7
Plus: Contract bookings during the period	1,144.5	244.8	37.0	120.4	1,546.7
Less: Revenues from contracts with customers recognized during the period	1,218.6	212.4	114.6	164.3	1,709.9
Ending backlog	$ 3,769.0	$ 834.9	$ 5,705.4	$ 974.2	$ 11,283.5
Booking-to-revenue ratio (in %)	94%	115%	32%	73%	90%

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022				
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total
Opening backlog	**$ 3,769.0**	**$ 834.9**	**$ 5,705.4**	**$ 974.2**	**$ 11,283.5**
Plus: Contract bookings during the year	**5,564.8**	**960.5**	**145.8**	**468.9**	**7,139.9**
Backlog from a business combination during the year	**—**	**0.3**	**—**	**—**	**0.3**
Less: Revenues from contracts with customers recognized during the year [(1)]	**4,671.7**	**859.1**	**497.2**	**561.2**	**6,589.2**
Ending backlog	**$ 4,662.1**	**$ 936.6**	**$ 5,353.9**	**$ 881.8**	**$ 11,834.4**
Booking-to-revenue ratio (in %)	**119%**	**112%**	**29%**	**84%**	**108%**

(1) Revenues under the scope of IFRS 15, as disclosed in Note 9 to the 2022 Annual Financial Statements.

YEAR ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2021				
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total
Opening backlog	$ 3,531.7	$ 890.6	$ 5,749.7	$ 1,019.0	$ 11,191.0
Plus: Contract bookings during the year	4,600.1	814.0	426.1	543.6	6,383.8
Less: Revenues from contracts with customers recognized during the year (1)	4,361.5	869.8	470.4	588.4	6,290.1
Backlog of business sold during the year	1.3	—	—	—	1.3
Ending backlog	$ 3,769.0	$ 834.9	$ 5,705.4	$ 974.2	$ 11,283.5
Booking-to-revenue ratio (in %)	105%	94%	91%	92%	101%

(1) Revenues under the scope of IFRS 15, as disclosed in Note 9 to the 2022 Annual Financial Statements.

13.4.4 SEGMENT ADJUSTED EBITDA

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS $)	2022								
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total	LSTK Projects	Capital	Less: Corporate and other (1)	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	**$ 119.2**	**$ 40.6**	**$ 10.2**	**$ (14.2)**	**$ 155.9**	**$ (150.2)**	**$ 45.2**	**$ (107.4)**	**$ (56.5)**
Depreciation and amortization	**29.9**	**3.5**	**0.6**	**1.0**	**35.1**	**2.9**	**—**		
Segment Adjusted EBITDA	**$ 149.2**	**$ 44.1**	**$ 10.9**	**$ (13.2)**	**$ 190.9**	**$ (147.3)**	**$ 45.2**		

FOURTH QUARTER ENDED DECEMBER 31 (IN MILLIONS $)	2021								
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total	LSTK Projects	Capital	Less: Corporate and other (1)	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	$ 189.5	$ 34.8	$ 11.5	$ 3.2	$ 239.0	$ (233.0)	$ 60.6	$ (102.5)	$ (35.9)
Depreciation and amortization (2)	30.6	3.9	0.6	0.9	36.0	6.4	—		
Segment Adjusted EBITDA	$ 220.1	$ 38.7	$ 12.1	$ 4.1	$ 275.0	$ (226.6)	$ 60.6		

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

(2) Depreciation and amortization figures have been restated (Refer to Section 12 of this MD&A).

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

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021 (1)
Corporate selling, general and administrative expenses not allocated to the segments	**$ 31.3**	$ 53.3
Restructuring and transformation costs	**53.9**	30.9
Amortization of intangible assets related to business combinations	**21.5**	23.4
Loss (gain) on disposal of a Capital investment	**0.6**	(5.0)
Corporate and other – Total	**$ 107.4**	$ 102.5

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

YEAR ENDED DECEMBER 31 (IN MILLIONS $)	2022								
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total	LSTK Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	**$ 397.7**	**$ 144.0**	**$ 49.1**	**$ (9.8)**	**$ 581.0**	**$ (261.3)**	**$ 93.3**	**$ (318.1)**	**$ 95.0**
Depreciation and amortization	**119.6**	**14.0**	**2.5**	**4.1**	**140.2**	**22.5**	**—**		
Segment Adjusted EBITDA	**$ 517.3**	**$ 158.1**	**$ 51.6**	**$ (5.7)**	**$ 721.2**	**$ (238.8)**	**$ 93.4**		

YEAR ENDED DECEMBER 31 (IN MILLIONS $)	2021								
	Engineering Services	Nuclear	O&M	Linxon	SNCL Services - Total	LSTK Projects	Capital	Less: Corporate and other [1]	Consolidated
Segment Adjusted EBIT (EBIT For Consolidated figure)	$ 464.0	$ 135.9	$ 54.6	$ 18.2	$ 672.6	$ (302.6)	$ 119.3	$ (295.2)	$ 194.1
Depreciation and amortization [2]	123.2	15.7	2.4	4.0	145.3	24.8	0.1		
Segment Adjusted EBITDA	$ 587.2	$ 151.6	$ 57.0	$ 22.1	$ 817.9	$ (277.8)	$ 119.4		

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

(2) Depreciation and amortization figures have been restated (Refer to Section 12 of this MD&A).

