



SNC • LAVALIN

FOURTH QUARTER 2014

Conference Call Notes
March 5, 2015

Agenda

Forward-looking Statements

- Denis Jasmin,
- Vice-President, Investor Relations

President and CEO Remarks

- Robert G. Card,
- President and Chief Executive Officer

Financial Review

- Alain-Pierre Raynaud,
- Executive Vice-President and Chief Financial Officer

Forward-looking statements

Reference in this presentation, and hereafter, to the “Company” or to “SNC-Lavalin” means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

Statements made in this presentation 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”, “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; and (ii) business and management strategies and the expansion and growth of the Company’s operations and potential synergies resulting from the Acquisition. 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 presentation are based on a number of assumptions believed by the Company to be reasonable on March 5, 2015. The assumptions are set out throughout the Company’s 2014 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 risk factors are set out in the Company’s 2014 MD&A.

The 2015 outlook referred to in this presentation is forward-looking information and is based on the methodology described in the Company’s 2014 MD&A under the heading “How We Budget and Forecast Our Results” and is subject to the risks and uncertainties described in the Company’s public disclosure documents. The purpose of the 2015 outlook is to provide the reader with an indication of management’s expectations, at the date of this presentation, regarding the Company’s future financial performance and readers are cautioned that this information may not be appropriate for other purposes.



PRESIDENT AND CEO REMARKS

ROBERT G. CARD
PRESIDENT AND CHIEF EXECUTIVE OFFICER



FINANCIAL REVIEW

**ALAIN-PIERRE RAYNAUD,
EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER**

Consolidated Income Statement

(in millions CAD\$)

	Fourth Quarter		Twelve months ended Dec. 31	
	2014	2013	2014	2013
Revenues				
Services	1,030.4	697.1	2,815.8	2,697.6
Packages	1,244.3	833.1	3,205.5	3,113.4
Operations and Maintenance (O&M)	342.6	338.2	1,313.4	1,338.3
Infrastructure Concession Investments (ICI)	200.7	255.9	904.1	763.9
Total Revenues	2,818.0	2,124.3	8,238.8	7,913.2
Gross Margin	215.0	397.3	1,340.8	1,115.8
<i>Gross Margin %</i>	8%	19%	16%	14%
Selling, General & Administrative expenses	242.0	225.1	841.4	836.6
EBIT before below items	(27.0)	172.2	499.4	279.2
<i>EBIT % before below items</i>	-1%	8%	6%	4%
Gain on disposals of ICI before taxes	(1,619.5)	(73.0)	(1,615.4)	(73.0)
Restructuring costs, goodwill impairment & impairment of investments	122.5	55.2	138.3	123.4
Acquisition-related costs and integration costs	6.7	-	62.6	-
Amortization of intangible assets related to Kentz acquisition	24.2	-	36.5	-
EBIT	1,439.1	190.0	1,877.4	228.8
Net financial expenses	32.1	40.6	219.8	150.7
Income before income taxes and non-controlling interests	1,407.0	149.4	1,657.6	78.1
Income taxes	259.9	56.8	323.0	41.7
Non-controlling interests	0.3	0.1	1.3	0.6
Net income attributable to SNC-Lavalin shareholders	1,146.6	92.5	1,333.3	35.8
Net income from E&C	(255.6)	(31.3)	(300.5)	(245.8)
Net income from ICI:				
From Highway 407	34.4	41.9	122.5	114.1
From AltaLink	48.8	39.3	175.5	91.8
From other ICI	(18.3)	6.4	1.6	39.5
Gain on disposals of ICI	1,337.3	36.2	1,334.2	36.2
Net income attributable to SNC-Lavalin shareholders	1,146.6	92.5	1,333.3	35.8
EBITDA	1,517.0	260.7	2,073.1	486.2

Net income adjusted

(in millions CAD\$ except per share amount)

2014

	Net income, as reported	Net gain on Altalink disposal	Net gain on other ICI disposals	Charges related to the restructuring and right sizing plan announcement of November 6, 2014	Acquisition of Kentz			Other restructuring costs, recorded before November 6, 2014	Net income, adjusted	Other adjustments to reconcile to 2014 guidance		Adjusted net income for 2014 guidance
					Acquisition related costs	Financial expenses	Amortization of intangible assets			Kentz contribution	Net gain on other ICI disposals and other	
ICI	1,633.8	(1,320.7)	(13.5)	19.1	-	-	-	-	318.7	-	20.6	339.3
E&C	(300.5)	-	-	236.5	53.1	27.3	26.5	12.0	54.9	(75.5)	-	(20.6)
Total	1,333.3	(1,320.7)	(13.5)	255.6	53.1	27.3	26.5	12.0	373.6	(75.5)	20.6	318.7
<i>Per diluted share (\$)</i>												
ICI	10.71	(8.65)	(0.09)	0.13	-	-	-	-	2.10	-	0.14	2.24
E&C	(1.97)	-	-	1.55	0.35	0.18	0.17	0.08	0.36	(0.49)	-	(0.13)
Total	8.74	(8.65)	(0.09)	1.68	0.35	0.18	0.17	0.08	2.46	(0.49)	0.14	2.11

