

Fourth quarter and year end December 31, 2010 Conference call notes



✓ **Forward-looking Statements**

- Denis Jasmin,
Vice-President, Investor Relations

✓ **Highlights and Outlook**

- Pierre Duhaime,
President and Chief Executive Officer

✓ **Financial Review**

- Gilles Laramée,
Executive Vice-President and Chief Financial Officer

Forward-looking statements

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- ✓ Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.
- ✓ Statements made in this presentation that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions or projections of the future may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "anticipates", "believes", "estimates", "expects", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. 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. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the section "Risks and Uncertainties" and the section "How We Analyze and Report our Results", respectively, in the Company's 2009 Financial Report under "Management's Discussion and Analysis". The forward-looking statements herein reflect the Company's expectations as of the date of this presentation and are subject to change after this date.
- ✓ Reference in this presentation 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 ventures, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint ventures.

Year-to-date results

- ✓ Net income increased by 21.6% to \$437.0 million compared to \$359.4 million for the year ended December 31, 2009
 - Net income increased by 8.9% when we exclude the net gain after taxes of \$26.1 million from the disposal of Valener Inc. shares and Trencap Limited Partnership units and the after tax gain of \$19.6 million from the disposal of certain technology solution assets
 - Higher operating income in Infrastructure & Environment and Infrastructure Concession Investments
- ✓ Selling, general and administrative expenses increased to \$585.6 million compared to \$545.6 million
 - 44.0% of 2010 total gross margin compared to 47.4% in 2009

2010 Financial highlights (cont'd)

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- ✓ Year-to-date revenues increased to \$6.3 billion compared to \$6.1 billion for the year ended December 31, 2009
 - Increase in Packages and ICI
 - Decrease in Services
- ✓ The Company's balance sheet position remained strong with cash and cash equivalents of \$1.3 billion at December 31, 2010
- ✓ Total revenue backlog increased by 20.0% to \$13.0 billion compared to \$10.8 billion at the end of December 2009
- ✓ For the 12-month period ended December 31, 2010, return on average shareholders' equity (ROASE) was 27.4%

Engineering companies acquired in 2010

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- ✓ Itansuca Proyectos de Ingeniera S.A.

- Colombia: 1,000 people

- ✓ Other companies

- France: 160 people
- Other countries: 70 people

Adding ~ 1,230 people to our global workforce

Disposals in 2010

- ✓ Trecap Limited Partnership resulting in a gain after taxes of \$27.4 million.
- ✓ Valener Inc resulting in a loss after taxes of \$1.3 million.

Additions in 2010

- ✓ Chinook Roads Partnership
 - 50% equity interest
 - 33 years concession
 - 50% of EPC and O&M to SNC-Lavalin
- ✓ McGill University Health Centre (MUHC)
 - 60% equity interest
 - 34 years concession
 - EPC and O&M to SNC-Lavalin

Additions in 2010 (cont'd)

- ✓ Rayalseema Expressway Private Limited (REPL)
 - India
 - 36.9% equity interest
 - 30 years concession

2011

- ✓ AltaLink
 - Accepted offer from Macquarie Essential Assets Partnership to acquire remaining 23.08% ownership interest for \$213 million, subject to customary closing conditions and regulatory approval

Key financial indicators

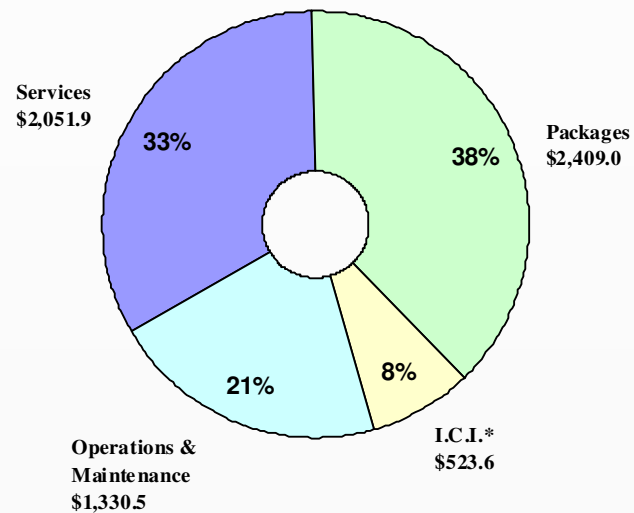
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Financial Indicator	Financial Objective	Actual Results	
		2010	2009
1) Growth in net income	Annual growth between 7% and 12%	21.6%	15.0%
2) Return on Average Shareholders' Equity (ROASE)	At least equal to long-term Canada Bond Yield plus 6% (totalling 9.8% for 2010 and 9.9% for 2009)	27.4%	27.3%
3) Net cash position (cash and cash equivalents less cash and cash equivalents from ICI and recourse debt)	Maintain a strong balance sheet with a net cash position sufficient to meet expected operating, financing and investing plans	870.1M	\$722.9M