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

YEARS ENDED DECEMBER 31 (IN MILLIONS $)	2022	2021 [1]
Corporate selling, general and administrative expenses not allocated to the segments	**$ 127.3**	$ 141.3
Restructuring and transformation costs	**82.9**	70.1
Amortization of intangible assets related to business combinations	**84.3**	89.5
Gain on disposals of Capital investments	**(3.7)**	(5.0)
Loss on disposal of a PS&PM business	**—**	0.6
Reversal of impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	**—**	(1.3)
DPCP Remediation Agreement expense	**27.4**	—
Corporate and other – Total	**$ 318.1**	$ 295.2

(1) Comparative figures have been restated (Refer to Section 12 of this MD&A).

13.4.5 ORGANIC REVENUE GROWTH (CONTRACTION)

FOURTH QUARTERS ENDED DECEMBER 31
(IN MILLIONS $)

	2022 Revenue	2021 Revenue [1]	Variance	Foreign exchange impact	Acquisition and divestiture impact	Organic revenue growth (contraction)
Engineering Services	**$ 1,242.9**	$ 1,216.3	$ 26.5	$ (1.8)	$ —	$ 28.3
Nuclear	**223.6**	220.4	3.2	—	0.5	2.7
O&M	**131.6**	114.6	17.0	2.5	—	14.5
Linxon	**133.9**	164.3	(30.4)	(2.9)	—	(27.5)
Total – SNCL Services	**$ 1,732.1**	$ 1,715.6	$ 16.4	$ (2.2)	$ 0.5	$ 18.0

FOURTH QUARTERS ENDED DECEMBER 31
(IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)

	2022 Revenue	2021 Revenue [1]	Variance (%)	Foreign exchange impact (%)	Acquisition and divestiture impact (%)	Organic revenue growth (contraction) (%)
Engineering Services	**$ 1,242.9**	$ 1,216.3	2.2%	(0.2)%	—%	2.3%
Nuclear	**223.6**	220.4	1.5 %	— %	0.2%	1.2%
O&M	**131.6**	114.6	14.9%	2.4%	—%	12.4%
Linxon	**133.9**	164.3	(18.5)%	(1.4)%	—%	(17.0)%
Total – SNCL Services	**$ 1,732.1**	$ 1,715.6	1.0%	(0.1)%	—%	1.1%

YEARS ENDED DECEMBER 31
(IN MILLIONS $)

	2022 Revenue	2021 Revenue [1]	Variance	Foreign exchange impact	Acquisition and divestiture impact	Organic revenue growth (contraction)
Engineering Services	**$ 4,686.2**	$ 4,366.4	$ 319.7	$ (80.1)	$ —	$ 399.8
Nuclear	**896.0**	904.7	(8.7)	(7.4)	0.5	(1.9)
O&M	**497.2**	470.4	26.9	4.9	—	22.0
Linxon	**561.2**	588.4	(27.2)	(29.2)	—	2.0
Total – SNCL Services	**$ 6,640.6**	$ 6,330.0	$ 310.7	$ (111.8)	$ 0.5	$ 421.9

YEARS ENDED DECEMBER 31
(IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)

	2022 Revenue	2021 Revenue [1]	Variance (%)	Foreign exchange impact (%)	Acquisition and divestiture impact (%)	Organic revenue growth (contraction) (%)
Engineering Services	**$ 4,686.2**	$ 4,366.4	7.3%	(2.0)%	—%	9.3%
Nuclear	**896.0**	904.7	(1.0)%	(0.8)%	0.1%	(0.2)%
O&M	**497.2**	470.4	5.7%	1.1%	—%	4.6%
Linxon	**561.2**	588.4	(4.6)%	(5.0)%	—%	0.4%
Total – SNCL Services	**$ 6,640.6**	$ 6,330.0	4.9%	(1.9)%	—%	6.8%

[1] Comparative figures have been restated (Refer to Section 12 of this MD&A).

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

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021
Revenue – Engineering Services [1]	**$**	**1,242.9**	$	1,216.3
Less: Direct costs for sub-contractors and other direct expenses that are recoverable directly from clients - Engineering Services		**308.6**		296.9
Segment net revenue – Engineering Services	**$**	**934.2**	$	919.4
Segment Adjusted EBITDA – Engineering Services	**$**	**149.2**	$	220.1
Segment Adjusted EBITDA to segment net revenue ratio – Engineering Services (in %)		**16.0%**		23.9%

FOURTH QUARTERS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021
Revenue – Linxon [1]	**$**	**133.9**	$	164.3
Less: Costs of equipment provided by the minority shareholder of Linxon		**47.1**		26.2
Segment net revenue – Linxon	**$**	**86.9**	$	138.1
Segment Adjusted EBITDA – Linxon	**$**	**(13.2)**	$	4.1
Segment Adjusted EBITDA to segment net revenue ratio – Linxon (in %)		**(15.2)%**		2.9%

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021
Revenue – Engineering Services [1]	**$**	**4,686.2**	$	4,366.5
Less: Direct costs for sub-contractors and other direct expenses that are recoverable directly from clients - Engineering Services		**1,150.5**		1,076.0
Segment net revenue – Engineering Services	**$**	**3,535.7**	$	3,290.5
Segment Adjusted EBITDA – Engineering Services	**$**	**517.3**	$	587.2
Segment Adjusted EBITDA to segment net revenue ratio – Engineering Services (in %)		**14.6%**		17.8%

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021
Revenue – Linxon [1]	**$**	**561.2**	$	588.4
Less: Costs of equipment provided by the minority shareholder of Linxon		**118.0**		97.4
Segment net revenue – Linxon	**$**	**443.2**	$	491.0
Segment Adjusted EBITDA – Linxon	**$**	**(5.7)**	$	22.1
Segment Adjusted EBITDA to segment net revenue ratio – Linxon (in %)		**(1.3)%**		4.5%

[1] Comparative figures have been restated (Refer to Section 12 of this MD&A).

