



SNC • LAVALIN

Management's

Discussion and Analysis

First Quarter of 2020 versus
First Quarter of 2019

May 6, 2020

All financial information in Canadian dollars, unless otherwise indicated

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Management's Discussion and Analysis

May 6, 2020

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, as well as how it manages risks and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements of the first quarter of 2020 and accompanying notes, and should therefore **be read in conjunction with that document, with the annual Management's Discussion and Analysis dated February 27, 2020 ("2019 Annual MD&A") and the annual audited consolidated financial statements and accompanying notes for the years ended December 31, 2019 and December 31, 2018, and should also be read together with the text below on forward-looking statements.** Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements or associates, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements or associates. Unless otherwise specified, references to "Sections" means Sections of this MD&A.

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

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

Non-IFRS Financial Measures and Additional IFRS Measures

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 additional IFRS measures. 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 provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

NON-IFRS FINANCIAL MEASURE OR ADDITIONAL IFRS MEASURE

Performance

- Adjusted diluted earnings per share from **Professional Services & Project Management ("PS&PM", formerly referred to as E&C or Engineering and Construction)** ("**Adjusted diluted EPS from PS&PM**")
- Adjusted earnings before interest, income taxes, depreciation and amortization ("**Adjusted EBITDA**")
- Adjusted net income from PS&PM
- Diluted earnings per share from PS&PM and Diluted earnings per share from Capital
- Earnings before interest and income taxes ("**EBIT**")
- Earnings before interest, income taxes, depreciation and amortization ("**EBITDA**")
- Return on average shareholders' equity ("**ROASE**")
- Segment EBIT
- Segment EBITDA

Liquidity

- Current ratio
- Net recourse debt (or Cash net of recourse debt)
- Working capital

Definitions of all non-IFRS financial measures and additional IFRS measures are provided in Section 10 to give the reader a better understanding of the indicators used by management. In addition, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS, refer to Section 10 for references to the sections of this MD&A where these reconciliations are provided.

Comparative figures

The Company's new strategic direction adopted for the second quarter of 2019 resulted in the restructuring of its activities into two distinct business lines, SNCL Engineering Services and SNCL Projects. From a segmented information stand-point, this change resulted in the split of the Infrastructure segment into two segments, Infrastructure Services and Infrastructure EPC Projects, all other segments remaining the same. As such, the Company's reportable segments are EDPM, Nuclear, Infrastructure Services and Capital, all part of SNCL Engineering Services, and Resources and Infrastructure EPC projects, which form SNCL Projects.

These changes were made in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in a restatement of prior 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", "goal", "intends", "may", "plans", "projects", "should", "synergies", "target", "vision", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include statements relating to the following: i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; ii) business and management strategies and the expansion and growth of the Company's operations; and iii) the expected impacts of the COVID-19 pandemic on the business and its operating and reportable segments. 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 May 6, 2020. The assumptions are set out throughout the Company's 2019 Annual MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results") and as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) impacts of the COVID-19 pandemic; (b) results of the new 2019 strategic direction coupled with a corporate reorganization; (c) fixed-price contracts or the Company's failure to meet contractual schedule, performance requirements or to execute projects efficiently; (d) contract awards and timing; (e) remaining performance obligations; (f) being a provider of services to government agencies; (g) international operations; (h) Nuclear liability; (i) ownership interests in Capital investments; (j) dependence on third parties; (k) joint ventures and partnerships; (l) information systems and data; (m) competition; (n) professional liability or liability for faulty services; (o) monetary damages and penalties in connection with professional and engineering reports and opinions; (p) insurance coverage; (q) health and safety; (r) qualified personnel; (s) work stoppages, union negotiations and other labour matters; (t) extreme weather conditions and the impact of natural or other disasters and global health crises; (u) intellectual property; (v) divestitures and the sale of significant assets; (w) impact of operating results and level of indebtedness on financial situation; (x) liquidity and financial position; (y) indebtedness; (z) security under the SNC-Lavalin Highway Holdings Loan; (aa) dependence on subsidiaries to help repay indebtedness; (bb) dividends; (cc) post-employment benefit obligations, including pension-related obligations; (dd) working capital requirements; (ee) collection from customers; (ff) impairment of goodwill and other assets; (gg) outcome of pending and future claims and litigations; (hh) ongoing and potential investigations; (ii) settlements; (jj) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations; (kk) reputation of the Company; (ll) inherent limitations to the Company's control framework; (mm) environmental laws and regulations; (nn) Brexit; (oo) global economic conditions; and (pp) fluctuations in commodity prices.

The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2019 Annual MD&A, as updated in this MD&A, filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com and on the Company's website at www.snc-lavalin.com under the "Investors" section.

The forward-looking statements herein reflect the Company's expectations as at May 6, 2020, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

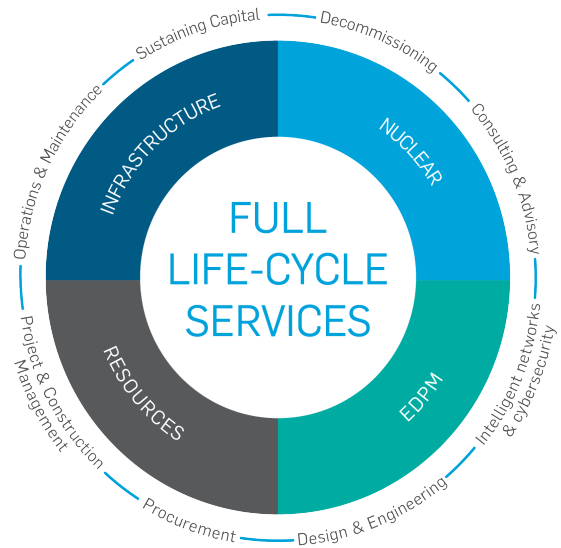
1 Our Business

Founded in 1911, **SNC-Lavalin** is a fully integrated professional services and project management company with offices around the world.

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

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

The Company presents its results separately for its two business lines, SNCL Engineering Services and SNCL Projects. 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.



2 How We Analyze and Report Our Results

The Company carries out its business through two broad lines of business, SNCL Engineering Services and SNCL Projects, which are in turn comprised of six operating and reportable segments as described below.

We report and break down the results of our SNCL Engineering Services line of business through four segments, namely: (i) EPDM; (ii) Nuclear; (iii) Infrastructure Services; and (iv) Capital; while we report and break down the results of our SNCL Projects line of business through two segments, namely: (v) Resources; and (vi) Infrastructure EPC Projects.

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

PS&PM

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

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

While our contracts are negotiated using a variety of contracting options, PS&PM revenues are derived primarily from three major types of contracts: Reimbursable and engineering services contracts, EPC Fixed-price contracts, and Standardized EPC contracts. PS&PM contracts can be found in the following segments and lines of business (excluding Capital):

PS&PM Breakdown					
	SNCL Engineering Services ⁽¹⁾			SNCL Projects	
	EDPM	Nuclear	Infrastructure Services	Infrastructure EPC	Resources
Reimbursable and engineering service	✓	✓	✓	N/A	✓
EPC Fixed-Price contracts	N/A	N/A ⁽²⁾	N/A	✓	✓
Standardized EPC Contracts	N/A	N/A	✓	N/A	N/A

⁽¹⁾ The SNCL Engineering Services business line also includes Capital activities, which segment is excluded from PS&PM.

⁽²⁾ Nuclear includes certain legacy EPC Fixed-Price contracts.

CAPITAL

Capital is SNC-Lavalin's investment, financing and asset management arm, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals). The Capital segment includes SNC-Lavalin's 20% ownership interest in and management of SNCL IP Partnership. Also, as mentioned above, although Capital is a segment forming part of the Company's SNCL Engineering Services line of business, it is excluded from PS&PM.

Capital's business model incorporates new project creation in the Company's PS&PM segments, as well as the Company's geographical regions. Furthermore, many countries are turning to the private sector to take ownership, finance, operate and maintain their assets, usually for a defined period of time.

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

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

3 First Quarter of 2020 Executive Summary

3.1 EXECUTIVE SUMMARY – KEY FINANCIAL INDICATORS

FINANCIAL HIGHLIGHTS

(IN MILLIONS OF CA\$, EXCEPT LOSS PER SHARE)	FIRST QUARTERS	
	2020	2019
Income Statements		
Revenues	\$ 2,229.5	\$ 2,363.2
Net loss attributable to SNC-Lavalin shareholders	(66.0)	(17.3)
Adjusted net income (loss) attributable to SNC-Lavalin shareholders from PS&PM ⁽¹⁾	(3.9)	(14.9)
Loss per share diluted ("Diluted EPS") (in \$)	(0.38)	(0.10)
Adjusted diluted EPS from PS&PM (in \$) ⁽¹⁾	(0.02)	(0.08)
EBIT ⁽¹⁾	(43.3)	13.9
EBITDA ⁽¹⁾	50.4	121.2
Adjusted PS&PM EBITDA (% of revenues) ⁽¹⁾	3.9%	3.5%
Financial Position & Cash Flows		
Cash and cash equivalents (at March 31)	\$ 2,102.3	\$ 614.9
Net recourse debt (at March 31) ⁽¹⁾	(75.5)	(2,002.1)
Net cash generated from (used for) operating activities	23.4	(248.9)
Additional Indicator		
Revenue backlog (at March 31)	\$ 15,022.6	\$ 15,840.7

⁽¹⁾ Non-IFRS financial measures or additional IFRS measures. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

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

- Cash and cash equivalents of \$2.1 billion at the end of March 2020 and \$1.4 billion unused on the Company's second amended and restated credit agreement dated as of April 30, 2018 ("Credit Agreement");
- Revenue backlog of \$15.0 billion as at March 31, 2020, with the Company continuing to run-off LSTK backlog;
- A net loss attributable to SNC-Lavalin shareholders of \$66.0 million (\$0.38 per diluted share) in the first quarter of 2020, compared with a net loss of \$17.3 million (\$0.10 per diluted share) in the corresponding quarter of 2019. The increase in the net loss attributable to SNC-Lavalin shareholders was mainly due to a negative fair value revaluation of the Highway 407 ETR (as defined below) contingent consideration receivable of \$57.2 million recorded in the first quarter of 2020 and higher Corporate selling, general and administrative expenses, partially offset by a lower level of amortization of intangible assets related to business combinations and a decrease of net financial expenses.