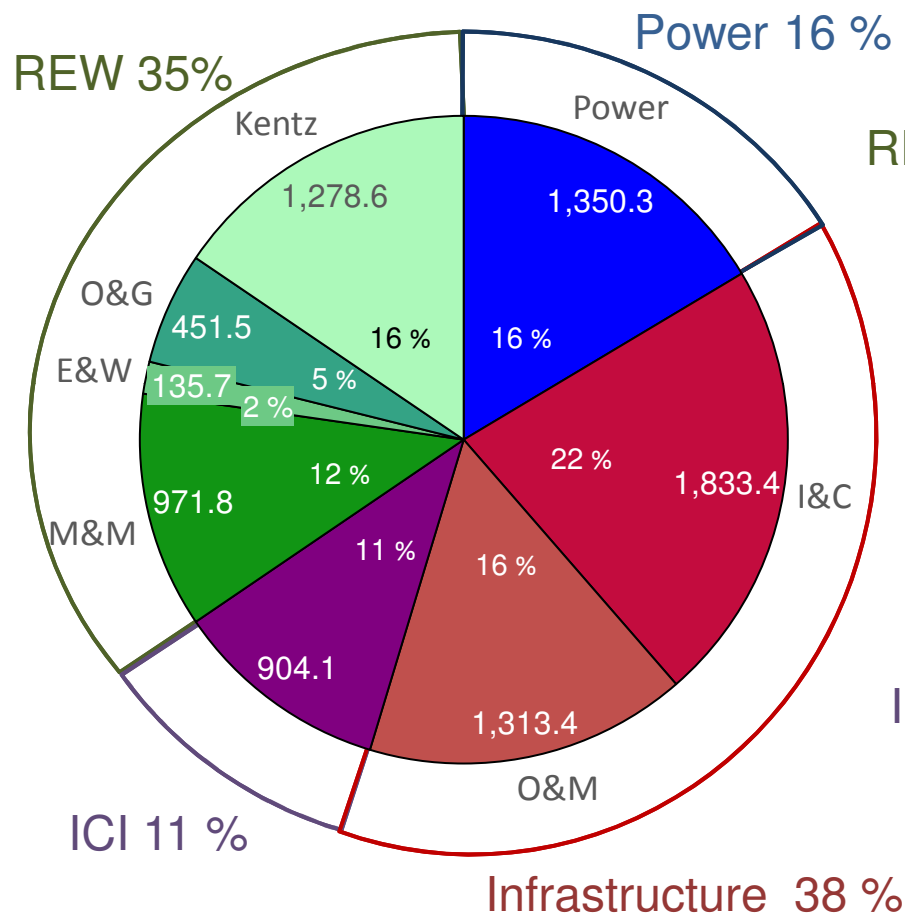
2013

	Net income, as reported	Net gain on other ICI disposal	Restructuring costs and goodwill impairment	Net income, adjusted
ICI	281.6	(36.2)	-	245.4
E&C	(245.8)	-	112.1	(133.7)
Total	35.8	(36.2)	112.1	111.7
<i>Per diluted share (\$)</i>				
ICI	1.86	(0.24)	-	1.62
E&C	(1.62)	-	0.74	(0.88)
Total	0.24	(0.24)	0.74	0.74