Diversity

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Categories of activity

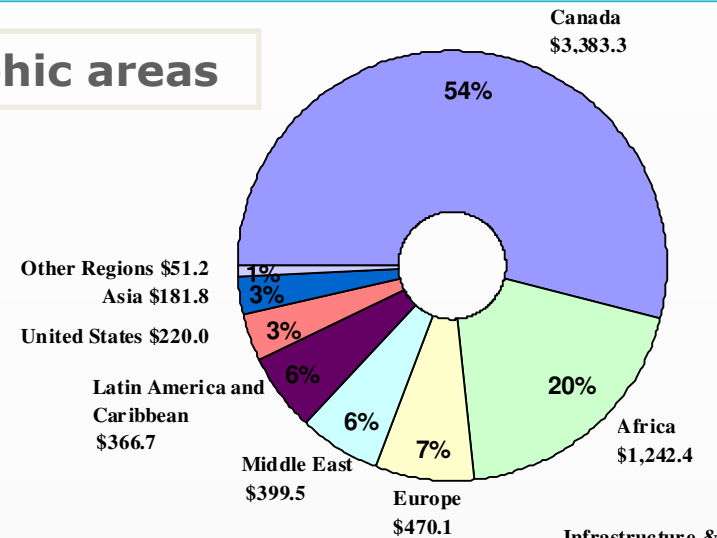


2010 Revenues:
\$6.3 billion

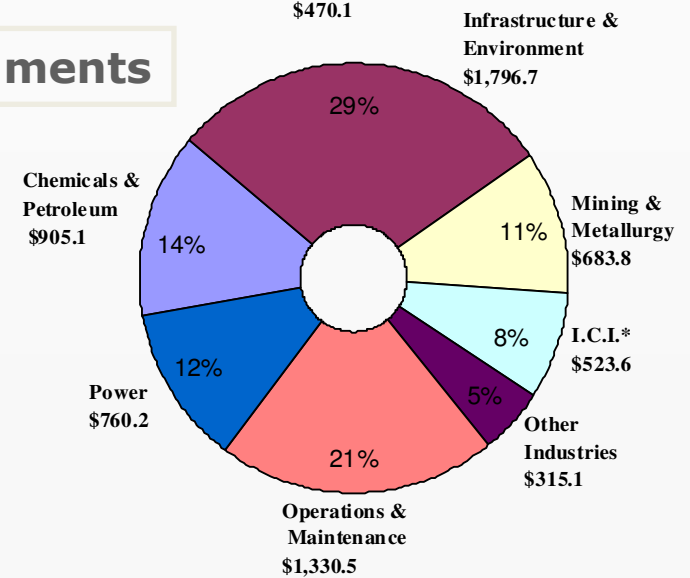
(in millions of \$)