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

YEARS ENDED DECEMBER 31 (IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)		2022		2021
Free cash flow (usage) (1)	**$**	**(363.7)**	$	(15.9)
Adjusted net income attributable to SNC-Lavalin shareholders (2)	**$**	**170.6**	$	221.6
Free cash flow (usage) to Adjusted net income (loss) attributable to SNC-Lavalin shareholders ratio (in %)		**(213.2)%**		(7.2)%

(1) Please refer to Section 8.1 for a quantitative reconciliation of Free cash flow (usage) to net cash generated from (used for) operating activities.

(2) Please refer to Section 13.4.1 for a quantitative reconciliation of Adjusted net income (loss) attributable to SNC-Lavalin shareholders to net income (loss) attributable to SNC-Lavalin shareholders.

14 Risks and Uncertainties

14.1 PRINCIPAL RISKS AND UNCERTAINTIES

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

EPIDEMICS, PANDEMICS, INCLUDING COVID-19, AND OTHER GLOBAL HEALTH CRISES

A significant outbreak, epidemic or pandemic of contagious diseases in any geographic area in which we operate, such as the COVID-19 pandemic, could result in a public health and safety crisis that could adversely affect our business, national and international economies, financial markets and overall demand for our services. The COVID-19 global pandemic significantly disrupted global health, economic, market and labour conditions and created varying degrees of slowdowns in the global economy and recessions. The COVID-19 pandemic had adverse and, in some instances, significant adverse repercussions in the jurisdictions in which the Company has offices, delivers services and holds investments or in the jurisdictions of its suppliers. The COVID-19 global pandemic created significant volatility and negative pressure on virtually all national economies as well as financial markets and it remains challenging for the Company to accurately estimate or quantify the full scope and magnitude of the pandemic's impact on the Company, its business, financial condition and prospects.

In addition to potential future epidemics, pandemics or other global health and safety crises, the COVID-19 pandemic has adversely affected, and could, depending on future waves, strains and potential spread of COVID-19 from certain regions of the world where the local populations have been less immunized to the virus, continue to adversely affect the Company's financial condition, liquidity, future results of operations and outlook due to, among other factors:

- Actions taken by governmental and non-governmental bodies to curtail activity in an effort to help slow the spread of the relevant virus and rapidly emerging variants thereof, and the impacts of such actions on matters relevant to our business, including forcing partial or complete project shutdowns, and supply chain and labour market disruptions.
- The health of the Company's personnel, partners and contractors may be adversely affected by potential future epidemics, pandemics or other global health and safety crises.

- Many employers in various sectors observed that the COVID-19 pandemic may have contributed to or accelerated certain important and potentially systemic changes in the workforce, and there persist labour shortages making it difficult to recruit, attract, train, integrate and retain skilled personnel.
- When operations by the Company are interrupted or restricted in one or more jurisdiction as a result of governmental measures in response to a significant public health event or crisis and then such measures are subsequently loosened or eliminated, operations may be slow to fully resume and may continue to be adversely impacted as a result of lingering effects on the Company's employees, contractors, suppliers, third-party service providers and customers.
- Work-from-home measures implemented by the Company have impacted and may continue to impact the Company by potentially affecting productivity and efficiency of certain employees and potentially having negative effects on workplace morale and employees' sense of common purpose and belonging to the organization. In addition, there persist operational challenges as technology in employees' homes is not as robust as in the Company's offices, which may contribute to an increase in the number of potential points of attack and greater cybersecurity risks.
- The Company's financial and operational performance may also be adversely impacted by the ability of clients, suppliers and other third parties to meet their financial obligations and perform or deliver on non-financial obligations to the Company in a timely manner as a result of an epidemic, pandemic or other significant public health event or crisis pandemic and resulting economic impacts.

The severity of the effects of the COVID-19 pandemic and its ultimate impact on the world's population and the global economy remain uncertain and difficult to fully evaluate and quantify. The Company continues to mitigate any lingering adverse effects to its business, financial condition and prospects as a result of the continued disruption in the global economy and any resulting recession or increased inflation, the effects of which may persist beyond that time and which may not be fully reflected in our results of operations until future periods.

Both the COVID-19 pandemic and other global health crises of a similar scale or scope may also have the effect of heightening other risks and uncertainties disclosed and described below in the "Risks and Uncertainties" section of this MD&A.

RISKS RELATING TO THE COMPANY'S OPERATIONS

Execution of the Company's "Pivoting to Growth Strategy" unveiled in September 2021

Since mid-2019, the Company has been implementing a new strategic direction focused on the high-performing and growth areas of the business as it exits LSTK construction contracting. In September 2021, the Company unveiled a three-year global strategic growth plan and a new operational structure and re-affirmed its strategy comprised of four core elements, namely: (i) focusing on core geographic areas of operation and end customer markets targeted in the built and natural environment; (ii) leveraging SNC-Lavalin's unique end-to-end global capabilities to deliver high value products and services locally; (iii) identifying key growth areas; and (iv) establishing capital allocation priorities to strengthen business and drive further value creation opportunities. The strategy involves SNC-Lavalin focusing its efforts on its three core regions—United Kingdom, Canada and the United States—where it has a leading presence in each region all the while maintaining more targeted operations in select markets in Europe, the Middle East, Asia-Pacific, and Latin America. Within these geographies, SNC-Lavalin intends to focus on seven clearly defined customer end markets, namely Transportation, Buildings and Places, Defence, Water, Industrial and Mining, Power and Renewables, and Nuclear.