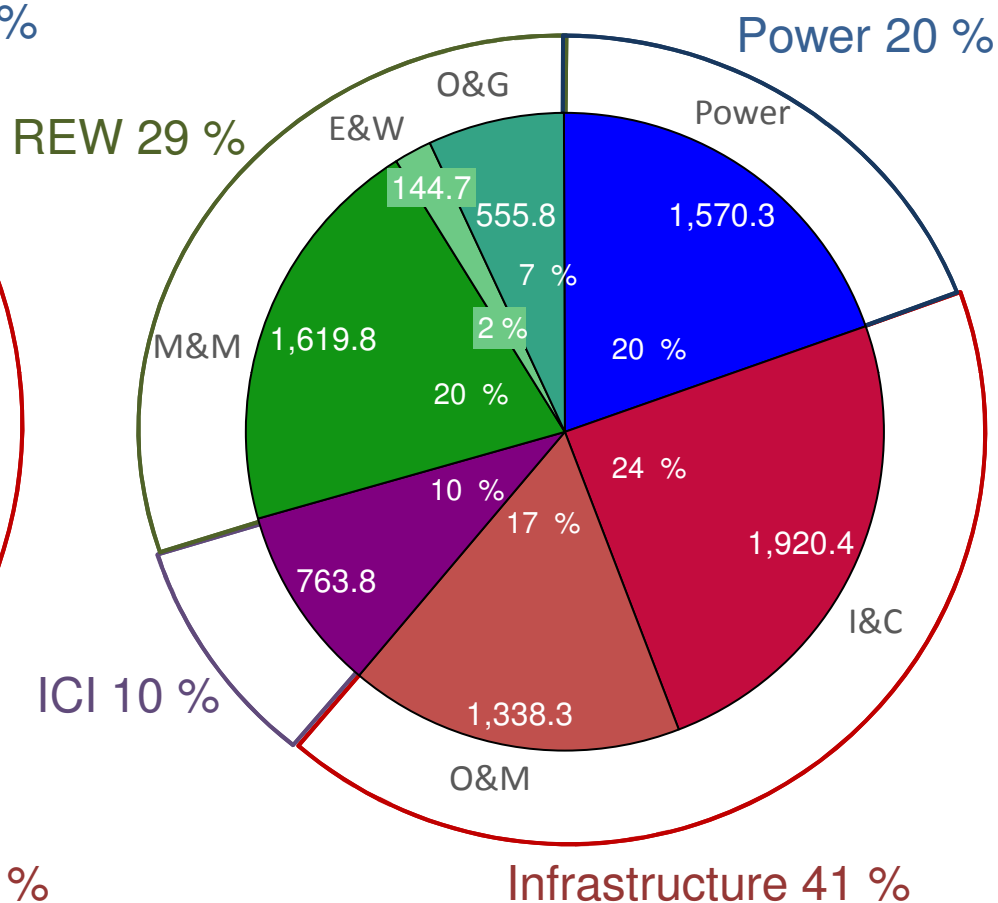
Revenues by Segment

(in millions CAD\$)