*Infrastructure Concession Investments

Geographic areas



Industry segments

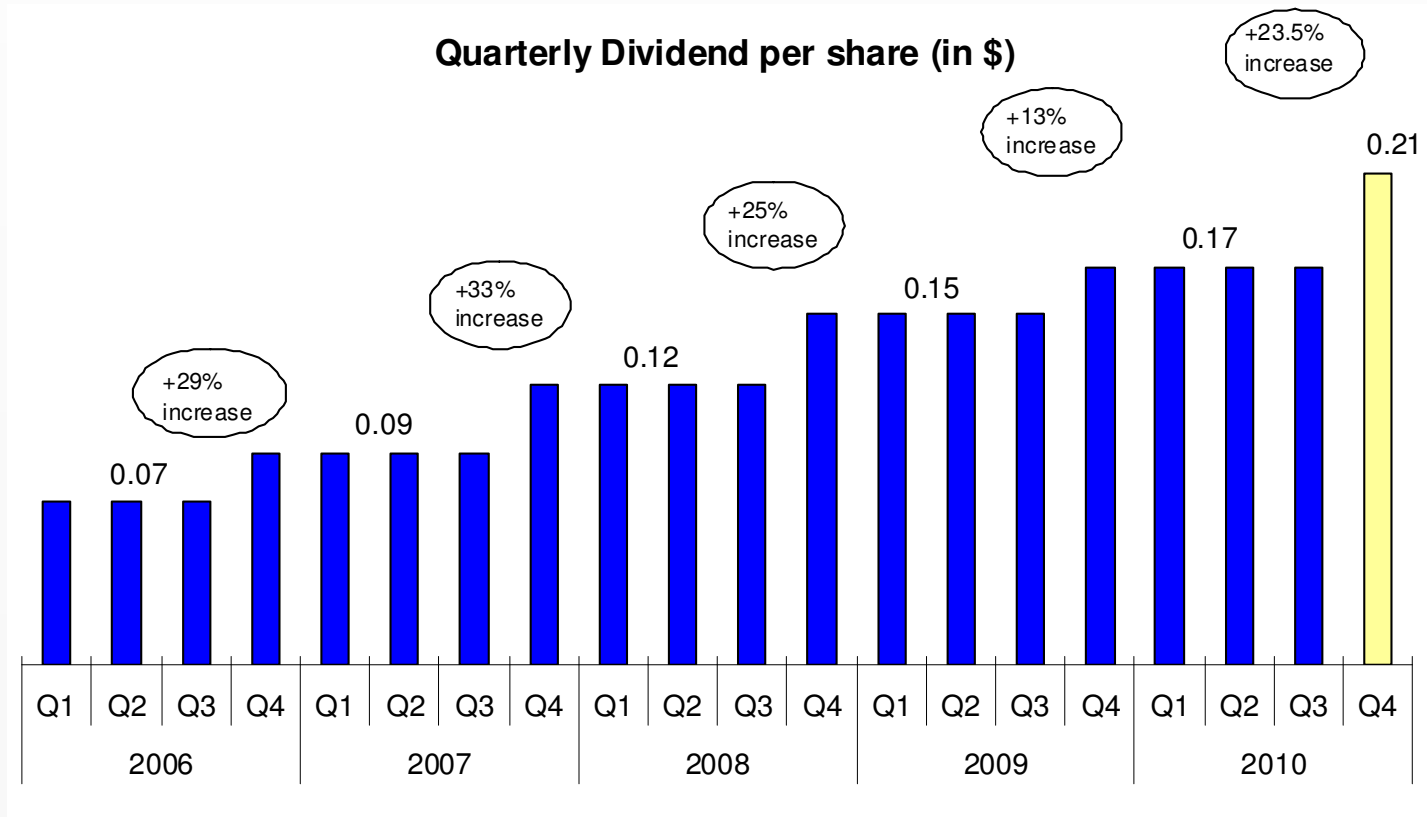


- ✓ **2011 net income to be lower than 2010**
- ✓ **However, 2011 net income to be in line with 2010**
 - When we exclude from 2010 net income:
 - Gain after taxes of \$19.6 million from the disposal of certain technology solution assets
 - Net gain after taxes of \$26.1 million from the disposal of two Infrastructure Concession Investments
- ✓ **Outlook assumes, for the time being, no contribution from projects in Libya**

Dividend increase

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- ✓ Board of Directors has increased the quarterly cash dividend by 23.5% to \$0.21 per share



Financial Review

Gilles Laramée,
Executive Vice-President and Chief Financial Officer

Net income details

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(in millions of \$)