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

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

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

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

While the Company is in the process of exiting LSTK construction contracting, its results of operations and operating cash flows will remain to a certain extent dependent on the financial results of fixed-price contracts until the wind-down of the remaining LSTK projects is completed. The Company bears the risk for cost overruns from fixed-price contracts. Contract revenues and costs are established, in part, based on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, productivity, performance of the Company's employees and of subcontractors or equipment suppliers, price, inflation, availability of labour, equipment and materials and other requirements that may affect project costs or schedule, such as obtaining the required environmental permits and approvals on a timely basis. Cost overruns may also occur when unforeseen circumstances arise. In addition, reimbursable contracts such as unit-rate contracts for which a fixed amount per quantity is charged to the customer and reimbursable contracts with a cap bear some risks that are similar to those related to fixed-price contracts, as the estimates used to establish the contract unit-rate and/or the contractual cap are also subject to the assumptions listed above. Also, a significant portion of our services business derives revenues from multi-year contracts where there are caps on cost escalations based on an initially agreed upon pricing indices and, in a period of time in which the rate of inflation and cost increases exceeds the contractually agreed upon cost escalation index, there is a risk that the margins on revenues derived from such contracts would be eroded.

Furthermore, should the Company experience difficulties in the execution of projects due to various factors, such as a lack of efficiency in the implementation of its processes, COVID-19 impacts on productivity, increases in inflation and supply chain disruptions, all of which could lead to higher costs and delays to project completions, failure to accurately estimate project costs and/or conclude strategic transactions pertaining to project resources, such difficulties could have an adverse impact on the Company's financial results from these projects.

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

In addition, in certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs should the project or facility subsequently fail to meet the scheduled completion date or performance standards. A project's revenues could also be reduced in the event the Company is required to pay liquidated damages or in connection with contractual penalty provisions, which can be substantial and can accrue on a daily basis.

Backlog and contracts with termination for convenience provisions

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

Contract awards and timing

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

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

Among other matters, SNC-Lavalin's estimates of future performance depend on whether and when the Company will receive certain new contract awards, including the extent to which the Company utilizes its workforce. The rate at which SNC-Lavalin utilizes its workforce is impacted by a variety of factors including: the Company's ability to manage attrition or attract and recruit talent in a timely manner; the Company's ability to forecast its need for services which in turn allows the Company to maintain an appropriately sized workforce; the Company's ability to transition employees from completed projects to new projects or between internal business groups; and the Company's need to devote resources to non-chargeable activities such as training or business development. While SNC-Lavalin's estimates are based upon its professional judgement, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when the Company will receive a contract award. The uncertainty of contract award timing can present difficulties in matching the Company's workforce size with its contract needs. If an expected contract award is delayed or not received, or if an ongoing contract is cancelled, the Company could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing the Company's operational efficiency, margins and profits.

Being a provider of services to government agencies

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

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

International operations

A significant portion of SNC-Lavalin's revenues are attributable to projects in international markets outside of Canada. SNC-Lavalin's business is dependent on the continued success of its international operations, and the Company expects its international operations to continue to account for a significant portion of total revenues.

The Company's international operations are subject to a variety of risks, many of which also apply to its Canadian operations, including:

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

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

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

In addition, the Company's activities outside Canada expose SNC-Lavalin to foreign currency exchange risks, which could adversely impact its operating results. The Company is particularly vulnerable to fluctuations in British pounds and U.S. dollars. While SNC-Lavalin has a hedging strategy in place to mitigate some of the effects of certain foreign currency exposures, there can be no assurance that such hedging strategy will be effective. The Company does not have hedging strategies in place with respect to all currencies to which it is exposed in the conduct of its business. The Company's hedging strategy includes the use of forward foreign exchange contracts, which also contain an inherent credit risk related to default on obligations by the counterparties to such contracts. See also Note 30 to the 2022 Annual Financial Statements.

Nuclear liability

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

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

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

Ownership interests in investments

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

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

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

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

Dependence on third parties

SNC-Lavalin undertakes contracts wherein it subcontracts a portion of the project or the supply of material and equipment to third parties. If the amount the Company is required to pay for subcontractors or equipment and supplies exceeds what was estimated, the Company may suffer losses on these contracts. If a supplier or subcontractor fails to provide supplies, equipment or services as required under a negotiated contract for any reason, or provides supplies, equipment or services that are not of an acceptable quality or quantity, the Company may be required to source those supplies, equipment or services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. In addition, faulty equipment or materials could impact the overall project, resulting in claims against SNC-Lavalin for failure to meet required project specifications. These risks may be intensified during an economic downturn if these suppliers or subcontractors experience financial difficulties or find it difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the services or supplies (altogether or on a timely basis) or the requisite quality or grade of services or supplies necessary for the Company's business.

In addition, in instances where SNC-Lavalin relies on a single contracted supplier or subcontractor or a small number of subcontractors, there can be no assurance that the marketplace can provide these products or services on a timely basis, or at the costs the Company had anticipated, and the bankruptcy or insolvency of one or more suppliers on whom the Company substantially depends for one or more particular project(s) or contract(s) would also adversely impact the Company. Furthermore, irrespective of the importance or number of project or Company subcontractors or suppliers, general global supply chain disruptions and issues outside the control of the Company could adversely affect ongoing operations also resulting in the aforementioned risks to the Company. A failure by a third-party subcontractor or supplier to comply with applicable laws, rules or regulations could negatively impact SNC-Lavalin's business and/or reputation and, in the case of government contracts, could also result in fines, penalties, suspension or even debarment being imposed on the Company.