2014



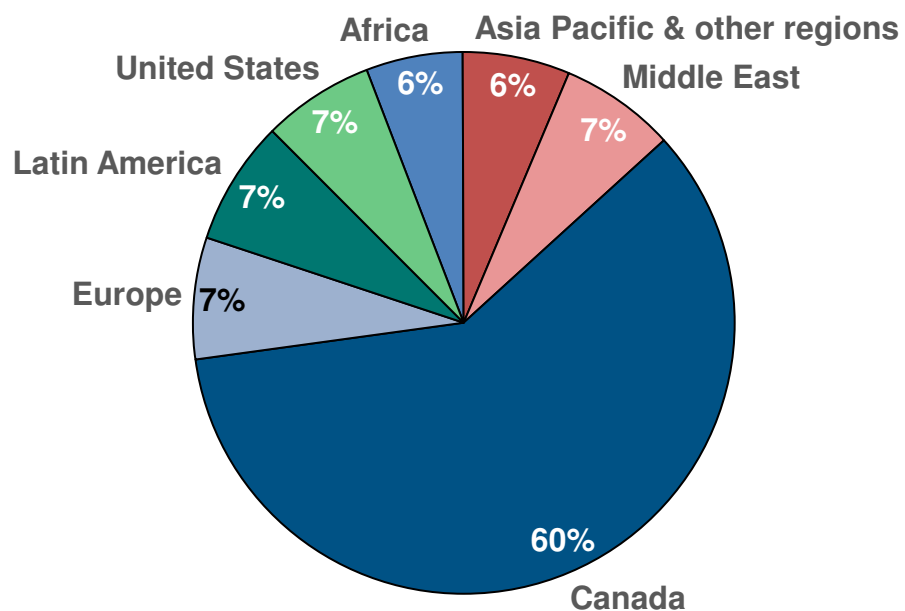
2013



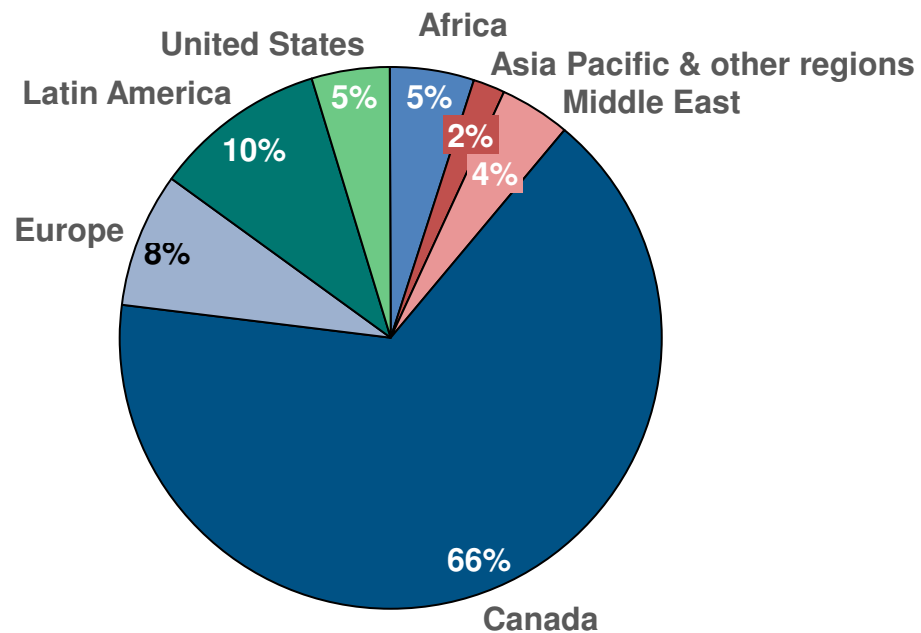
Revenues by geographic areas

(in millions CAD\$)