3.2 EXECUTIVE SUMMARY – OTHER ITEMS

COVID-19 PANDEMIC

On March 27, 2020, the Company announced actions taken in response to the economic disruptions resulting from the COVID-19 pandemic while continuing to closely monitor and adjust its plans for its different business segments and customers in response to the evolving situation. Given the consequences of the unprecedented and rapidly changing nature of the COVID-19 situation, and the impact on the Company's worldwide operations, the Company also withdrew its previously provided 2020 financial outlook. In response to the rapidly emerging economic disruptions and impacts from COVID-19, most of the Company's SNCL Engineering Services personnel have continued servicing clients from non-office-based locations and the Company has transitioned work among

different jurisdictions as required. The Company also announced that management was undertaking actions and measures focused on reducing costs and managing cash flow across the Company to provide flexibility in addressing varying levels of revenue and customer business, including significantly reducing discretionary expenditure where not required to directly support client delivery and the freezing of capital expenditure. Where it is not possible for employees to carry on productive client work, either due to temporary shutdowns or the nature of the client service, remedial actions are being taken, including reduced hours and employee furloughs. All SNC-Lavalin's executive leadership took a 20% reduction in salary and members of the Company's board of directors took a 20% reduction in cash compensation for the second quarter. The Company stands ready to take additional cost action through the second quarter and beyond should the situation demand, while looking to preserve its world class capability to be ready and available to deliver for its customers when the economic recovery begins.

See also Section 11, "Risks and Uncertainties" for a more specific update on certain risks and uncertainties of the COVID-19 pandemic and the unprecedented decline in global oil demand and substantial increase in global oil supply on the Company's business, operations, results and prospects.

On April 24, 2020, the Company announced that, through the SNC-Lavalin PAE joint arrangement, it had been chosen to provide a range of services in support of the Government of Canada's health preparedness efforts, including to deliver up to ten 100-bed Mobile Health Units and to provide design expertise and support services.

APPOINTMENT OF CHIEF TRANSFORMATION OFFICER

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

APPOINTMENT OF CHIEF FINANCIAL OFFICER

On February 10, 2020, the Company announced the appointment of Jeff Bell as Chief Financial Officer (CFO), effective April 14, 2020. His appointment follows a number of recent appointments that is a part of the ongoing strengthening process of the Company's leadership team focused on supporting the execution of the Company's new strategic direction.

OTHER CHANGES TO THE MANAGEMENT TEAM

Effective February 3, 2020, the Company appointed Jonathan Wilkinson, previously President, Infrastructure, to the newly created role of President of Infrastructure Projects, charged with overseeing the rapid and successful run-off of the Company's LSTK backlog. At the same time, the Company has appointed, on an interim basis, Dale Clarke, previously Executive Vice-President, Strategy and Growth, Infrastructure, to the newly created role of Executive Vice-President Infrastructure Services, responsible for growing the high-performing services business in North America.

CHANGES TO THE COMPANY'S BOARD OF DIRECTORS

On February 8, 2020 and March 19, 2020, the Company announced the nominations of Mr. Gary C. Baughman, Mr. Chris Clark, and Mr. Mike Pedersen, and Ms. Mary-Ann Bell, respectively, to the board of directors of the Company as part of the ongoing renewal process focusing on meeting the evolving needs of the Company and supporting its strategic objectives and long-term sustainability. The four nominees will stand for election by shareholders at the Company's Annual General Meeting on May 7, 2020.

On May 5, 2020, the Company announced that Kevin Lynch has informed the Board of Directors of SNC-Lavalin of his intention to step down as Chairman of the Board following the Annual General Meeting ("AGM"), once a successor has been chosen by the Board. The process for choosing Mr. Lynch's replacement will be led by the Governance and Ethics Committee of the Board and Mr. Lynch has requested that it be completed no later than September 2020.



Financial Performance Analysis

The financial information presented in the table below has been derived from the Company's unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34, *Interim Financial Reporting*, for the three-month periods ended March 31, 2020 and 2019, with the exception of the non-IFRS financial measures specifically identified in the "Additional financial indicators" section below.

(IN MILLIONS OF CA\$, EXCEPT LOSS PER SHARE)	FIRST QUARTERS	
	2020	2019
Revenues	\$ 2,229.5	\$ 2,363.2
Total Segment EBIT	\$ 99.3	\$ 98.7
Corporate selling, general and administrative expenses	\$ (36.8)	\$ (6.2)
Impairment loss arising from expected credit losses	(1.0)	(0.4)
Loss arising on financial assets (liabilities) at fair value through profit or loss	(61.9)	(11.1)
Restructuring costs	(2.4)	(10.4)
Acquisition-related costs and integration costs	—	(5.1)
Amortization of intangible assets related to business combinations	(40.5)	(51.5)
Loss from adjustment on disposals of PS&PM businesses	—	(0.1)
Earnings (loss) before interest and income taxes	\$ (43.3)	\$ 13.9
Net financial expenses	\$ 31.5	\$ 52.4
Loss before income taxes	\$ (74.8)	\$ (38.5)
Income taxes	\$ (12.3)	\$ (20.2)
Net loss for the period	\$ (62.5)	\$ (18.3)
Net income (loss) attributable to:		
SNC-Lavalin shareholders	\$ (66.0)	\$ (17.3)
Non-controlling interests	3.4	(1.0)
Net loss for the period	\$ (62.5)	\$ (18.3)
Loss per share (in \$):		
Basic	\$ (0.38)	\$ (0.10)
Diluted	\$ (0.38)	\$ (0.10)
Additional financial indicators:		
Diluted EPS from PS&PM (in \$) ⁽¹⁾	\$ (0.26)	\$ (0.38)
Adjusted diluted EPS from PS&PM (in \$) ⁽¹⁾	\$ (0.02)	\$ (0.08)
Adjusted EBITDA from PS&PM ⁽¹⁾	\$ 85.0	\$ 79.2

⁽¹⁾ Non-IFRS financial measure. Please refer to Section 10 for further information on these financial measures and for the reference to the reconciliation from these financial measures to the most directly comparable measure specified under IFRS, when applicable.

4.1 REVENUE ANALYSIS

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019 ⁽¹⁾
Revenues:		
From PS&PM		
SNCL Engineering Services (excluding Capital)	\$ 1,534.8	\$ 1,442.0
SNCL Projects	648.5	849.0
Total from PS&PM	\$ 2,183.2	\$ 2,291.0
From Capital	\$ 46.2	\$ 72.2
Total Revenues	\$ 2,229.5	\$ 2,363.2

⁽¹⁾ Comparative figures have been revised. Please refer to Section 9 for further details.

REVENUES FROM PS&PM

PS&PM revenues decreased to \$2.2 billion in the first quarter of 2020, compared with \$2.3 billion in the corresponding quarter of 2019. The variance is largely attributable to lower revenues in SNCL Projects, in both Resources and Infrastructure EPC Projects, partially offset by an increase in revenues in SNCL Engineering Services from PS&PM, from Infrastructure Services and Nuclear. The decrease in revenues from SNCL Projects reflects the completion or near completion of certain major projects, combined with the Company's decision in July 2019 to stop bidding on new LSTK construction contracts. The increase in revenues from SNCL Engineering Services (excluding Capital) reflects mainly the ramp-up in operations of Linxon, acquired in September 2018 and part of Infrastructure Services, and an overall growth in activities in Nuclear.

REVENUES FROM CAPITAL

Revenues from Capital in the first quarter of 2020 amounted to \$46.2 million compared with \$72.2 million in the corresponding quarter of 2019, due to the decrease in contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019.

4.2 SEGMENT EBIT ANALYSIS

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019 ⁽¹⁾
Total Segment EBIT:		
From PS&PM		
SNCL Engineering Services (excluding Capital)	\$ 111.5	\$ 100.8
SNCL Projects	(54.2)	(67.5)
Total from PS&PM	\$ 57.3	\$ 33.3
From Capital	\$ 42.0	\$ 65.4
Total Segment EBIT	\$ 99.3	\$ 98.7
Total Segment EBIT-to-revenue ratio (%):		
From PS&PM		
SNCL Engineering Services (excluding Capital)	7.3%	7.0%
SNCL Projects	(8.4%)	(7.9%)
Total from PS&PM	2.6%	1.5%
From Capital	90.9%	90.6%
Total Segment EBIT-to-revenue ratio (%)	4.5%	4.2%

⁽¹⁾ Comparative figures have been revised. Please refer to Section 9 for further details.

SEGMENT EBIT FROM PS&PM

Total segment EBIT from PS&PM in the first quarter of 2020 was \$57.3 million, compared with \$33.3 million in the first quarter of 2019, mainly due to an increased contribution from Nuclear, Infrastructure Services and Infrastructure EPC Projects, partly offset by a lower Segment EBIT in EDPM.

SEGMENT EBIT FROM CAPITAL

The relationship between revenues and EBIT for Capital investments is not meaningful, as a significant portion of the investments are accounted for under either the equity or cost methods, which do not reflect the line-by-line items of the individual Capital investment's financial results.

Segment EBIT from Capital decreased to \$42.0 million in the first quarter of 2020, compared with \$65.4 million in the first quarter of 2019, mainly due to a lower contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019.

4.3 CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$)	2020			2019		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Corporate selling, general and administrative expenses	\$ 29.7	\$ 7.0	\$ 36.8	\$ (1.7)	\$ 8.0	\$ 6.2

Corporate selling, general and administrative expenses totaled \$36.8 million in the first quarter of 2020, compared with \$6.2 million in the first quarter of 2019, mainly reflecting the higher reversal of some corporate incentives and revision of certain estimates in the first quarter of 2019 combined with a \$10.0 million negative adjustment to the provision for the Pyrrhotite Case litigation (as described in the 2019 Annual MD&A) in the first quarter of 2020.