Supply chain disruptions

Global disruptions in supply chains continue to affect companies in a variety of industries, triggering widespread impacts. Shortages and logistical bottlenecks with labour and transportation have in certain instances led to a shortage of material availability and an increase in shipping costs. Illness, travel restrictions and other workforce disruptions could adversely affect the Company's supply chain and its ability to complete its clients' projects in the scheduled time frame, while the shortage of material availability and increased shipping costs could also adversely affect its profitability, notably through inflationary price pressure on material used on certain contracts and increased prolongation costs.

Joint ventures and partnerships

SNC-Lavalin enters into certain contracts with joint venture partners, as a member of partnerships, and under other similar arrangements. This situation exposes the Company to a number of risks, including the risk that its partners may be unable or unwilling to fulfill their contractual obligations to the Company or its clients. SNC-Lavalin's partners may also be unable or unwilling to provide the required levels of financial support to the partnerships. If these circumstances occur, the Company may be required to pay financial penalties or liquidated damages, provide additional services, or make additional investments to ensure adequate performance and delivery of the contracted services. Under agreements with joint and several (or solidary) liabilities, SNC-Lavalin could be liable for both its obligations and those of its partners. These circumstances could also lead to disputes and litigation with the Company's partners or clients, all of which could have a material adverse impact on the Company's reputation, business, financial condition and results of operations.

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

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

Information systems and data and compliance with privacy legislation

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

The Company relies on a core set of information technologies and systems, which require maintenance and support and which may experience interruptions, deficiencies, delays or cessations of service in connection with systems maintenance, integration or migration work that takes place from time to time. The Company may not be successful in implementing new systems and transitioning data, which could cause disruptions in the Company's business, divert Company resources, and such new systems may not achieve the desired business objectives. Any damage, disruption or shutdown of the Company's information systems, or the failure to successfully implement new or upgraded systems, depending on the specific set of circumstances, could have a material adverse effect on the Company's finances and operations.

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

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

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

As a company that operates globally, SNC-Lavalin is subject to a complex array of legislation designed to protect personal and confidential information. Privacy and data protection legislation and regulations are in constant evolution, and it can be anticipated that more countries will establish personal data protection frameworks in 2023 and beyond.

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

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

Qualified personnel

The success of SNC-Lavalin depends heavily on its workforce and its ability to attract, recruit, develop and retain qualified personnel in a competitive work environment. Engineers, architects, designers, project managers, as well as functional experts and corporate leadership professionals who possess both experience and skills are essential to the success of the Company's business. The ability to retain and motivate qualified personnel, or attract suitable replacements as needed, is dependent on, among other things, the competitive nature of the employment market and the career opportunities and compensation that the Company can offer. There is increasingly strong competition for qualified technical and management personnel in the Company's industry, and if the Company were to lose some or all of these personnel, they could be difficult to replace in the timeline demanded by the Company's clients. For example, some of the Company's personnel hold government granted clearance that may be required to obtain government projects. If the Company were to lose some or all of these personnel, they could be difficult to replace. The inability to attract and retain such qualified personnel would place increased demands on the Company's existing resources, and could result in, among other factors, lost opportunities, cost overruns, failure to successfully complete existing and compete for new projects, and inability to mitigate risks and uncertainties.

In addition, in the event that the Company's corporate leadership professionals and other key personnel were to retire or otherwise leave the Company, the Company would require appropriate succession plans in place, including preparation of internal talent and, where relevant, identification of potential external candidates for key roles, and would need to successfully implement such plans, which requires devoting time and resources toward identifying and integrating new personnel into leadership roles and other key positions. If the Company cannot effectively prepare and implement such succession plans, it could have a material adverse effect on the Company's ability to conduct its business effectively and to provide services to its clients until such qualified replacements are found.

Competition

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

Professional liability or liability for faulty services.

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

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

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

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

Gaps in insurance coverage

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

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

Health and safety

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

Work stoppages, union negotiations and other labour matters

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

Global climate change, extreme weather conditions and the impact of natural or other disasters

The general effects of global climate change, along with the unpredictability of extreme weather conditions and other natural disasters, could affect the Company's operations and profitability. As with the rest of the global economy and similar to other engineering services and projects-driven companies, the Company is exposed to the physical risks related to climate change, including increases in the frequency and intensity of weather-related events, such as storms, floods, wildfires and heatwaves, or longer-term changes, such as temperature changes. Further, the Company's field activities are generally performed outdoors and include professional surveying, resident engineering services, field data surveys and collection, archeology, geotechnical investigations and exploratory drilling, construction oversight and inspection, plant start-up and testing and plant operations. Extreme weather conditions or natural or other disasters, such as earthquakes, fires, floods, tornadoes, hurricanes, lightning, epidemics or pandemics (including the current COVID-19 pandemic) and similar events, may cause postponements in the initiation and/or completion of the Company's field activities and may hinder the ability of its employees, subcontractors or suppliers to perform their duties, which may result in delays or loss of revenues that otherwise would be recognized while certain costs continue to be incurred. Extreme weather conditions or disasters may also delay or eliminate the start and/or completion of various phases of work relating to other services that commence concurrently with or subsequent to field activities. Any delay in the completion of the Company's services may require the Company to incur additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules. Due to various factors, a delay in the commencement or completion of a project may also result in penalties or sanctions under contracts or even the cancellation of contracts.