2014



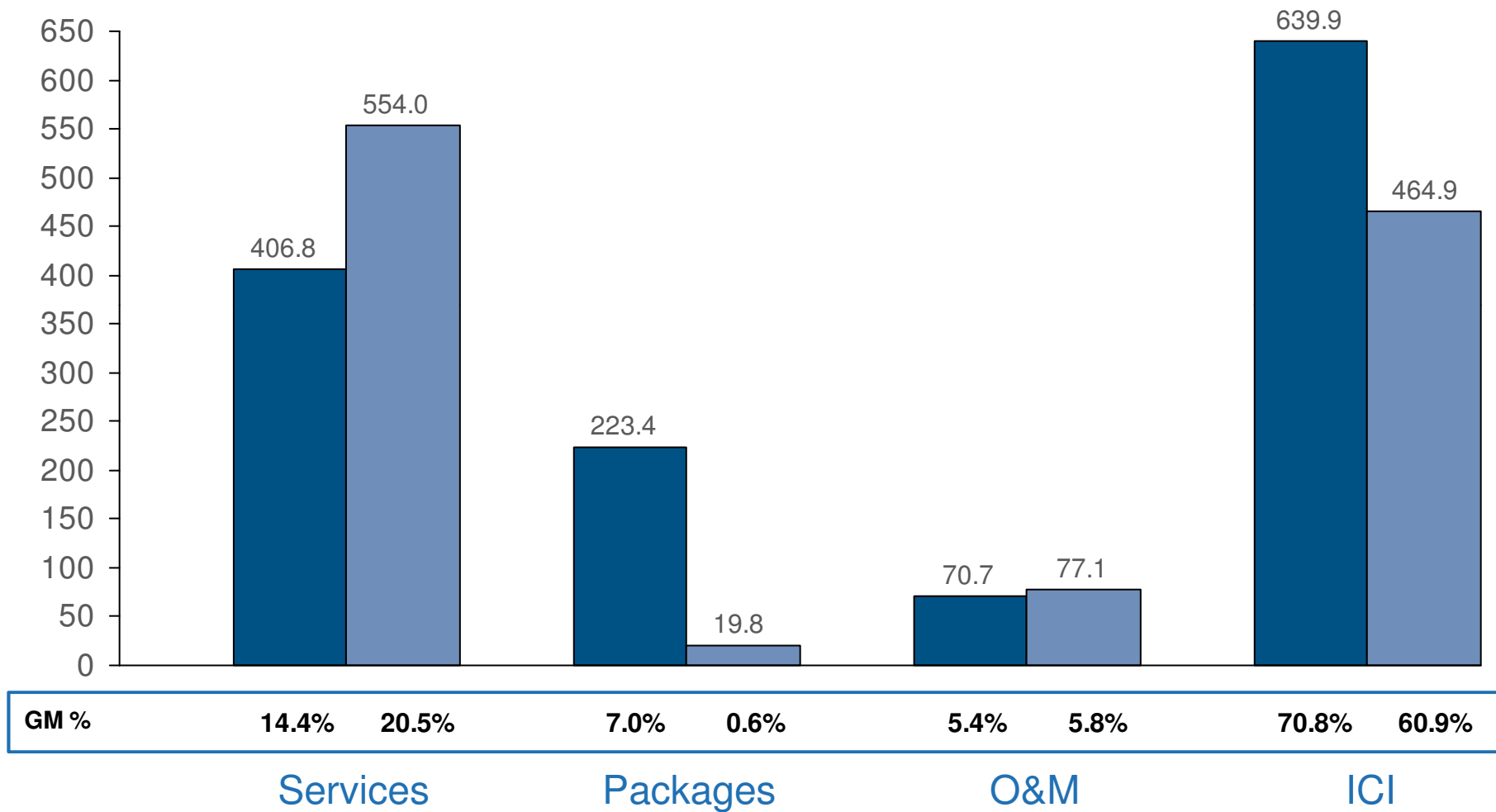
2013



Annual Gross Margin

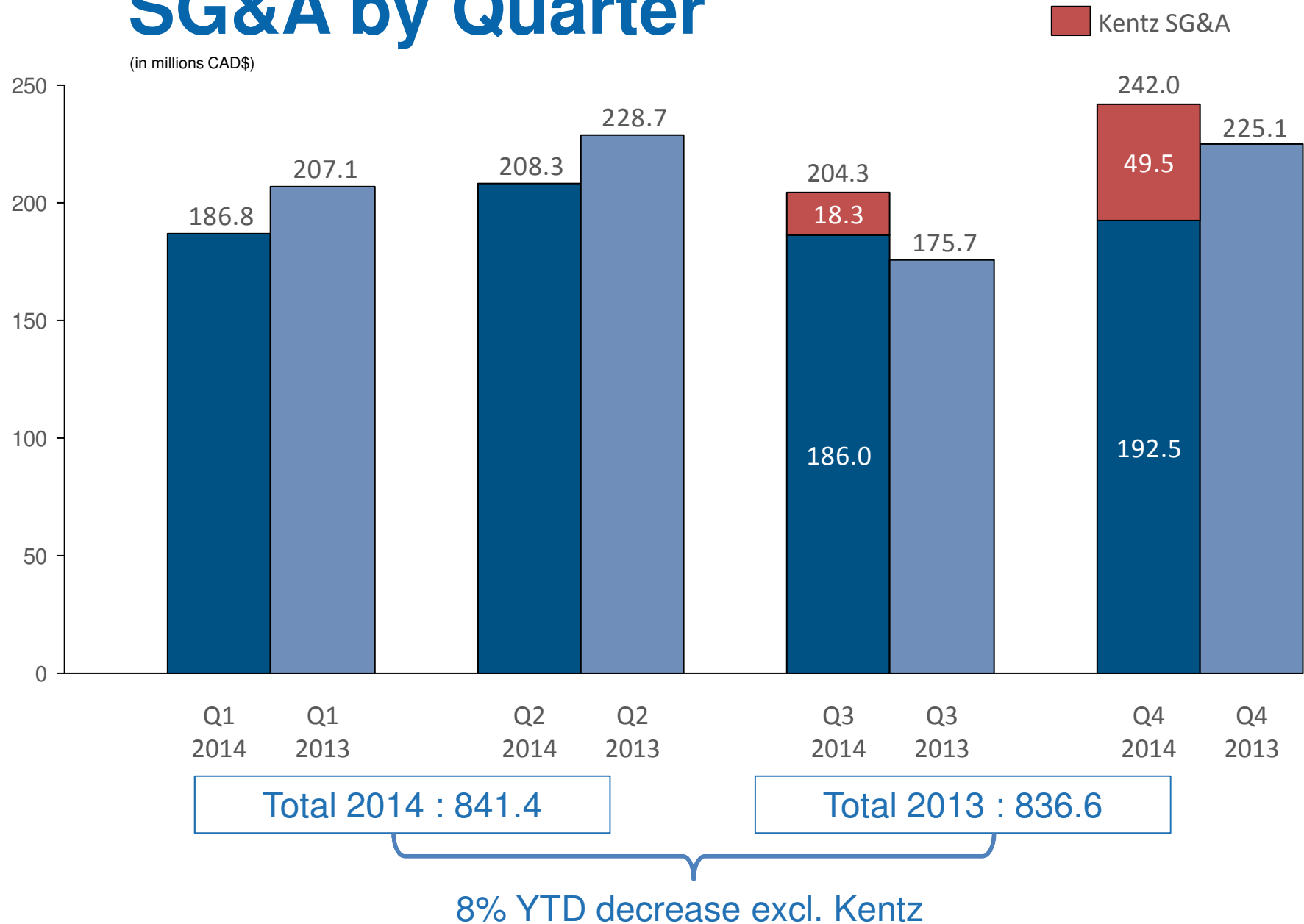
(in millions CA\$)