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

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$)	2020	2019
Loss arising on financial assets (liabilities) at fair value through profit or loss	\$ 61.9	\$ 11.1

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

4.5 RESTRUCTURING COSTS

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$)	2020	2019
Restructuring costs	\$ 2.4	\$ 10.4

The Company incurred \$2.4 million of restructuring costs in the first quarter of 2020 (2019: \$10.4 million), mainly related to severances in both periods.

4.6 ACQUISITION-RELATED COSTS AND INTEGRATION COSTS

FIRST QUARTERS ENDED MARCH 31
(IN MILLIONS C\$)

	2020	2019
Acquisition-related costs and integration costs	\$ —	\$ 5.1

In the first quarter of 2020, the amount of acquisition-related costs and integration costs was \$nil, compared with \$5.1 million in the corresponding period of 2019, related to Atkins and Linxon.

4.7 AMORTIZATION OF INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

FIRST QUARTERS ENDED MARCH 31
(IN MILLIONS C\$)

	2020	2019
Amortization of intangible assets related to business combinations	\$ 40.5	\$ 51.5

Amortization of intangible assets related to business combinations amounted to \$40.5 million in the first quarter of 2020, and to \$51.5 million in the first quarter of 2019, both mainly attributable to the amortization expense of intangible assets related to Atkins.

4.8 EBIT, EBITDA ANALYSIS

EBIT, EBITDA are non-IFRS financial measures. Definitions and reconciliations of these financial measures to net income are presented in Section 10.

In the first quarter of 2020, EBIT from PS&PM was negative \$21.0 million, compared with negative \$41.2 million in the first quarter of 2019, as the higher total Segment EBIT from PS&PM and lower amortization of intangible assets related to business combinations more than offset the higher corporate selling, general and administrative expenses. The EBITDA from PS&PM was \$72.6 million in the first quarter of 2020, compared with \$66.1 million in the first quarter of 2019, as the higher total Segment EBIT from PS&PM more than offset the higher corporate selling, general and administrative expenses. When adjusting for the charges related to restructuring, the acquisition-related costs and integration costs, the loss from the adjustment on disposals of PS&PM businesses and the adjustment to the provision for the Pyrrhotite Case litigation (as described in the 2019 Annual MD&A), Adjusted EBITDA from PS&PM amounted to \$85.0 million in the first quarter of 2020, compared with \$79.2 million in the first quarter of 2019.

EBIT and EBITDA from Capital were negatively impacted in the first quarter of 2020 by the fair value revaluation of \$57.2 million of the Highway 407 ETR contingent consideration receivable, combined with a lower contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019.

4.9 NET FINANCIAL EXPENSES

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$)	2020			2019		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Interest revenues	\$ (4.5)	\$ —	\$ (4.5)	\$ (1.7)	\$ —	\$ (1.7)
Interest on debt:						
Recourse	11.4	—	11.4	25.4	—	25.4
Limited recourse	5.0	—	5.0	18.6	—	18.6
Non-recourse	1.2	4.3	5.5	1.3	4.3	5.5
Net foreign exchange losses (gains)	(1.1)	—	(1.0)	(4.1)	—	(4.1)
Interest on lease liabilities	5.9	—	5.9	5.9	—	5.9
Other	9.3	—	9.3	2.9	—	2.9
Net financial expenses	\$ 27.2	\$ 4.3	\$ 31.5	\$ 48.1	\$ 4.3	\$ 52.4

Net financial expenses from PS&PM decreased to \$27.2 million in the first quarter of 2020 compared with \$48.1 million in the first quarter of 2019, a variance mainly due to the repayment of recourse and limited recourse debt in 2019.

Net financial expenses from Capital were \$4.3 million in the first quarter of 2020, in line with the first quarter of 2019.

4.10 INCOME TAXES ANALYSIS

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$)	2020			2019		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Earnings (loss) before income taxes	\$ (48.3)	\$ (26.5)	\$ (74.8)	\$ (89.3)	\$ 50.7	\$ (38.5)
Income taxes	\$ (5.8)	\$ (6.5)	\$ (12.3)	\$ (20.9)	\$ 0.7	\$ (20.2)
Effective income tax rate (%)	12.0 %	24.5 %	16.4 %	23.4 %	1.3 %	52.5 %

In the first quarter of 2020, the Company reported an income tax recovery of \$12.3 million, compared to an income tax recovery of \$20.2 million in the first quarter of 2019.

The effective income tax recovery rate from PS&PM was lower than the Canadian statutory income tax rate of 26.4% for the first quarter of 2020, mainly due to the impact of the geographic mix of earnings, the write down of previously recognized deferred income tax assets, net losses not affected by tax and other permanent items. These impacts were partially offset by an income tax recovery on the carry back of net operating losses to a prior year at a higher tax rate and adjustments to deferred income tax balances attributable to changes in tax rates and laws.

In the first quarter of 2019, the effective income tax recovery rate from PS&PM was in line with the Canadian statutory income tax rate of 26.7%.

The effective income tax rate from Capital investments increased in the first quarter of 2020 compared with the first quarter of 2019, as the non-deductible portion of the capital loss on the negative fair value revaluation of the Highway 407 ETR contingent consideration receivable had an unfavorable impact on the effective tax rate in 2020.

4.11 NET INCOME ANALYSIS

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019
Net income (loss) attributable to SNC-Lavalin shareholders:		
From PS&PM	\$ (45.9)	\$ (67.4)
From Capital	(20.0)	50.1
Net loss attributable to SNC-Lavalin shareholders	\$ (66.0)	\$ (17.3)
Non-controlling interests	3.4	(1.0)
Net loss for the period	\$ (62.5)	\$ (18.3)

NET INCOME FROM PS&PM

Net loss attributable to SNC-Lavalin shareholders from PS&PM was \$45.9 million in the first quarter of 2020, compared to a net loss attributable to SNC-Lavalin shareholders from PS&PM of \$67.4 million in the first quarter of 2019, mainly attributable to a higher total Segment EBIT from PS&PM, a decrease in net financial expenses and a lower level of amortization of intangible assets related to business combinations, partly offset by a higher level of corporate selling, general and administrative expenses and a lower level of income tax recoveries.

NET INCOME FROM CAPITAL

Net loss attributable to SNC-Lavalin shareholders from Capital amounted to \$20.0 million in the first quarter of 2020, compared with a net income attributable to SNC-Lavalin shareholders from Capital of \$50.1 million in the first quarter of 2019, mainly due to the negative fair value revaluation of \$57.2 million of the Highway 407 ETR contingent consideration receivable, combined with a lower contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019.

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 could be required to make estimates regarding the revenue to be generated for certain contracts.

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

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

REVENUE BACKLOG BY SEGMENT

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

(IN MILLIONS CA\$) BY SEGMENT	MARCH 31 2020	DECEMBER 31 2019
SNCL Engineering Services		
EDPM	\$ 2,650.9	\$ 2,630.0
Nuclear	1,057.1	1,154.0
Infrastructure Services	7,257.4	7,337.0
Capital ⁽¹⁾	171.9	176.9
Total SNCL Engineering Services	\$ 11,137.2	\$ 11,297.9
SNCL Projects		
Resources	\$ 1,303.2	\$ 1,380.1
Infrastructure EPC Projects	2,582.2	2,584.5
Total SNCL Projects	\$ 3,885.4	\$ 3,964.6
Total	\$ 15,022.6	\$ 15,262.5

⁽¹⁾ Backlog from Capital represents the amount that will be recognized as revenue from contracts with customers in the Capital segment from a concession agreement.

The Company's revenue backlog decreased to \$15.0 billion as at March 31, 2020 compared with \$15.3 billion as at December 31, 2019, mainly reflecting a decrease in Nuclear, Infrastructure Services and Resources partially offset by an increase in EDPM.

BACKLOG BY TYPES OF CONTRACTS

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

AT MARCH 31, 2020 (IN MILLIONS CA\$)	REIMBURSABLE & ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
SNCL Engineering Services						
EDPM	\$ 2,650.9	100 %	\$ —	— %	\$ —	— %
Nuclear	986.1	93 %	—	— %	71.0	7 %
Infrastructure Services	6,391.0	88 %	866.3	12 %	—	— %
Capital	171.9	100 %	—	— %	—	— %
Total SNCL Engineering Services	\$ 10,199.9	91 %	\$ 866.3	8 %	\$ 71.0	1 %
SNCL Projects						
Resources	\$ 975.2	75 %	\$ —	— %	\$ 328.0	25 %
Infrastructure EPC Projects	—	— %	—	— %	2,582.2	100 %
Total SNCL Projects	\$ 975.2	25 %	\$ —	— %	\$ 2,910.2	75 %
Total	\$ 11,175.1	74 %	\$ 866.3	6 %	\$ 2,981.2	20 %

AT DECEMBER 31, 2019 (IN MILLIONS CA\$)	REIMBURSABLE & ENGINEERING SERVICES CONTRACTS		STANDARDIZED EPC CONTRACTS		LSTK CONSTRUCTION CONTRACTS	
BY SEGMENT						
SNCL Engineering Services						
EDPM	\$ 2,630.0	100 %	\$ —	— %	\$ —	— %
Nuclear	1,079.0	94 %	—	— %	75.0	6 %
Infrastructure Services	6,444.5	88 %	892.5	12 %	—	— %
Capital	176.9	100 %	—	— %	—	— %
Total SNCL Engineering Services	\$ 10,330.4	91 %	\$ 892.5	8 %	\$ 75.0	1 %
SNCL Projects						
Resources	\$ 973.8	71 %	\$ —	— %	\$ 406.3	29 %
Infrastructure EPC Projects	—	— %	—	— %	2,584.5	100 %
Total SNCL Projects	\$ 973.8	25 %	\$ —	— %	\$ 2,990.8	75 %
Total	\$ 11,304.2	74 %	\$ 892.5	6 %	\$ 3,065.8	20 %

