
LETTER TO SHAREHOLDERS



SNC • LAVALIN

We take pride in helping provide the infrastructure, power and resources needed to fuel progress and better people's lives. Across 50 countries, our 42,000 employees are hard at work, creating value for our clients, partners, investors and the communities we serve.

In 2014, this work translated into projects that met timelines, budgets, health, safety and environmental targets as well as stringent ethics and compliance standards. We also continued to move forward with the far-reaching transformation of our organization. This included further strengthening our comprehensive ethics and compliance program in keeping with our zero tolerance for ethics violations.

In addition to completing the certification of all employees to our updated Code of Ethics and Business Conduct, more than 3,000 employees in key strategic roles were given in-person anti-corruption training in 2014. All executive, senior and general management functions as well as all business development, procurement, project management, general management and government relations staff in 70 cities received the training.

Financial progress

While the needle moved in the right direction across numerous areas, a place where we fell short is our 2014 financial results. Persistent issues on certain legacy projects and the softening world economy and end-markets have challenged our progress.

At the end of 2014, our revenue backlog stood at \$12.3 billion and our cash and cash equivalents at \$1.7 billion, compared to \$8.3 billion and \$1.1 billion respectively at the end of 2013. We finished the year with \$8.2 billion in revenues compared to \$7.9 billion in 2013. Net income for 2014 was \$1.3 billion versus \$35.8 million in 2013. This included a \$1.3 billion net gain on our Infrastructure Concession Investments (ICI) divestments, resulting primarily from the sale of our equity stake in AltaLink.

Our 2014 adjusted net income was \$374 million compared to \$112 million in 2013. This improvement stemmed largely from our ICI activities, less negative results in Infrastructure, and an enhanced contribution in Resources mainly due to the Oil & Gas (O&G) business. The Power group's lower contribution partially offset these results.

Keeping our people safe

Part of being both a partner and employer of choice entails safeguarding the health and safety of the people who work for and with us. Our goal at SNC-Lavalin is zero incidents. Over the past two years, we've made significant strides toward achieving this goal. Last year, we reduced the total number of recordable incidents by 25% and lost-time injuries by 23% compared to 2013. August was our first zero lost-time workday month across the Company in three years.

While I'm proud of this progress, work remains. At the heart of this work is our commitment to systematically share best practices and lessons learned, including those coming from Kentz and Valerus, the newest members of our family known across the industry for their leadership in safety.

Building a top-tier E&C company

In 2014, we continued to implement our five-year strategic plan to drive growth and build a top-tier global engineering and construction (E&C) firm with industry-leading resource, power and infrastructure capabilities. As our integrated one company approach takes root, we're seeing greater cross-company synergies and our clients tell us that they're benefitting from the full scope of our expertise.

Over the past two years, we've transformed our business and met key milestones in our quest to build a sustainable foundation for shareholder value. Reducing our selling, general and administrative (SG&A) expenses has boosted our efficiency. We've enhanced our client focus by restructuring and right-sizing our operations. And we've rebalanced our ICI portfolio to unlock additional value and seize strategic growth opportunities.

In December 2014, we sold our 100% equity stake in AltaLink, the largest regulated electricity transmission company in Alberta, Canada, to Berkshire Hathaway Energy. In the process, we optimized this outstanding asset and gained the potential of developing opportunities with MidAmerican Transmission, a subsidiary of Berkshire Hathaway. This success story highlights our ability to create value that benefits both the Company and its shareholders.

I'm also proud to report that, even with all these changes, we managed to attract and retain top talent as well as beat the industry's voluntary turnover rate in 2014. I want to thank employees for their loyalty and hard work. Our sustained success hinges on their ongoing commitment and performance.

A world leader in oil and gas

With the acquisition of U.K.-listed Kentz in August 2014, we enthusiastically welcomed over 15,000 new employees with complementary, high-end O&G engineering and construction expertise. By year-end, we had successfully completed our integration program which, starting in 2015, will generate \$70 million in synergies, \$20 million more than forecasted.

Despite the recent downturn in the price of oil, Kentz has continued to deliver value with a number of new contracts signed since the acquisition, \$1 billion worth in the Middle East alone. Several of these contracts leverage Kentz's top-tier technical capabilities for sustaining capital services – a crucial market for us in the current climate.

What's most encouraging to me is that I'm already seeing concrete examples of the Kentz team creating value with our legacy organization. This includes identifying billions of dollars worth of prospective projects where we believe we're in a stronger position to deliver a more compelling bid as a combined business.

Kentz engineers are also actively helping our Mining & Metallurgy experts develop opportunities in North America, Australia and Africa. In February 2015, we joined forces to showcase the full scope of our O&G services at Mining Indaba, Africa's largest mining conference. We've also started collaborating with the Kentz legacy team on several large power contracts in the Middle East as well as on infrastructure projects that will continue beyond 2016.

Aligning with market and client realities

Over the past two years, we've been on a far-reaching journey aimed at making our organization more efficient, agile and competitive. A deep dive into our structure, portfolio and pipeline of opportunities underscored the need to realign our expertise and resources with end-market and client realities in order to seize promising growth opportunities worldwide.

In late 2014, we announced the next phase of our plan to restructure and right-size specific areas of our business. This will result in a reduction of our global workforce by some 4,000 people or 9% between November 2014 and May 2016. While I truly regret the impact of this decision on employees, I'm confident that it will allow us to build a stronger platform for growth with more professional opportunities for our people. The restructuring should also deliver approximately \$100 million in annual after-tax operational efficiencies beginning in 2015.

At work for you

The inroads we made in 2014 have transformed us into a more fit-for-purpose and valuable partner than we were just a year ago. We've renewed our entire senior management team with skilled, insightful and internationally experienced Tier-1 executives. Our enhanced proposal review and approval process, more efficient cost controls and more robust ethics and compliance program put us in a much better position to deliver outstanding projects everywhere.

Early in 2015, federal charges were laid by the Public Prosecution Service of Canada against three of our legal entities. I want to reassure you that this situation in no way affects the Company's right and ability to bid or work on any public or private projects. The charges relate to alleged reprehensible deeds by former employees who left SNC-Lavalin long ago, and we consider that they are without merit and will vigorously defend ourselves.

On March 16, 2015, Ian Bourne stepped down as both the Chairman and a Director of our Board. Ian's leadership as Board member, interim CEO and as Chairman provided stability to our Company during a very challenging time. I would like to thank Ian for his significant contribution as well as welcome Board Director Lawrence Stevenson as our new Chairman. Larry's experience and capability will be great assets as we continue on our journey to build a Tier-1 global E&C organization and we look forward to working with him.

I would like to thank our employees, shareholders, clients and partners for their continuous support. Going forward, we'll focus on building on our fundamental strengths: our broad geographic coverage, our cradle-to-grave services and our diversified resource, power and infrastructure portfolio. This is, in my opinion, the key to generating long-term shareholder value.

Yours truly,

Robert G. Card (signed)

President and Chief Executive Officer