2014
2013



SG&A by Quarter

(in millions CAD\$)



Net financial expenses

(in millions CAD\$)

	2014			2013		
	From ICI	From E&C	Total	From ICI	From E&C	Total
Financial Income	(16.2)	(6.6)	(22.8)	(6.3)	(6.6)	(12.9)
Interest on debt:						
Borrowings	-	59.2	59.2	-	21.9	21.9
Financial income	178.2	-	178.2	124.9	-	124.9
Other	25.1	-	25.1	7.6	-	7.6
Provision for doubtful accounts	(9.2)	(28.7)	(37.9)	(4.9)	6.7	1.8
Other	3.0	15.0	18.0	9.9	(2.5)	7.4
	197.1	45.5	242.6	137.5	26.1	163.6
	180.9	38.9	219.8	131.2	19.5	150.7

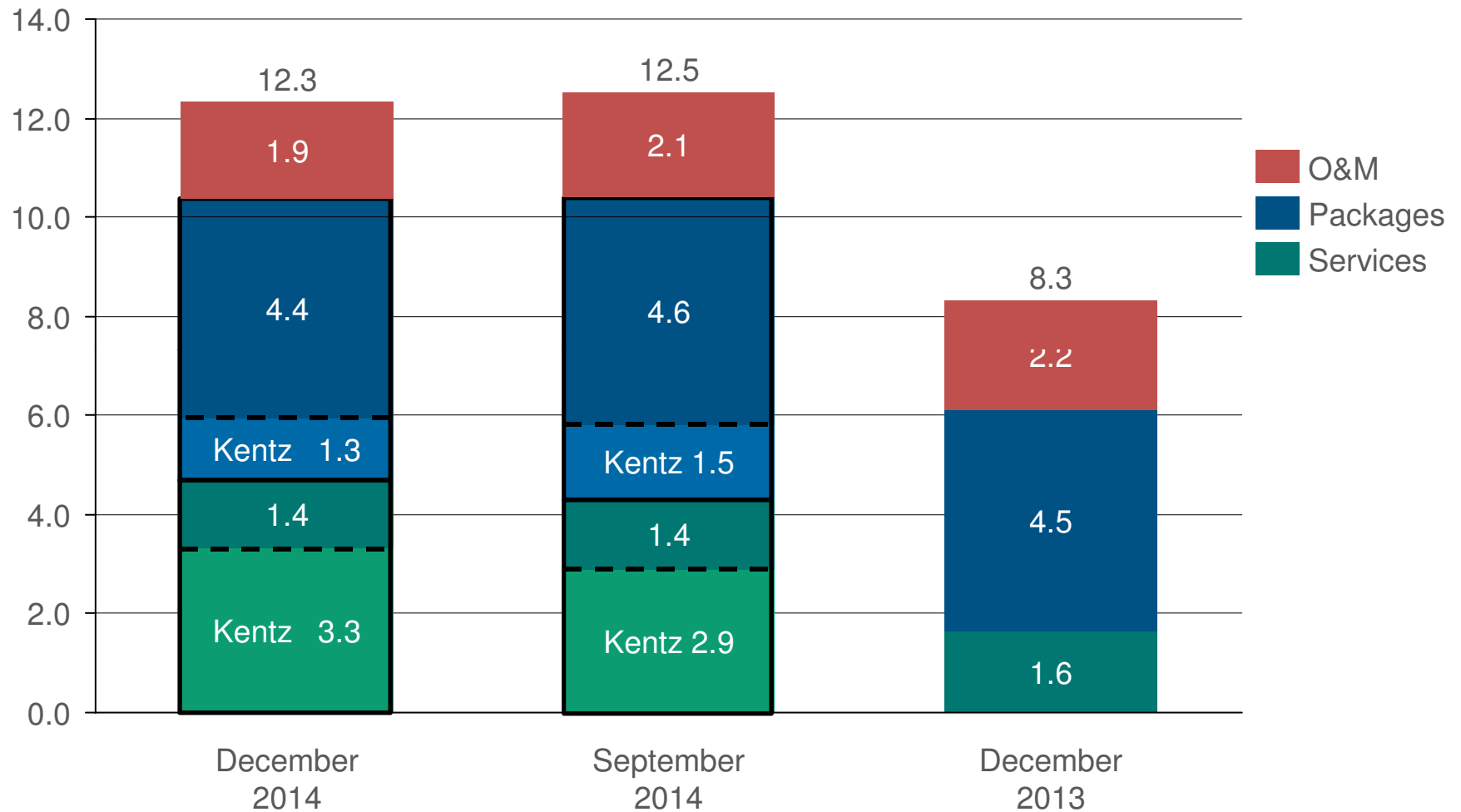
Adjusted EBIT by segment

(in millions CAD\$)