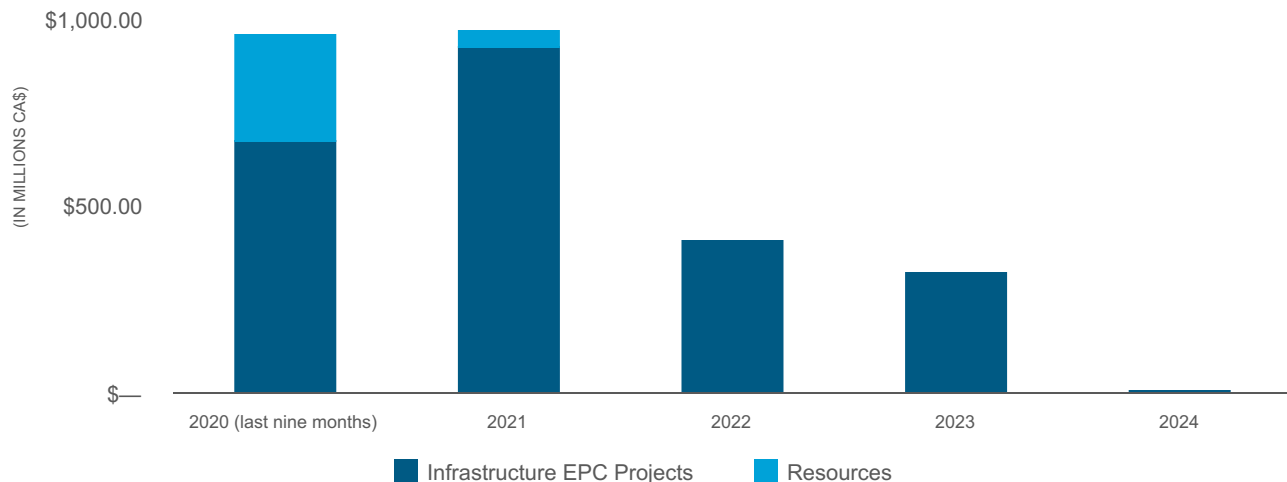
BACKLOG PHASING OF LSTK CONSTRUCTION CONTRACTS

The LSTK construction contracts included in the backlog of the Resources and Infrastructure EPC Projects segments have expected completions varying between 2020 and 2024. The Company will fulfill the contractual obligations of its current LSTK construction projects. It may be necessary for the Company to accept change orders under existing LSTK construction contracts, which may temporarily extend the performance timeframe of such contracts.

Most of the backlog from LSTK construction contracts in these segments is derived from the following projects: Réseau Express Métropolitain (REM), Trillium Line Extension (Trillium), Eglinton LRT and Husky White Rose (Husky). It should be noted that the REM project was temporarily suspended towards the end of the first quarter of 2020 due to the COVID-19 pandemic. With its joint venture partners, the Company has moved quickly to safely suspend operations whilst maintaining the care and custody of the various project sites and continuing with engineering design work where possible. Also in the first quarter of 2020, the Husky project was suspended based on the client's directives. The Eglinton and Trillium projects remain open but are being affected by revised working conditions due to COVID-19.

As such, while the backlog phasing presented below incorporates the Company's best estimates, it excludes the backlog from the Husky project, due to the currently unknown revised schedule, and the timing of the other projects is also subject to uncertainties. See also Section 11, "Risks and Uncertainties", for a more specific update of the risks and uncertainties relating to the Company caused by the COVID-19 pandemic.

BACKLOG PHASING – LSTK construction contracts
(excluding the Husky project)



6 Segment Information

The Company evaluates segment performance, using **Segment EBIT**, which is a non-IFRS financial measure defined in Section 10.

The Company derived its revenues from reimbursable and engineering service contracts (first quarter of 2020: 79%; first quarter of 2019: 76%), standardized EPC contracts (first quarter of 2020: 7%; first quarter of 2019: 3%) and LSTK construction contracts (first quarter of 2020: 14%; first quarter of 2019: 21%).

The following discussion reviews the Company's segment revenues, Segment EBIT and Segment EBITDA.

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$)		2020		2019 ⁽¹⁾		
BY SEGMENT						
	REVENUES	SEGMENT EBIT	SEGMENT EBITDA	REVENUES	SEGMENT EBIT	SEGMENT EBITDA
EDPM	\$ 945.1	\$ 57.5	\$ 83.0	\$ 983.0	\$ 80.2	\$ 108.3
Nuclear	236.9	36.7	39.7	223.7	10.8	13.4
Infrastructure Services	352.7	17.3	19.8	235.4	9.8	11.8
Capital	46.2	42.0	42.1	72.2	65.4	65.4
Total SNCL Engineering Services	\$ 1,581.0	\$ 153.6	\$ 184.6	\$ 1,514.2	\$ 166.2	\$ 198.9
Resources	426.2	(58.0)	(50.3)	585.2	(61.4)	(49.0)
Infrastructure EPC Projects	222.3	3.8	8.1	263.8	(6.1)	(1.3)
Total SNCL Projects	\$ 648.5	\$ (54.2)	\$ (42.1)	\$ 849.0	\$ (67.5)	\$ (50.4)
Total Revenues, Total Segment EBIT and Total Segment EBITDA	\$ 2,229.5	\$ 99.3	\$ 142.5	\$ 2,363.2	\$ 98.7	\$ 148.5

⁽¹⁾ Comparative figures have been revised. Please refer to Section 9 for further details.

6.1 SNCL ENGINEERING SERVICES

6.1.1 – EDPM

EDPM incorporates all consultancy, engineering, design and project management services around the world (including the Canadian market, which was previously in the former Infrastructure segment prior to January 1, 2019). It also leads our efforts to transform the global infrastructure sector by leveraging data and technology to improve the delivery of our clients' projects from conception through to eventual operation. EDPM projects are mainly in transportation (including rail, mass transit, roads and airports), civil infrastructure, aerospace, defence and security and technology, including some of the world's most transformational projects. A significant portion of revenues are derived from the public sector, including national, provincial, state and local and municipal authorities. Similar to the first quarter of 2019, the EDPM segment derived all of its first quarter of 2020 revenues from reimbursable and engineering service contracts.

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019
Revenues from EDPM	\$ 945.1	\$ 983.0
Segment EBIT from EDPM	\$ 57.5	\$ 80.2
Segment EBITDA from EDPM	\$ 83.0	\$ 108.3
Segment EBIT over revenues from EDPM (%)	6.1%	8.2%
Segment EBITDA over revenues from EDPM (%)	8.8%	11.0%

EDPM revenues were \$945.1 million in the first quarter of 2020 compared with \$983.0 million in the first quarter of 2019. The EDPM core business in the UK, United States and Canada continues to perform well and the decrease in revenues was mainly attributable to a reduction in work from the Federal Emergency Management Agency ("FEMA") in the United States in the first quarter of 2020 compared with the corresponding period of 2019. Revenues were also negatively impacted in Asia Pacific in the first quarter of 2020 as a consequence of COVID-19, and in the Middle East as a result of a slow-down in the economy impacted by the falling oil price, which may continue to impact the business negatively.

Segment EBIT from EDPM was \$57.5 million (Segment EBITDA of \$83.0 million) in the first quarter of 2020 compared with a Segment EBIT of \$80.2 million (Segment EBITDA of \$108.3 million) in the first quarter of 2019, primarily due to reduced volume of work in the Middle East and consequential productivity and profit shortfalls, a decreased profitability on certain major projects in Canada, as well as the impacts of COVID-19 amounting to approximately \$8 million mainly in Asia Pacific.

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

6.1.2 – NUCLEAR

Nuclear supports clients across the entire nuclear life cycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors. The Nuclear segment derives its revenues from reimbursable and engineering service contracts (first quarter of 2020: 98%; first quarter of 2019: 97%), and two legacy LSTK construction contracts (first quarter of 2020: 2%; first quarter of 2019: 3%).

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019
Revenues from Nuclear	\$ 236.9	\$ 223.7
Segment EBIT from Nuclear	\$ 36.7	\$ 10.8
Segment EBITDA from Nuclear	\$ 39.7	\$ 13.4
Segment EBIT over revenues from Nuclear (%)	15.5%	4.8%
Segment EBITDA over revenues from Nuclear (%)	16.8%	6.0%

Nuclear revenues amounted to \$236.9 million in the first quarter of 2020, compared with \$223.7 million in the first quarter of 2019, mainly due to a higher level of activity on certain major projects particularly in Canada and in the United States.

In the first quarter of 2020, Segment EBIT, from Nuclear increased to \$36.7 million (Segment EBITDA of \$39.7 million) compared with \$10.8 million (Segment EBITDA of \$13.4 million) in the first quarter of 2019, mainly due to higher forecasted costs in the first quarter of 2019 on a specific LSTK project in Canada which is now completed, combined with a more favorable business mix and lower overhead across all geographies in the first quarter of 2020.

6.1.3 – INFRASTRUCTURE SERVICES

Infrastructure Services includes O&M projects, as well as the Company's repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity. Segment EBIT includes the contribution attributable to non-controlling interests. As such, the Segment EBIT of Linxon, a 51% subsidiary, is reported at 100% both in 2020 and in 2019. The Infrastructure Services segment derives its revenues from both reimbursable and engineering service contracts (first quarter of 2020: 59%; first quarter of 2019: 69%) and standardized EPC contracts (first quarter of 2020: 41%; first quarter of 2019: 31%).

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019 ⁽¹⁾
Revenues from Infrastructure Services	\$ 352.7	\$ 235.4
Segment EBIT from Infrastructure Services	\$ 17.3	\$ 9.8
Segment EBITDA from Infrastructure Services	\$ 19.8	\$ 11.8
Segment EBIT over revenues from Infrastructure Services (%)	4.9%	4.2%
Segment EBITDA over revenues from Infrastructure Services (%)	5.6%	5.0%

⁽¹⁾ Comparative figures have been revised. Please refer to Section 9 for further details.

Infrastructure Services revenues were \$352.7 million in the first quarter of 2020 compared with \$235.4 million in the first quarter of 2019, an increase mainly attributable to Linxon, which expanded its geographic activity after the second quarter of 2019, as well as additional scope of work in certain O&M contracts.