In addition to the physical risks associated with extreme weather conditions and global climate change, there are also transition risks as the global economy shifts to a net-zero carbon economy. These transition risks may arise from climate-related policy changes, technological changes and behavioral changes, including client preferences toward lower-carbon products and services. As part of international, national, local and internal initiatives such as Net Zero 2030, the Company recognizes the urgency in taking concrete measures, is focusing on pioneering solutions in addressing climate change and climate resiliency, and has formally committed to a variety of climate risk mitigation actions and to meeting climate change related targets and deadlines. The Company's industry expertise and commitment in reducing material effects of climate change aim to limit the negative effects of climate change on its business, as well as the global community. However, the Company may be required to incur significant costs to improve the climate-related resiliency of its infrastructure and otherwise prepare for, respond to, and mitigate the effects of climate change, and there can be no guarantee that such mitigation efforts will effectively negate or adequately insulate the Company from the effects of such climate-change related risks.

Further, disclosures of the Company's progress and performance towards reaching these climate related objectives are an integral part of the Company's engagement in these initiatives. Such disclosures are likely to be increasingly subject to third party validation, audits and publicly available industry rankings and company ratings and scores. The Company's inability to successfully fulfill all or any of its engagements and meet its stated climate risk related targets or to attain favorable climate risk related ratings and scores could adversely affect the Company's reputation. Reputational damage may influence the Company's ability to obtain future projects, negatively affect relationships with clients on ongoing projects or cause the cancellation of current projects, limit the Company's ability and success in retaining and attracting talent, or negatively impact the Company's standing facing financing and investment stakeholders potentially leading to less favorable financing conditions or decline in investor interest.

The Company's financial and/or operating performance could also be adversely affected by the outbreak of epidemics or other public health crises. Refer to the risk factor entitled "Epidemics, pandemics, including COVID-19, and other global health crises" in this Section for a description of the various risks and uncertainties posed by global health crises, including COVID-19, to the Company and its business and financial affairs.

Divestitures and the sale of significant assets

The sale of a business unit and/or significant assets is a complex process that involves certain risks, such as failure to properly plan, prepare and execute the transaction and to prepare a contract that is intended to protect the Company from post-closing adjustments, certain liabilities and additional costs. In addition, the Company is exposed to the risk of the deal falling through, selling at a lower price than the asking price, the buyer not respecting or being in a financial or other position to respect its post-closing contractual obligations and/or extended deal close times.

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

Intellectual property

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

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

Liquidity and financial position

The Company relies on its cash, its credit facilities and other debt instruments, as well as the capital markets to provide some of its liquidity and capital requirements and it is, in certain instances, required to obtain bank guarantees/letters of credit as a means to secure its various contractual obligations for its underlying projects. Significant instability or disruptions of the capital markets or a deterioration in or weakening of its financial position due to internal or external factors, could restrict or prohibit the Company's access to, or significantly increase the cost of one or more of these financing sources, including credit facilities, the issuance of medium- and long-term debt (such as the issuance of debentures, bonds or notes), or the availability of bank guarantees/letters of credit to guarantee its contractual and project obligations. There can be no assurance that the Company will maintain an adequate cash balance and generate sufficient cash flow from operations in an amount to enable itself to fund its operations and liquidity needs, service its debt and/or maintain its ability to obtain and secure bank guarantees.

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

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

Indebtedness

The Company had approximately $2.1 billion of consolidated indebtedness as at December 31, 2022 under recourse, limited recourse and non-recourse debt presented on its statement of financial position.

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

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

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

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

A breach of any of these agreements or the Company's inability to comply with these covenants (as the case may be) could, if not cured or waived, result in an acceleration of the Company's consolidated debt or a cross-default under certain of its debt instruments. If the Company's indebtedness is accelerated, the Company may not be able to service its indebtedness, or borrow sufficient funds to refinance its indebtedness.

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

Impact of operating results and level of indebtedness on financial situation

As outlined in Section 8.4 of this MD&A, the Company is required to maintain a ratio of net recourse debt to EBITDA not to exceed a certain threshold. While the Company met its covenant requirements in both 2022 and 2021, an increase of net recourse debt due to items such as cash requirements of operating activities or the delay/acceleration of certain investing/divestitures or financing transactions, or an inability to generate sufficient adjusted EBITDA to support the level of indebtedness in the ratio calculation in the future, could have a negative impact on the Company, as further described in the risk factor entitled "Indebtedness" above.

Security under the CDPQ Loan Agreement

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

Dependence on subsidiaries to help repay indebtedness

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

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

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

Dividends

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

Post-employment benefit obligations, including pension-related obligations

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

The nature of the funding regime in the U.K. creates uncertainty around the size and timing of cash that Atkins will be required to pay to the pension schemes. The contribution to the Atkins Pension Plan and the Railways Pension Scheme from Atkins totaled £48.9 million (or approximately CA$78.6 million) and £6.1 million (or approximately CA$9.8 million), respectively, for the year ended December 31, 2022. If Atkins is required to increase cash funding contributions, this will reduce the availability of such funds for other corporate purposes and limit its ability to invest in growth. Deteriorating economic conditions may result in significant increases in Atkins' funding obligations, which could restrict available cash for Atkins' operations, capital expenditures and other requirements, and have a material adverse effect on Atkins' business, financial condition and results of operations.

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

Working capital requirements

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

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

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

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

Collection from customers

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

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

Impairment of goodwill and other assets

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

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

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

RISKS RELATED TO DISPUTES, INVESTIGATIONS, SETTLEMENTS AND REGULATORY MATTERS

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

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

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

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

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

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

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

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

The Company is subject to ongoing investigations that could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business. The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters (unrelated to the settlements described below) in various jurisdictions, including, without limitation, Algeria, Brazil and Angola.

