



**SNC • LAVALIN**

## **LETTER TO SHAREHOLDERS**

### **Dear Fellow Shareholders:**

When I was named President and CEO of SNC-Lavalin in late 2012, my goal was to marshal the full scope of talent and resources at our disposal and rapidly reposition the Corporation for future growth. Our efforts have already helped make SNC-Lavalin a more efficient, integrated and client-focused company, while also enhancing our ability to deliver the highest ethics and compliance performance.

Much work remains to be done, but this has clearly been a year of transformation and achievements for SNC-Lavalin. So what exactly have we done?

### **A brightening financial picture**

While 2013 was a challenging year for us financially, our project backlog stood at \$8.3 billion with several major wins. We also finished the year with a solid \$7.9 billion in revenues and net income of \$92.6 million in the fourth quarter.

Our lower overall net income in 2013 was due to several factors, not the least of which was a handful of challenging legacy projects. We worked hard to get these projects back on track, and have implemented enhanced procedures to assess the level of project risk at an early stage. Our net income for the year was also affected by the reorganization we undertook of our European operations, an initiative which is designed to increase our efficiency and competitiveness in that region. A third factor was our level of selling, administrative and general expenses (“SG&A”). We have now capped our SG&A to 2012 levels thanks to a cross-company effort, and we are redistributing more of our SG&A to areas that best support future growth, including integrated HR and finance systems.

### **Only clean business is SNC-Lavalin’s business**

We have stated consistently that our objective is to become the benchmark for ethics and compliance in our sector, and we made good progress toward that goal in 2013. We created and launched a comprehensive ethics and compliance framework touching all levels and activities of our company. This has already led to several positive outcomes, including the authorization of the *Autorité des marchés financiers* to contract with public authorities in Quebec in early 2014.

We are grateful to our outgoing Chief Compliance Officer (“CCO”), Andreas Pohlmann, for having led the implementation of this initiative over the past year. We are very pleased that he will stay on in a consulting capacity to focus on ongoing World Bank compliance initiatives. David Wilkins, who becomes the Corporation’s new CCO in June of 2014, will continue the excellent work Andreas began as we move into the second phase of this important company-wide initiative. David comes to SNC-Lavalin from Dow Chemical where he led the ethics and compliance function. David’s experience with Dow makes him a great match for an organization of SNC-Lavalin’s size and ambitions.

### **Progress on our growth strategy**

We were pleased with the progress we made in the implementation of our new growth strategy in 2013. SNC-Lavalin has some of the most impressive capabilities I have ever seen in my 35-year career, but we know we can deliver greater value to our clients in the resources, infrastructure and power sectors by integrating our global caliber expertise around these three key growth markets.

This restructuring is now very advanced, and we have brought in some of the most experienced and insightful executives in the industry to deliver on our commitment of generating outstanding performance in these areas in the coming years. With Neil Bruce leading our Resources, Environment & Water Group; Hisham Mahmoud leading our Infrastructure Group; and Alexander (Sandy) Taylor leading our Power Group, we are confident that we can build powerful cross-company synergies to allow us to focus the full scope of our capabilities on delivering great projects for our clients and their end-users.

Another key element of our strategy involves reinforcing our Infrastructure Concession Investment (“ICI”) business, a historical source of project work and contributor to our net income. We are fortunate to be one of few companies in the world with the resources and capabilities to invest in, design, build, and then operate and maintain infrastructure and power facilities that improve lives. We have now complemented this powerful end-to-end project capability with a more disciplined and balanced approach to managing our infrastructure concessions. This includes better analysis of our investments to determine when they have reached market maturity and can be turned over to generate further value for our stakeholders. That is exactly what we did with the recent sale of the majority of our interest in the Astoria II power plant in New York City – a success story from development to divestment.

Our strategy also includes an important geographical element. In 2013, we began implementing a Global Operations model to better integrate our business development and project delivery efforts worldwide. Regional hubs in North America, Latin America, Europe, the Middle East and Africa, and Asia-Pacific will provide shared services, as well as the business platform, market connectivity and understanding to assist in the regional integration of our operations. Our hubs will also facilitate the local decision-making required to increase market responsiveness and seize opportunities.

The opening of our regional office for the Middle East and Africa in Abu Dhabi in early 2014 was an important milestone for this new global model. Our project team’s strong performance on the world-class EMAL aluminum smelter complex and our ongoing GES+ contract with Saudi Aramco have put considerable wind in our sails in the region. With the help of our Abu Dhabi office, we will continue to make important contributions to the Middle East and Africa by building on our great customer relationships and creating new ones.

### **Making a difference around the world**

As I said in my inaugural President’s Message, this is a company that makes a real difference. The services of our 30,000 employees around the world are directly improving quality of life in communities, supporting national economies with revenue generating projects, and delivering the innovative, sustainable solutions the world is calling for. This is an incredible position to be in as an organization, and what most excites me about our ongoing transformation is how it is positioning us to make even greater contributions.

As I think about all we have accomplished in a short period of time, I am more convinced than ever that SNC-Lavalin’s best years lie ahead. With the continuing support of our clients, shareholders and partners, and the commitment of our talented employees, I am confident that SNC-Lavalin will become the world’s leading global provider of safe, sustainable, ethical and compliant integrated project services.

Yours truly,

Robert G. Card (*signed*)  
President and CEO