In the first quarter of 2020, Segment EBIT from Infrastructure Services increased to \$17.3 million (Segment EBITDA of \$19.8 million) compared with \$9.8 million (Segment EBITDA of \$11.8 million) in the first quarter of 2019, mainly attributable to the increased contribution of the Linxon business and of certain long-term O&M contracts.

6.1.4 – 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, SNCL IP Partnership. Also, as mentioned above, although Capital is a segment forming part of the SNCL Engineering Services line of business, it is excluded from PS&PM.

It is the Company's view that the aggregate fair value of its Capital investments is much higher than their net book value of \$401.2 million as at March 31, 2020. Highway 407 ETR represents the most significant portion of the total fair value of the Company's Capital investments portfolio.

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

(IN MILLIONS CA\$)	MARCH 31 2020	DECEMBER 31 2019
Highway 407 ETR ⁽¹⁾	\$ —	\$ —
Others	401.2	356.0
Total	\$ 401.2	\$ 356.0

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

ACCOUNTING METHODOLOGY FOR CAPITAL INVESTMENTS

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

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

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

REVENUES, SEGMENT EBIT AND DIVIDENDS OF THE CAPITAL SEGMENT

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019
Revenues from Capital	\$ 46.2	\$ 72.2
Segment EBIT from Capital investments:		
From Highway 407 ETR	\$ 21.1	\$ 41.9
From other Capital investments ⁽¹⁾	20.9	23.5
Segment EBIT from Capital	\$ 42.0	\$ 65.4

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

Segment EBIT from Capital decreased to \$42.0 million in the first quarter of 2020 compared with \$65.4 million in the first quarter of 2019, mainly due to a lower contribution from Highway 407 ETR following the disposal of a portion of this investment by the Company in August 2019.

6.2 SNCL PROJECTS

6.2.1 – RESOURCES

Resources provides a full suite of delivery services to the oil & gas and mining & metallurgy sectors, covering the project lifecycle from project development through project delivery and support services. Resources have ceased bidding for new EPC projects under the LSTK construction contracting model. Resources is now focused on providing engineering, EPCM, project management consultancy (“PMC”), construction & commissioning and technical support services through a lower risk contracting model. Operational delivery is focused on key regions and global clients. The Resources segment derives its revenues from reimbursable and engineering service contracts (first quarter of 2020: 78%; first quarter of 2019: 60%) and LSTK construction contracts (first quarter of 2020: 22%; first quarter of 2019: 40%).

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019
Revenues from Resources	\$ 426.2	\$ 585.2
Segment EBIT from Resources	\$ (58.0)	\$ (61.4)
Segment EBITDA from Resources	\$ (50.3)	\$ (49.0)
Segment EBIT over revenues from Resources (%)	(13.6%)	(10.5%)
Segment EBITDA over revenues from Resources (%)	(11.8%)	(8.4%)

Resources revenues were \$426.2 million in the first quarter of 2020, compared with \$585.2 million in the first quarter of 2019, mainly attributable to the continuing backlog run-off of certain major LSTK projects, coupled with no new LSTK construction contract bidding, in line with the Company’s new strategic direction announced in July 2019.

Segment EBIT from Resources was negative \$58.0 million (Segment EBITDA negative \$50.3 million) in the first quarter of 2020, compared with negative \$61.4 million (Segment EBITDA negative \$49.0 million) in the first quarter of 2019, as both periods had unfavorable reforecasts on certain major LSTK construction contracts. The loss in the first quarter of 2020 is also explained by an uncompetitive cost base and slower than anticipated awards for the services portfolio. This trend was exacerbated by the significant fall in oil prices in the second half of the first quarter.

The Company completed in the first quarter of 2020 the close of Valerus, a non-core, underperforming, mid-stream oil and gas production and processing facility based in Houston. As part of the ongoing strategic review of the Resources business, the Company’s Resources sector is currently exiting and reducing its footprint from non-core locations, as well as right-sizing its cost base in line with the LSTK run-off and its future service market positioning. To the extent commodity prices remain at historically low levels or continue to decline, the Company’s clients may defer new investments or cancel or delay existing projects, potentially negatively impacting demand for the Company’s services.

6.2.2 – INFRASTRUCTURE EPC PROJECTS

Infrastructure EPC Projects includes LSTK construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. The Company decided, in July 2019, to cease contracting for new LSTK construction contracts. The Infrastructure EPC Projects segment derives 100% of its revenues from LSTK construction contracts.

(IN MILLIONS OF CA\$)	FIRST QUARTERS	
	2020	2019 ⁽¹⁾
Revenues from Infrastructure EPC Projects	\$ 222.3	\$ 263.8
Segment EBIT from Infrastructure EPC Projects	\$ 3.8	\$ (6.1)
Segment EBITDA from Infrastructure EPC Projects	\$ 8.1	\$ (1.3)
Segment EBIT over revenues from Infrastructure EPC Projects (%)	1.7%	(2.3%)
Segment EBITDA over revenues from Infrastructure EPC Projects (%)	3.6%	(0.5%)

⁽¹⁾ Comparative figures have been revised. Please refer to Section 9 for further details.

Infrastructure EPC Projects revenues were \$222.3 million for the first quarter of 2020, compared with \$263.8 million in the first quarter of 2019, as the higher revenues from certain major construction projects were more than offset by the lower level of activities as a result of the completion or near completion of certain major construction and clean power projects, coupled with no new LSTK construction contract bidding by the Company.

In the first quarter of 2020, Infrastructure EPC Projects Segment EBIT amounted to \$3.8 million (Segment EBITDA of \$8.1 million), compared with negative \$6.1 million (Segment EBITDA negative \$1.3 million) for the corresponding period of 2019, mainly attributable to unfavorable reforecasts on certain major projects in 2019.

7 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 on the Company's **capital resources**;
- A description of the Company's **debt and financing agreements** and its **capital management indicators**;
- An update on the Company's **credit ratings**;
- The presentation of the Company's **dividends declared**.
- 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; and
- A discussion on the Company's **financial position** at the end of the first quarter of 2020, compared with its financial position as at December 31, 2019.

7.1 CASH FLOWS ANALYSIS

SUMMARY OF CASH FLOWS

THREE MONTHS ENDED MARCH 31 (IN MILLIONS CA\$)	2020	2019
Cash flows generated from (used for):		
Operating activities	\$ 23.4	\$ (248.9)
Investing activities	(56.6)	(114.4)
Financing activities	939.4	346.1
Increase (decrease) in exchange differences on translating cash and cash equivalents held in foreign operations	7.5	(2.1)
Net increase (decrease) in cash and cash equivalents	913.7	(19.2)
Cash and cash equivalents at beginning of the period	1,188.6	634.1
Cash and cash equivalents at end of the period	\$ 2,102.3	\$ 614.9

Cash and cash equivalents increased by \$913.7 million in the first three months of 2020, compared with a decrease of \$19.2 million in the first three months of 2019, as discussed further below.

OPERATING ACTIVITIES

Net cash generated from operating activities totaled \$23.4 million for the first three months of 2020, compared with net cash used for operating activities of \$248.9 million for the corresponding period of 2019, a variance reconciled as follows:

(IN MILLIONS CA\$)	THREE-MONTH PERIOD
Net cash used for operating activities for the first three months of 2019	\$ (248.9)
Changes between the first three months of 2020 and first three months of 2019:	
Increase in net loss	(44.2)
Income taxes paid	(37.2)
Increase in income taxes recognized in net income	7.9
Decrease in net financial expenses recognized in net income	(20.9)
Decrease in interest paid	36.2
Decrease in income from Capital investments accounted for by the equity method	23.8
Decrease in dividends and distributions received from Capital investments accounted for by the equity method	(19.3)
Increase in dividends and distributions received from PS&PM investments accounted for by the equity method	(1.8)
Decrease in net change in provisions related to forecasted losses on certain contracts	77.6
Increase in restructuring costs paid	(9.6)
Higher loss arising on financial asset (liabilities) at fair value through profit or loss	50.8
Other items	43.4
Changes in the net cash generated (used) by operating activities before net change in non-cash working capital items	106.9
Decrease in cash used by the changes in non-cash working capital items	165.3
Net cash generated from operating activities for the first three months of 2020	\$ 23.4

- **Net cash generated from operating activities before net change in non-cash working capital items totaled \$20.9 million for the first three months of 2020**, compared with net cash used for operating activities before net change in working capital items of \$85.9 million for the first three months of 2019.
- As detailed in Note 9B to the Company's unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2020, **changes in non-cash working capital items generated net cash of \$2.4 million in the first quarter of 2020**, compared with net cash used of \$162.9 million in the corresponding period of 2019. This difference reflected mainly a favorable variance in contract assets, contract liabilities, inventories and in other current non-financial liabilities, partly offset by an unfavorable variance in other current financial liabilities.
- From a business line perspective, SNCL Engineering Services (excluding Capital) generated \$142.3 million of cash from operating activities in the first quarter of 2020, while SNCL Projects used \$151.6 million of cash from operating activities. The remaining amount relates to Capital, corporate activities and to items not allocated to the Company's segments.

INVESTING ACTIVITIES

Net cash used for investing activities amounted to \$56.6 million for the first three months of 2020, compared with \$114.4 million in the corresponding period of 2019, a variance reconciled as follows:

(IN MILLIONS CA\$)	THREE-MONTH PERIOD
Net cash used for investing activities for the first three months of 2019	\$ (114.4)
Changes between the first three months of 2020 and first three months of 2019:	
Decrease in acquisitions of property and equipment	9.1
Increase in payments for Capital investments	(36.9)
Decrease in restricted cash position	71.1
Lower increase in receivables under service concession arrangements, net of recovery	8.6
Other items	5.9
Net cash used for investing activities for the first three months of 2020	\$ (56.6)

- **For the first quarter of 2020, payments for Capital investments amounted to \$46.8 million,** compared with \$10.0 million for the corresponding quarter of 2019. The payments made in 2020 included mainly the contribution made to Signature on the Saint-Laurent Group General Partnership.
- **Cash generated from a change in restricted cash totaled \$26.6 million for the first three months of 2020,** compared to cash used from a change in restricted cash of \$44.5 million for the first three months of 2019, mainly due to InPower BC General Partnership.