On September 23, 2021, the Royal Canadian Mounted Police (the "RCMP") represented by the Province of Québec's Directeur des Poursuites Criminelles et Pénales ("DPCP") laid charges against the Company's subsidiary, SNC-Lavalin Inc. and its indirect subsidiary, SNC-Lavalin International Inc. Each entity was jointly charged (along with a former employee of the Company, Normand Morin) with the following counts: 1) forgery under Section 366 of the Criminal Code (Canada) (the "Criminal Code"), 2) fraud under Section 380 of the Criminal Code, and 3) fraud against the government under Section 121 of the Criminal Code. Each entity was charged with one count of conspiracy to commit the aforementioned crimes (the "Criminal Charges"). On the same date, the DPCP gave notice to SNC-Lavalin Inc. and SNC-Lavalin International Inc. of an invitation to negotiate a remediation agreement in accordance with Part XXII.1. of the Criminal Code with respect to the Criminal Charges and on October 1, 2021, both entities formally accepted the invitation. These Criminal Charges follow the RCMP's formal investigation relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier Bridge by a consortium which included SNC-Lavalin Inc. and which has previously led to a guilty plea on certain criminal charges in 2017 by the former head of the Canada Federal Bridges Corporation. Another former employee of the Company, Kamal Francis, was also charged separately with similar offenses.

SNC-Lavalin Inc. and SNC-Lavalin International Inc. reached agreement on the terms of the remediation agreement and, on May 11, 2022, the Québec Superior Court issued an order approving the remediation agreement. The term of the remediation agreement is three years, requires a total payment of $29.6 million payable over three years, and the appointment of a monitor for a three-year period, amongst other obligations. The Criminal Charges are suspended during the term of the remediation agreement, and, upon its expiry, provided the terms will have been complied with by SNC-Lavalin Inc. and SNC-Lavalin International Inc., and subject to Court approval, the Criminal Charges will be dismissed. Also on May 11, 2022, the Company entered into an administrative agreement with Public Services and Procurement Canada allowing the Company to continue to do business with the Canadian federal government and federal departments and agencies under the auspices of the federal Integrity Regime despite the remediation agreement.

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

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

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

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

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

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

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

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

As previously disclosed, the Company entered into a remediation agreement that was approved by the Québec Superior Court on May 11, 2022 in connection with the Criminal Charges.

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

A description of the most material legal and regulatory proceedings, investigations and settlements involving SNC-Lavalin and its subsidiaries is set forth in Note 33 to the 2022 Annual Financial Statements.

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

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

In addition, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of the Company's employees, agents or partners could have a significant negative impact on SNC-Lavalin's business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal control over financial reporting, environmental laws and any other applicable laws or regulations. For example, the CFPOA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, SNC-Lavalin provides services that may be highly sensitive or that could relate to critical national security matters; if a security breach were to occur, the Company's ability to procure future government contracts could be severely limited.

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

Reputation of the Company

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

RISKS RELATING TO COMPLIANCE AND FINANCIAL REPORTING

Inherent limitations to the Company's control framework

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

Environmental laws and regulations

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

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

Growing concerns about climate change may also result in the imposition of additional environmental regulations. Legislation, international protocols, regulation or other restrictions on emissions could result in increased compliance costs for the Company and its clients, including those who are involved in the exploration, production or refining of fossil fuels, emit greenhouse gases through the combustion of fossil fuels or emit greenhouse gases through the mining, manufacture, utilization or production of materials or goods. Such policy changes could increase the costs of projects for clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for the Company's services, which would in turn have a material adverse impact on the Company's business, financial condition and results of operations. However, these changes could also increase the pace of projects, such as carbon capture or storage projects and decarbonation projects, that could have a positive impact on the Company's business. SNC-Lavalin cannot predict when or whether any of these various proposals may be enacted or what their effect will be on the Company or on its customers.

GLOBAL / MACROECONOMIC RISKS

Global economic conditions

Fluctuations in global economic conditions, including the continued general impact on global supply chains of the COVID-19 pandemic as well as the Russia-Ukraine war, public health regulatory mandates, rising energy costs and resulting inflationary pressures, may have an impact on clients' willingness and ability to fund their projects. These conditions could make it difficult for the Company's clients to accurately forecast and plan future business trends and activities, thereby causing clients to slow or even curb spending on the Company's services, or seek contract terms more favourable to them. Global economic conditions could also be adversely impacted by more restrictions on certain economic relations between countries or group of countries, such as the post-Brexit relationship between the U.K and the European Union or by an increased level of trade protectionism. SNC-Lavalin's government clients may face budget deficits that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate contracts with little or no prior notice. Furthermore, any financial difficulties suffered by the Company's partners, subcontractors or suppliers could increase cost or adversely impact project schedules. These economic conditions continue to reduce the availability of liquidity and credit to fund or support the continuation and expansion of industrial business operations worldwide. Volatile financial market conditions and adverse credit market conditions could adversely affect clients', partners' or the Company's own borrowing capacity, which support the continuation and expansion of projects worldwide, and could result in contract cancellations or suspensions, project delays, payment delays or defaults by the Company's clients. SNC-Lavalin's ability to operate or expand its business would be limited if, in the future, the Company is unable to access sufficient credit capacity, including capital market funding, bank credit, such as letters of credit, and surety bonding on favourable terms or at all. These disruptions could materially impact the Company's backlog, revenues and net income.