	2014					2013		
	REVENUES	SEGMENT EBIT	EBIT OVER REVENUES	SEGMENT ADJUSTED EBIT	ADJUSTED EBIT OVER REVENUES	REVENUES	SEGMENT ADJUSTED EBIT	ADJUSTED EBIT OVER REVENUES
Resources, Environment and Water								
Mining & Metallurgy	971.8	(4.7)	-0.5%	39.4	4.1%	1,619.8	65.9	4.1%
Oil & Gas	1,730.1	(17.8)	-1.0%	76.3	4.4%	555.8	(55.6)	-10.0%
Environment & Water	135.7	(29.2)	-21.5%	(16.5)	-12.1%	144.7	(10.5)	-7.2%
	2,837.6	(51.7)	-1.8%	99.2	3.5%	2,320.3	(0.2)	0.0%
Power	1,350.3	54.8	4.1%	54.8	4.1%	1,570.3	97.7	6.2%
Infrastructure								
Infrastructure & Construction	1,833.4	(119.2)	-6.5%	(119.2)	-6.5%	1,920.4	(276.7)	-14.4%
O&M	1,313.4	40.4	3.1%	40.4	3.1%	1,338.3	45.9	3.4%
	3,146.8	(78.8)	-2.5%	(78.8)	-2.5%	3,258.7	(230.8)	-7.1%
ICI	904.1	2,160.5	239.0%	564.2	62.4%	763.8	411.7	53.9%
Total segment EBIT	8,238.8	2,084.8	25.3%	639.4	7.8%	7,913.1	278.4	3.5%

Revenue Backlog by Activity

(in billions CAD\$)



Main challenging projects in revenue Backlog now represents about 3% of December 2014 total backlog and is composed mainly of one hospital project in Canada.