FINANCING ACTIVITIES

Net cash generated from financing activities totaled \$939.4 million for the first three months of 2020, compared with \$346.1 million in the corresponding period of 2019, a variance reconciled as follows:

(IN MILLIONS CA\$)	THREE-MONTH PERIOD
Net cash generated from financing activities for the first three months of 2019	\$ 346.1
Changes between the first three months of 2020 and first three months of 2019:	
Decrease in repayment of recourse debt	265.6
Higher increase in recourse debt	403.3
Increase in repayment of non-recourse debt	(29.4)
Lower increase in non-recourse debt	(62.3)
Decrease in payment of dividends to SNC-Lavalin shareholders	14.0
Lower increase in other non-current financial liabilities	2.7
Other items	(0.6)
Net cash generated from financing activities for the first three months of 2020	\$ 939.4

- The changes in cash flows related to financing activities between the first quarter of 2020 and the corresponding period of 2019 were primarily explained by the elements in the table above, notably:
 - The repayment of recourse debt of \$265.6 million in the first quarter of 2019. The repayment of debt in 2019 included the payment at maturity of debentures totaling \$150 million.
 - The increase in recourse debt of \$1.0 billion in the first quarter of 2020, compared with \$596.7 million in the corresponding quarter of 2019. As at March 31, 2020, the Company had \$1 billion drawn under its committed revolving facility in order to secure access to liquidity while financial markets are facing challenges.
- 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 first quarters ended March 31, 2020 and 2019 in Note 9C in its unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2020.
- The Company did not issue and did not repurchase any shares in the first quarter of 2020 and in the first quarter of 2019. The number of common shares outstanding as at April 28, 2020 was 175,554,252.
- **The dividend paid decreased to \$3.5 million in the first quarter of 2020**, from \$17.6 million in the corresponding period of 2019, as the Company further reduced, starting with the dividend declared on August 1, 2019, the amount of dividend per share in order to deleverage and strengthen its balance sheet.

7.2 CAPITAL RESOURCES

(IN MILLIONS CA\$)	MARCH 31 2020	DECEMBER 31 2019
Cash and cash equivalents	\$ 2,102.3	\$ 1,188.6
Unused portion of committed revolving credit facilities ^{(1), (2)}	1,351.5	2,411.9
Available short-term capital resources	\$ 3,453.8	\$ 3,600.5

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

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

As at March 31, 2020, the Company has a committed revolving facility of \$2,600 million (December 31, 2019: \$2,600 million), of which \$1,351.5 million was unused (December 31, 2019: \$2,411.9 million), and uncommitted credit facilities by way of bilateral letters of credit.

While liquidity remains subject to numerous risks, uncertainties and limitations, including but not limited to the risks described under Section 11 “Risks and Uncertainties” and in this Section, the Company believes that its current liquidity position, including its cash position, unused credit capacity and cash generated from its operations, should be sufficient to fund its operations over the foreseeable future. However, the ongoing COVID-19 pandemic has created an environment and circumstances in which it is difficult to anticipate future economic and financial conditions and access to capital, credit and financial markets and, as such, statements regarding the Company’s future liquidity are uncertain and subject to the risks and uncertainties relating to the pandemic. See also Section 11, “Risks and Uncertainties”, for a more specific update of the risks and uncertainties relating to the Company caused by the COVID-19 pandemic.

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

7.3 DEBT AND FINANCING AGREEMENTS

NON-RECOURSE, LIMITED RECOURSE DEBT AND RECOURSE DEBT

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

The net recourse debt to EBITDA ratio under the Company’s Credit Agreement and the loan agreement with CDPQ Revenu Fixe Inc., a wholly-owned subsidiary of Caisse de dépôt et placement du Québec (“SNC-Lavalin Highway Holdings Loan Agreement”) (each as amended), which should not exceed 3.75x as at March 31, 2020, was 2.3x on that date.

The terms “net recourse debt” and “EBITDA” are defined in the Credit Agreement and in the SNC-Lavalin Highway Holdings Loan Agreement and do not correspond to the specific terms used in this MD&A. Furthermore, such ratio is calculated using certain financial information not disclosed in the Company’s unaudited interim condensed consolidated financial statements of the first quarter of 2020 or in this MD&A. For example, the ratio includes the amount of down-payments on contracts totaling \$317.3 million as at March 31, 2020 (December 31, 2019: \$322.4 million) and the amount of financial letters of credit outstanding totaling \$191.0 million as at March 31, 2020 (December 31, 2019: \$259.6 million) as part of the net recourse debt calculation.

7.4 CAPITAL MANAGEMENT INDICATORS

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

NET RECOURSE DEBT

Net recourse debt (or Cash net of recourse debt) is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10.

(IN MILLIONS CA\$)	MARCH 31 2020	DECEMBER 31 2019
Cash and cash equivalents	\$ 2,102.3	\$ 1,188.6
Less:		
Cash and cash equivalents of Capital investments accounted for by the consolidation method	9.7	8.3
Recourse debt:		
Short-term debt and current portion of long-term debt	1,469.6	299.5
Long term debt	698.5	873.1
Cash net of recourse debt (net recourse debt)	\$ (75.5)	\$ 7.7

- **Net recourse debt as at March 31, 2020 was \$75.5 million**, compared with cash net of recourse debt of \$7.7 million as at December 31, 2019, mainly resulting from an increase of recourse debt under the committed revolving facility under the Credit Agreement and the cash used for investing activities in the first quarter of 2020.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a non-IFRS financial measure. A definition of this financial measure is provided in Section 10. **ROASE was 9.7% for the 12-month period ended March 31, 2020**, compared with -33.3% for the corresponding period of 2019.

7.5 CREDIT RATING

On April 7, 2020, DBRS issued a rating report confirming the Company's rating of BBB (low) and maintaining the trend to negative. This rating confirmation is supported by a relatively better performance, comfortable liquidity position with cash balances of \$1.2 billion as at December 31, 2019, and the Company's ongoing efforts to execute the new strategy focusing on engineering service offerings and exiting LSTK contracting.

On August 19, 2019, S&P downgraded the Company's rating to BB+ from BBB- and maintained its negative outlook. The downgrade primarily reflects the significant losses realized on LSTK construction contracts year-to-date. The negative outlook primarily reflects uncertainty in the Company's ability to recover earnings and cash flow so that the adjusted debt-to-EBITDA ratio, as per S&P's methodology, returns below 3x by 2020.

7.6 DIVIDENDS DECLARED

A quarterly cash dividend of \$0.02 per share was declared on February 28, 2020 and was paid on March 27, 2020, compared with the corresponding quarterly cash dividend of \$0.10 per share declared and paid in the first quarter of 2019.

7.7 CONTRACTUAL OBLIGATIONS

Details of the Company's various contractual obligations are provided in Section 9.7 of the Company's 2019 Annual MD&A. In the first three months of 2020, there was no material change to the Company's contractual obligations other than its repayment obligations with respect to the additional \$1.0 billion of borrowings classified as recourse debt under the Company's credit facilities described at Section 7.1 of this MD&A, "Cash Flows Analysis—Financing Activities".

7.8 FINANCIAL INSTRUMENTS

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 30 to the Company's 2019 annual audited consolidated financial statements and updated as needed in Note 11 to its unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2020. In the first three months of 2020, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

7.9 FINANCIAL POSITION

The following is an analysis of the changes to the Company's financial position between December 31, 2019 and March 31, 2020.

(IN MILLIONS CA\$)	MARCH 31 2020	DECEMBER 31 2019	CHANGE (\$)	EXPLANATIONS
Current assets	6,257.0	5,150.1	1,106.9	The increase in current assets was mainly due to an increase in cash and cash equivalents as well as contract assets.
Non-current assets	6,759.4	6,494.6	264.8	The increase in non-current assets was principally due to an increase in other non-current non-financial assets as well as Goodwill partially offset by a decrease in other non-current financial assets.
Total assets	\$ 13,016.4	\$ 11,644.7	\$ 1,371.7	
Current liabilities	\$ 5,857.9	\$ 4,527.9	\$ 1,330.0	The increase in current liabilities was mainly due to the drawdown on the Company's credit facility.
Non-current liabilities	2,967.3	3,399.4	(432.1)	The decrease in non-current liabilities was mainly due to the decrease in the non-current portion of provisions and in the recourse debt, partially offset by the increase in the deferred income tax liability.
Total liabilities	\$ 8,825.2	\$ 7,927.3	897.9	
Equity attributable to SNC-Lavalin shareholders	\$ 4,183.8	\$ 3,715.0	468.8	The increase was mainly due to an increase in retained earnings, mainly from the remeasurement of defined benefit pension plans.
Non-controlling interest	7.3	2.4	4.9	Not a significant balance.
Total equity	\$ 4,191.1	\$ 3,717.4	\$ 473.7	
Total liabilities and equity	\$ 13,016.4	\$ 11,644.7	\$ 1,371.7	

WORKING CAPITAL

(IN MILLIONS CA\$)	MARCH 31 2020	DECEMBER 31 2019	CHANGE (\$)	EXPLANATIONS
Working Capital ⁽¹⁾	\$ 399.0	\$ 622.2	\$ (223.2)	Decrease was mainly due to the classification of debentures having a face value of \$175 million and maturing in March 2021 in the current portion of recourse debt in the first quarter of 2020.
Current Ratio ⁽¹⁾	1.07	1.14	(0.07)	

⁽¹⁾ Additional IFRS financial measures. Please refer to Section 10 for further information on these financial measures.

8

Related Party Transactions

The Company discloses information on its related party transactions, as defined in IAS 24, *Related party disclosures*, in Note 10 to its unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2020.

9

Accounting Policies and Changes

Please refer to Note 2 of the Company's unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2020 for more information regarding the Company's significant accounting policies and changes, including the changes made to comparative figures as described below.