Inflation

As indicated above, one of the numerous consequences of the COVID-19 pandemic and Russia-Ukraine war has been the resulting inflationary pressures, in part due to issues from the global supply chains that led to the shortage of certain goods and materials and to the increase in energy costs. Inflation could also result from other factors outside of the control of the Company and could have an impact on the cost of labour, supplies, materials, as well as on various selling, general and administrative expenses, which may vary from different geographic areas.

While certain contracts include price-indexation clauses aimed at protecting the Company from the increase of certain costs, the Company generally bears the risk of rising inflation in connection with LSTK, fixed-rate and other fixed-price contracts. Furthermore, there can be no assurance that price-indexation clauses included in the Company's contracts with its customers will result in recovering all cost increases on a given contract, including but not limited to cost increases resulting from price-indexation clauses in contracts with subcontractors or suppliers, if any.

The inability of the Company to recover, in whole or in part, the increase in costs from inflationary pressures may have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations.

Furthermore, a significant portion of the Company's financial indebtedness is at variable rates of interest and expose the Company to the risk of increased interest rates and a resulting increase in financial expenses as world and North American economies have entered into a higher inflation rate environment.

Fluctuations in commodity prices

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

Commodity prices can also strongly affect the costs of projects. Rising commodity prices and price volatility can adversely affect the Company’s ability to reasonably forecast or estimate future costs and negatively impact the cost of completing future projects as well as those in progress, and could have a material adverse impact on SNC-Lavalin’s business, financial condition and results of operations.

Income taxes

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

15 Controls and Procedures

15.1 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

i. Material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and

ii. Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Based on their evaluation carried out to assess the effectiveness of the Company's disclosure controls and procedures, the CEO and the CFO have concluded that the disclosure controls and procedures were designed and operated effectively as at December 31, 2022.

The CEO and the CFO have also evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures, and its internal control over financial reporting, in each case as at December 31, 2022.

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the CEO and the CFO have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2022, using the *Internal Control – Integrated Framework (2013 Framework*) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

15.2 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

16 Quarterly Information

(IN MILLIONS $, EXCEPT AS OTHERWISE NOTED)	2022					2021				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Continuing operations										
Revenues:										
PS&PM	**1,871.7**	**1,857.6**	**1,859.9**	**1,850.7**	**7,439.9**	1,798.0	1,778.0	1,781.4	1,879.7	7,237.1
Capital	**16.4**	**13.9**	**29.5**	**49.4**	**109.2**	21.7	19.8	27.4	65.2	134.1
Total revenues	**1,888.1**	**1,871.5**	**1,889.4**	**1,900.1**	**7,549.0**	1,819.7	1,797.8	1,808.8	1,944.9	7,371.3
EBIT	**51.5**	**27.1**	**72.9**	**(56.5)**	**95.0**	103.5	80.4	46.1	(35.9)	194.1
Net financial expenses	**25.6**	**20.2**	**23.0**	**46.9**	**115.7**	31.2	25.9	26.3	27.0	110.5
Earnings (loss) before income taxes from continuing operations	**25.8**	**7.0**	**49.9**	**(103.4)**	**(20.7)**	72.3	54.5	19.8	(62.9)	83.6
Income taxes	**4.0**	**3.5**	**3.3**	**(38.5)**	**(27.8)**	3.6	22.2	—	(47.8)	(22.0)
Net income (loss) from continuing operations	**21.9**	**3.5**	**46.6**	**(64.9)**	**7.0**	68.7	32.3	19.8	(15.1)	105.7
Net income (loss) from discontinued operations	**—**	**—**	**(6.9)**	**—**	**(6.9)**	5.3	16.5	582.1	(37.6)	566.4
Net income (loss)	**21.9**	**3.5**	**39.7**	**(64.9)**	**0.1**	74.0	48.9	601.9	(52.7)	672.1
Net income (loss) attributable to:										
SNC-Lavalin shareholders	**24.8**	**1.6**	**37.8**	**(54.4)**	**9.8**	73.0	45.7	600.7	(52.9)	666.6
Non-controlling interests	**(2.9)**	**1.9**	**1.9**	**(10.6)**	**(9.6)**	0.9	3.1	1.2	0.2	5.5
Net income (loss)	**21.9**	**3.5**	**39.7**	**(64.9)**	**0.1**	74.0	48.9	601.9	(52.7)	672.1
Basic earnings (loss) per share ($)	**0.14**	**0.01**	**0.22**	**(0.31)**	**0.06**	0.42	0.26	3.42	(0.30)	3.80
Diluted earnings (loss) per share ($)	**0.14**	**0.01**	**0.22**	**(0.31)**	**0.06**	0.42	0.26	3.42	(0.30)	3.80
Net income (loss) from continuing operations attributable to:										
SNC-Lavalin shareholders	**24.8**	**1.6**	**44.7**	**(54.4)**	**16.6**	67.7	29.2	18.6	(15.3)	100.2
Non-controlling interests	**(2.9)**	**1.9**	**1.9**	**(10.6)**	**(9.6)**	0.9	3.1	1.2	0.2	5.5
Net income (loss) from continuing operations	**21.9**	**3.5**	**46.6**	**(64.9)**	**7.0**	68.7	32.3	19.8	(15.1)	105.7
Basic earnings (loss) per share from continuing operations ($)	**0.14**	**0.01**	**0.25**	**(0.31)**	**0.09**	0.39	0.17	0.11	(0.09)	0.57
Diluted earnings (loss) per share from continuing operations ($)	**0.14**	**0.01**	**0.25**	**(0.31)**	**0.09**	0.39	0.17	0.11	(0.09)	0.57
Dividend declared per share ($)	**0.02**	**0.02**	**0.02**	**0.02**	**0.08**	0.02	0.02	0.02	0.02	0.08