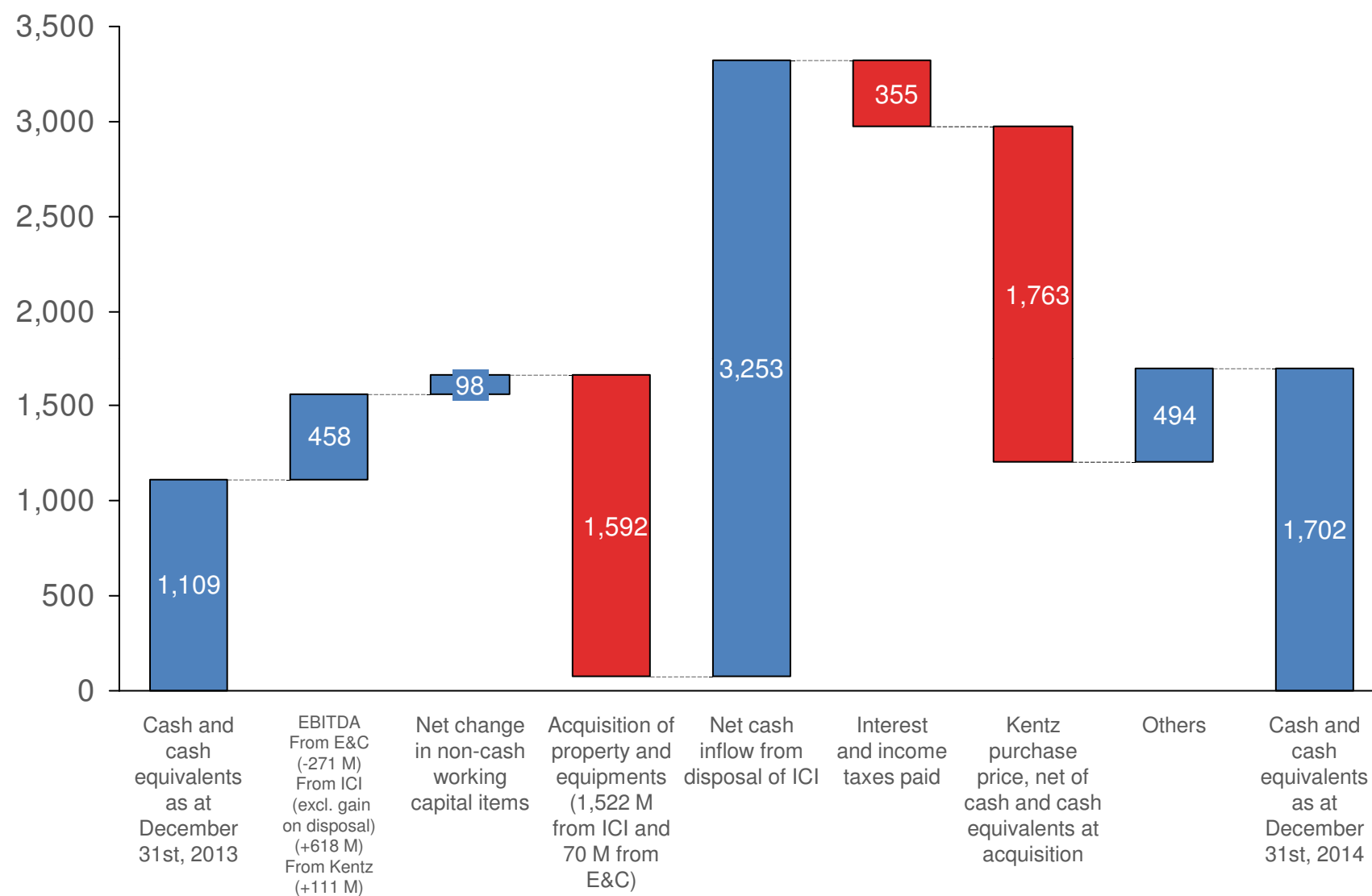
Financial Position

(in millions CAD\$)

	December 31 2014	December 31 2013
<u>Assets</u>		
Cash and cash equivalents	1,702	1,109
Other current assets	3,349	2,807
Property and equipment :		
From ICI	-	5,132
From E&C	246	180
ICI accounted for by the equity or cost methods	803	876
Goodwill	370	577
Goodwill related to Kentz acquisition	2,336	-
Intangible assets related to Kentz acquisition	301	-
Other non-current assets and deferred income tax asset	904	1,092
	<u>10,011</u>	<u>11,773</u>
<u>Liabilities and Equity</u>		
Current liabilities	5,195	4,443
Long-term debt:		
Recourse	349	349
Non-recourse from ICI	531	3,537
Other non-current liabilities and deferred income tax liability	620	1,403
	<u>6,695</u>	<u>9,732</u>
Equity attributable to SNC Lavalin shareholders	3,305	2,037
Non-controlling interests	11	4
	<u>10,011</u>	<u>11,773</u>
Debt to capital ratio	0.09	0.14

Cash Flow – 2014

(in millions CAD\$)



Outlook 2015

- ✓ **2015 adjusted EPS from E&C guidance is expected to be in the range of \$1.30 to \$1.60**
 - Adjusted EPS guidance excludes:
 - Charges related to restructuring and right-sizing plan (~ \$60 M after taxes)
 - Amortization of intangible assets and acquisition and integration costs incurred in connection with the acquisition of Kentz (~ \$65 M after taxes)
 - Based on the expectation that:
 - Oil & Gas sub-segment and Power segment, mainly due to the acquisition of Kentz and based on their current backlog, will be the main contributors to net income
 - Infrastructure & Construction and Environment & Water sub-segment will continue to face challenges throughout 2015
- ✓ **2015 reported IFRS EPS guidance is expected to be in the range of \$1.60 to \$1.90**



WE CARE NOUS VEILLONS

WE CARE embodies SNC-Lavalin's key corporate values and beliefs. It is the cornerstone of everything we do as a company. **Health and safety, employees, the environment, communities and quality:** these values all influence the decisions we make every day. And importantly, they guide us in how we serve our clients and therefore affect how we are perceived by our external partners. **WE CARE** is integral to the way we perform on a daily basis. It is both a responsibility and a source of satisfaction and pride by providing such important standards to all we do.



WE CARE about the health and safety of our employees, of those who work under our care, and of the people our projects serve.



WE CARE about our employees, their personal growth, career development and general well-being.



WE CARE about the communities where we live and work and their sustainable development, and we commit to fulfilling our responsibilities as a global citizen.



WE CARE about the environment and about conducting our business in an environmentally responsible manner.



WE CARE about the quality of our work.



WE CARE about being world-class in matters of governance and ethics & compliance for our shareholders, clients and employees.