The Company's new strategic direction adopted for the second quarter of 2019 resulted in the restructuring of its activities into two distinct business lines, SNCL Engineering Services and SNCL Projects. From a segmented information stand-point, this change resulted in the split of the Infrastructure segment into two segments, Infrastructure Services and Infrastructure EPC Projects, all other segments remaining the same. As such, the Company's reportable segments are EDPM, Nuclear, Infrastructure Services and Capital, all part of SNCL Engineering Services, and Resources and Infrastructure EPC projects, which form SNCL Projects.

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

10

Non-IFRS Financial Measures and Additional IFRS Measures

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

10.1 Performance

Adjusted diluted earnings per share from PS&PM ("Adjusted diluted EPS from PS&PM") is defined as adjusted net income (loss) from PS&PM, divided by the diluted weighted average number of outstanding shares for the period. Adjusted diluted EPS from PS&PM is a non-IFRS financial measure that is an indicator of the

financial performance of the Company's PS&PM activities. Refer to [Section 10.3](#) for the reconciliation of Adjusted diluted EPS from PS&PM to net income as determined under IFRS.

Adjusted EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization, and excludes charges related to restructuring costs, acquisition-related costs and integration costs, the federal charges settlement (PPSC), as well as the gains (losses) on disposals of PS&PM businesses, Capital investments, the fair value revaluation of the Highway 407 ETR contingent consideration receivable and the adjustment to provision for the Pyrrhotite Case litigation (as described in the 2019 Annual MD&A). Refer to [Section 10.3](#) for a reconciliation of adjusted EBITDA to net income as determined under IFRS.

Adjusted net income (loss) from PS&PM is defined as net income (loss) attributable to SNC-Lavalin shareholders from PS&PM, excluding charges related to restructuring costs, acquisition-related costs and integration costs, as well as amortization of intangible assets related to business combinations, impairment of goodwill, impairment of intangible assets related to business combinations, the loss from disposals of PS&PM businesses, the financing costs related to the agreement to sell shares of Highway 407 ETR, the federal charges settlement (PPSC), and the adjustment to provision for the Pyrrhotite Case litigation (as described in the 2019 Annual MD&A). Adjusted net income (loss) from PS&PM is a non-IFRS financial measure that is an indicator of the financial performance of the Company's PS&PM activities. Refer to [Section 10.3](#) for a reconciliation of adjusted net income (loss) from PS&PM to net income as determined under IFRS.

Diluted earnings per share from PS&PM and **Diluted earnings per share from Capital** correspond to diluted earnings per share as determined under IFRS, reported separately for PS&PM and for Capital.

EBIT is an indicator of the entity's capacity to generate earnings from operations before taking into account management's financing decisions. Accordingly, EBIT is defined as earnings before net financial expenses (income) and income taxes. Refer to [Section 10.3](#) for a reconciliation of EBIT to net income as determined under IFRS.

EBITDA is defined as earnings before net financial expenses (income), income taxes, depreciation and amortization. Refer to [Section 10.3](#) for a reconciliation of EBITDA to net income as determined under IFRS.

Return on Average Shareholders' Equity ("ROASE") corresponds to the trailing 12-month net income 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 of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest risk. Accordingly, the "other components of equity" are not representative of the Company's financial position.

Segment EBIT consists of revenues less i) direct cost of activities, ii) directly related selling, general and administrative expenses, and iii) corporate selling, general and administrative expenses that are allocated to segments. Expenses that are not allocated to the Company's segments include: certain corporate selling, general and administrative expenses that are not directly related to projects or segments, impairment loss arising from expected credit losses, gain (loss) arising on financial assets (liabilities) at fair value through profit or loss, restructuring costs, impairment of goodwill, impairment of intangible assets related to business combinations, acquisition-related costs and integration costs, amortization of intangible assets related to business combinations, the loss on disposals of PS&PM businesses and gain on disposal of Capital investments, the charge related to the federal charges settlement (PPSC), and the adjustment to provision for the Pyrrhotite Case litigation (as described in the 2019 Annual MD&A). See reconciliation of Segment EBIT to the most directly comparable IFRS measure in [Sections 4 and 6](#).

Segment EBITDA consists of Segment EBIT before depreciation and amortization. See reconciliation of Segment EBITDA to Segment EBIT in [Section 10.3](#).

10.2 Liquidity

Net recourse debt (or Cash net of recourse debt) corresponds to cash and cash equivalents, less cash and cash equivalents from Capital investments accounted for by the consolidation method and the Company's recourse debt. Refer to [Section 7.4](#) for a reconciliation of net recourse debt (or cash net of recourse debt) to cash and cash equivalents as determined under IFRS.

Working capital corresponds to the amount of the Company's total current assets minus its total current liabilities and the **Current ratio** corresponds to the Company's total current assets divided by its total current liabilities.

10.3 Reconciliations

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

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$, EXCEPT PER DILUTED SHARE INFORMATION [\$])	2020		2019	
	PER DILUTED SHARE		PER DILUTED SHARE	
Net loss	\$ (62.5)	N/A	\$ (18.3)	N/A
Less:				
Non-controlling interests	3.4	N/A	(1.0)	N/A
Net income (loss) attributable to SNC-Lavalin shareholders from Capital	(20.0)	(0.11)	50.1	0.29
Net loss attributable to SNC-Lavalin shareholders from PS&PM / Diluted EPS from PS&PM	\$ (45.9)	\$ (0.26)	\$ (67.4)	\$ (0.38)
Adjustments (net of income taxes):				
Restructuring costs	\$ 2.1	\$ 0.01	\$ 6.2	\$ 0.04
Acquisition-related costs and integration costs	—	—	3.4	0.02
Amortization of intangible assets related to business combinations	33.0	0.19	42.8	0.24
Loss from adjustment on disposals of PS&PM businesses	—	—	0.1	—
Adjustment to provision for the Pyrrhotite Case litigation	7.0	0.04	—	—
Adjusted net income attributable to SNC-Lavalin shareholders from PS&PM / Adjusted diluted EPS from PS&PM	\$ (3.9)	\$ (0.02)	\$ (14.9)	\$ (0.08)

FIRST QUARTERS ENDED MARCH 31 (IN MILLIONS CA\$, EXCEPT %)	2020			2019		
	FROM PS&PM	FROM CAPITAL	TOTAL	FROM PS&PM	FROM CAPITAL	TOTAL
Net income (loss)	\$ (42.5)	\$ (20.0)	\$ (62.5)	\$ (68.4)	\$ 50.1	\$ (18.3)
Net financial expenses	27.2	4.3	31.5	48.1	4.3	52.4
Income taxes	(5.8)	(6.5)	(12.3)	(20.9)	0.7	(20.2)
EBIT	\$ (21.0)	\$ (22.2)	\$ (43.3)	\$ (41.2)	\$ 55.1	\$ 13.9
Depreciation and amortization	\$ 53.2	\$ —	\$ 53.2	\$ 55.7	\$ —	\$ 55.7
Amortization of intangible assets related to business combinations	40.5	—	40.5	51.5	—	51.5
EBITDA	\$ 72.6	\$ (22.2)	\$ 50.4	\$ 66.1	\$ 55.1	\$ 121.2
(as % of Revenues)	3.3 %	N/A	2.3 %	2.9 %	N/A	5.1 %
Restructuring costs	\$ 2.4	\$ —	\$ 2.4	\$ 8.0	\$ 2.4	\$ 10.4
Acquisition-related costs and integration costs	—	—	—	5.1	—	5.1
Loss from adjustment on disposals of PS&PM businesses	—	—	—	0.1	—	0.1
Fair value revaluation of the Highway 407 ETR contingent consideration receivable	—	57.2	57.2	—	—	—
Adjustment to provision for the Pyrrhotite Case litigation	10.0	—	10.0	—	—	—
Adjusted EBITDA	\$ 85.0	\$ 35.0	\$ 120.0	\$ 79.2	\$ 57.5	\$ 136.7
(as % of Revenues)	3.9 %	N/A	5.4 %	3.5 %	N/A	5.8 %

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS CA\$)	2020						
		EDPM	NUCLEAR	INFRASTRUCTURE SERVICES	CAPITAL	RESOURCES	INFRASTRUCTURE EPC PROJECTS
Segment EBIT	\$	57.5	\$ 36.7	\$ 17.3	\$ 42.0	\$ (58.0)	\$ 3.8
Depreciation and amortization		25.5	3.0	2.5	—	7.8	4.4
Segment EBITDA	\$	83.0	\$ 39.7	\$ 19.8	\$ 42.1	\$ (50.3)	\$ 8.1

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS CA\$)	2019 ⁽¹⁾						
		EDPM	NUCLEAR	INFRASTRUCTURE SERVICES	CAPITAL	RESOURCES	INFRASTRUCTURE EPC PROJECTS
Segment EBIT	\$	80.2	\$ 10.8	\$ 9.8	\$ 65.4	\$ (61.4)	\$ (6.1)
Depreciation and amortization		28.0	2.6	2.0	—	12.4	4.7
Segment EBITDA	\$	108.3	\$ 13.4	\$ 11.8	\$ 65.4	\$ (49.0)	\$ (1.3)

⁽¹⁾ Comparative figures have been revised. Please refer to Section 9 for further details.

11 Risks and Uncertainties

11.1 PRINCIPAL RISKS AND UNCERTAINTIES

Reference is made to Note 12 to the Company's unaudited interim condensed consolidated financial statements for the three-month periods ended March 31, 2020 and 2019 that this MD&A accompanies for updates regarding certain pending legal proceedings to which the Company and/or one or more of its subsidiaries is party.

The following risk factors supplement the risk factors disclosed and described in the section entitled "Risks and Uncertainties" in the Company's 2019 Annual MD&A. "*Impacts of the COVID-19 pandemic*" is a new and more specific risk factor describing the risks and uncertainties most likely to affect the Company as a result of the continuing COVID-19 pandemic, and the existing risk factor entitled "*Fluctuations in commodity prices*" is hereby updated and replaced to include the effects of the ongoing volatility in the oil and gas market:

IMPACTS OF THE COVID-19 PANDEMIC

In late December 2019, a disease arising from a novel coronavirus ("COVID-19") was identified. It originated in Wuhan, the capital of the Hubei Province of China and subsequently spread globally. On March 11, 2020, the World Health Organization declared it was a pandemic.

The COVID-19 pandemic has significantly disrupted global health, economic and market conditions, which has triggered an indeterminate period of slowdown in the global economy and recessions. The full impact of the COVID-19 pandemic, including the impact of the preventative and mitigation measures that the Company, other businesses and governments worldwide are taking to combat the spread of the disease, continues to rapidly evolve and the pandemic continues to have material adverse repercussions in the jurisdictions where the Company has offices, delivers services and holds investments, and it continues creating significant volatility and negative pressure on virtually all national economies as well as financial markets. At the present time, no person, entity or expert can accurately predict the duration or scope of the pandemic and it is extremely challenging for the Company to accurately estimate or quantify the magnitude of the pandemic's impact on the Company, its business, financial condition and prospects. The Company previously announced on March 27, 2020 that, similar to a number of other publicly traded companies, it was withdrawing its 2020 financial outlook that was provided on February 28, 2020. Despite the foregoing uncertainty, it is highly likely that the COVID-19 pandemic will adversely

affect, and possibly materially, the Company's financial condition, liquidity, future results of operations and outlook due to, among other factors:

- Action taken by governmental and non-governmental bodies to curtail activity in an effort to help slow the spread of COVID-19, including the implementation of mandatory quarantines, restrictions on travel, "stay-at-home" orders and restrictions on the types of businesses that may continue to operate and on the types of construction projects that may continue to progress, causing significant business interruptions and restricting the Company's ability to deliver its services. The Company's worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from (i) disruptions in the Company's supply chains leading to the inability for it to source the necessary personnel, equipment or parts, (ii) project delays resulting from temporary or partial project shutdowns, and (iii) extended or complete project shutdowns, which may, in each case, expose the Company to penalties or sanctions under contracts, business interruption claims or even the cancellation or termination of contracts altogether.
- The spread of COVID-19 may impact the health of the Company's personnel, partners and contractors, including members of its management team, and may make it difficult to recruit, attract and retain skilled personnel, reducing the availability of its workforce and causing human impacts that may, in turn, negatively impact its business.
- Preparing for and responding to the continuing pandemic could divert management's attention from the Company's key strategic priorities, increase costs as the Company prioritizes health and safety matters and complies with mitigation measures imposed upon it for the benefit of its personnel and the continuation of ongoing projects, and cause the Company to reduce, delay, alter or abandon initiatives that may otherwise increase its long-term value.
- Public perception of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, a decrease in demand for the Company's services and worsening economic conditions.
- Although the Company continues to progress the restructuring of its underperforming Resources segment, significant decreases in the demand for oil and natural gas have had, and may well continue to have, an adverse impact on the demand for the Company's services in the Resources segment, as customers in the oil and gas sector continue to revise their capital budgets downwards and adjust their operations in response to uncertain market conditions and unstable commodity prices. In addition, the volatility in the oil and natural gas markets may pose liquidity challenges for the Company's Resources segment as its customers in the oil and gas sector may seek to delay, defer, restructure or stop payments in connection with their own liquidity issues, restructuring or creditor protection actions.
- Unstable market conditions could cause continued significant volatility or decline in the trading price of the Company's securities. In addition, the Company may have difficulty accessing debt and equity capital on attractive terms, or at all, given severe disruption or instability in the global financial markets and deteriorations in credit and financing conditions.
- There are cybersecurity risks arising from the work-from-home measures implemented by the Company. As it was previously announced, most of the Company's Engineering Services personnel have been able to continue to work from non-office-based locations. However, because the technology in employees' homes may not be as robust as in the Company's offices and could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than the Company's in-office technology, the continuation of these work-from-home measures introduces additional operational risk. These risks include but are not limited to greater cybersecurity risks, strain on the local technology networks for remote operations, and potential impairment of the ability to perform critical functions.

Due to the unprecedented and ongoing nature of COVID-19 and the fact that the response to the pandemic is evolving in real time and differs geographically from one country/region to another, estimates of the economic impacts of the COVID-19 pandemic remain inherently highly uncertain and speculative. While the Company (i) has been awarded work as a result of the COVID-19 situation, including the SNC-Lavalin PAE joint arrangement being selected to support the Government of Canada's health preparedness efforts, and (ii) continues to bid on

similar projects and has made efforts to manage and mitigate the aforementioned risk factors, such efforts may not sufficiently mitigate the negative impacts of COVID-19 on the business and the effectiveness of these efforts and the extent to which the COVID-19 pandemic affects the Company's business will depend on factors beyond its control, including the duration and scope of the pandemic and the likelihood, timing, duration and scope of any subsequent waves of COVID-19, and the measures taken or necessary to contain the spread of such outbreaks. Even after the COVID-19 pandemic is over, the Company may continue to experience material adverse effects to its business, financial condition and prospects as a result of the continued disruption in the global economy and any resulting recession, the effects of which may persist beyond that time.

The COVID-19 pandemic may also have the effect of heightening other risks and uncertainties disclosed and described in the section entitled "Risks and Uncertainties" in the 2019 Annual MD&A, such as, but not limited to, those related to the health and safety of the Company's workforce globally, the Company's liquidity and financial position, project delays and shutdowns (along with any incremental costs relating thereto), continued significant volatility in commodity prices, credit/collection risk of the Company's customers and partners, the Company's dependence on third parties and supply chain risks, procurement risks, risks in securing new contract awards, changes to or delays in executing the Company's new strategic direction announced in July 2019, delays in completing the remainder of the LSTK construction contracts, and an increase in cyber-attacks.

Fluctuations and volatility in commodity prices

Fluctuations and volatility in commodity prices can affect SNC-Lavalin's clients in a number of ways and could have a material adverse impact on SNC-Lavalin's business, financial condition and results of operations. For example, for those clients that produce commodity products, fluctuations and significant volatility in supply, demand and 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. Changing commodity prices can also strongly affect the costs of the Company's projects and significantly impact the cost of completing future projects as well as those in progress.

In particular, the significant negative impact of the ongoing COVID-19 pandemic on economic activity, which has been compounded by aggressive increases in production of oil by Saudi Arabia and Russia during the first quarter of 2020 amidst the inability of OPEC+ to reach an agreement to continue to impose limits on the production of crude oil, has resulted in an unprecedented decline in global oil demand and a substantial increase in global oil supply. While OPEC+ agreed in April 2020 to cut production, the existing oversupply of oil created downward pressure on commodity prices which have significantly decreased and will likely continue to decrease for the foreseeable future. To the extent commodity prices decline (or remain for a given period of time at a significantly depressed level) and the Company's clients defer new investments or cancel or delay existing projects, demand for the Company's services would decrease, which could have a material adverse impact on the Company's business, financial condition and results of operations.

12 Controls and Procedures

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

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

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

The CEO and CFO have also designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2020 and ended on March 31, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

13 Quarterly Information

(IN MILLIONS CA\$, EXCEPT PER SHARE AMOUNTS)	2020	2019				2018		
	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER
Revenues :								
SNCL Engineering Services (excluding Capital)	1,534.8	1,573.6	1,501.9	1,499.8	1,442.0	1,502.9	1,352.7	1,355.6
SNCL Projects	648.5	826.3	850.6	709.7	849.0	982.5	1,144.1	1,114.4
Capital	46.2	36.2	79.6	74.7	72.2	77.1	66.2	57.2
Total Revenues	2,229.5	2,436.1	2,432.2	2,284.2	2,363.2	2,562.5	2,563.0	2,527.1
EBIT	(43.3)	(266.6)	3,108.0	(2,113.9)	13.9	(1,584.7)	185.4	109.1
Net financial expenses	31.5	24.6	42.1	92.9	52.4	44.3	44.0	37.1
Earnings (loss) before income taxes	(74.8)	(291.2)	3,065.9	(2,206.8)	(38.5)	(1,629.0)	141.4	72.0
Income taxes	(12.3)	(2.2)	309.3	(88.1)	(20.2)	(30.2)	20.4	(11.2)
Net income (loss)	(62.5)	(289.0)	2,756.6	(2,118.7)	(18.3)	(1,598.8)	121.0	83.2
Net income (loss) attributable to:								
SNC-Lavalin shareholders	(66.0)	(292.9)	2,756.7	(2,118.3)	(17.3)	(1,598.7)	120.7	83.0
Non-controlling interests	3.4	3.9	(0.1)	(0.4)	(1.0)	—	0.2	0.2
Net income (loss)	(62.5)	(289.0)	2,756.6	(2,118.7)	(18.3)	(1,598.7)	120.9	83.2
Basic earnings (loss) per share (\$)	(0.38)	(1.67)	15.70	(12.07)	(0.10)	(9.11)	0.69	0.47
Diluted earnings (loss) per share (\$):								
From PS&PM	(0.26)	(1.77)	0.67	(12.44)	(0.38)	(9.42)	0.44	(0.10)
From Capital	(0.11)	0.10	15.04	0.37	0.29	0.32	0.25	0.56
Diluted earnings (loss) per share (\$)	(0.38)	(1.67)	15.70	(12.07)	(0.10)	(9.11)	0.69	0.47
Dividend declared per share (\$)	0.02	0.02	0.02	0.02	0.10	0.10	0.29	0.29
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM	(45.9)	(310.4)	116.9	(2,183.8)	(67.4)	(1,654.3)	76.6	(16.8)
Net income (loss) attributable to SNC-Lavalin shareholders from Capital investments:								
From Highway 407 ETR	21.1	20.3	41.9	41.9	41.9	39.2	39.3	38.0
From other Capital investments	(41.1)	(2.8)	2,597.9	23.5	8.1	16.4	4.9	61.9
Net income (loss) attributable to SNC-Lavalin shareholders	(66.0)	(292.9)	2,756.7	(2,118.3)	(17.3)	(1,598.7)	120.7	83.0