	Year Ended December 31			Growth 2010 / 2009 Excluding 2010 Net Gain on Disposals
	2010 Actual		2009 Actual	
	Total	Excluding Net Gain on Disposals	Total	
Net income excluding ICI	354.1⁽¹⁾	334.5	322.5	4%
Net income from ICI	82.9⁽²⁾	56.8	36.9	54%
Net income	437.0	391.3	359.4	9%

(1) Includes a gain after taxes of \$19.6 million from the disposal of ECS

(2) Includes a net gain after taxes of \$26.1 million from the disposal of Trencap and Valener

Consolidated income statement

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(in millions of \$)	Fourth Quarter		Year Ended December 31	
	2010	2009	2010	2009
Revenues	1,895.4	1,583.2	6,315.0	6,101.7
Gross margin	397.5	316.5	1,331.7	1,151.1
Selling, general and administrative expenses	171.0	148.1	585.6	545.6
Interest and capital taxes:				
- from infrastructure concession investments	44.4	32.2	151.8	112.2
- from other activities	3.5	7.3	23.1	16.0
Income before inc. taxes and non-contr. interests	178.6	128.9	571.2	477.3
Income taxes	36.6	26.0	123.4	108.2
Non-controlling interests	2.8	4.2	10.8	9.7
Net income	139.2	98.7	437.0	359.4

Selling, general and administrative expenses

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(in millions of \$)

Year Ended December 31

2010
Actual

2009
Actual

**Selling, general and
administrative expenses**

585.6

545.6

	2010	2009	2008	2007	2006
Selling, general and administrative expenses as a percentage of gross margin	44.0%	47.4%	50.9%	69.5%	53.1%

Total revenues by geographic area

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(in millions of \$)

	Year Ended December 31			
	2010		2009	
	Actual	%	Actual	%
Canada	3,383.3	54	3,218.7	53
Africa excluding Libya	824.2	13	608.7	10
Libya	418.2	7	278.8	5
Europe	470.1	7	567.5	9
Middle East	399.5	6	591.3	10
Latin America and Caribbean	366.7	6	289.2	5
United States	220.0	3	272.0	4
Asia	181.8	3	212.3	3
Other Regions	51.2	1	63.2	1
Total Outside Canada	2,931.7	46	2,883.0	47
Total	6,315.0	100	6,101.7	100

Annual gross margin

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(in millions of \$)

Year Ended December 31

	2010		2009	
	Actual	As a % of revenues	Actual	As a % of revenues
Services	539.2	26.3	562.7	25.3
Packages	448.2⁽¹⁾	18.6	357.4	16.2
Operations and Maintenance	59.7	4.5	50.1	3.9
ICI	284.6⁽²⁾	54.4	180.9	47.6
Total Gross Margin	<u>1,331.7</u>	21.1	<u>1,151.1</u>	18.9

(1) Includes a gain before taxes of \$22.8 million from the disposal of ECS

(2) Includes a net gain before taxes of \$29.6 million from the disposal of Trencap and Valener

Revenues and operating income by segment

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(in millions of \$)

	Year Ended December 31			
	2010		2009	
	Revenues	Operating Income	Revenues	Operating Income
Services and Packages				
Infrastructure and Environment	1,796.7	236.7	1,602.6	212.9
Chemicals and Petroleum	905.1	18.1	829.4	21.0
Power	760.2 ⁽¹⁾	116.3 ⁽¹⁾	921.9	88.0
Mining and Metallurgy	683.8	59.5	764.7	72.2
Other Industries	315.1	38.6	305.0	40.6
Operations and Maintenance	1,330.5	39.4	1,297.9	32.5
ICI	523.6 ⁽²⁾	82.9 ⁽³⁾	380.2	36.9
Total	6,315.0	591.5	6,101.7	504.1

(1) Includes a gain before taxes of \$22.8 million from the disposal of ECS

(2) Includes a net gain before taxes of \$29.6 million from the disposal of Trencap and Valener

(3) Includes a net gain after taxes of \$26.1 million from the disposal of Trencap and Valener

2011 operating income expectations

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Operating Income	2010 Expectations per 2009 MD&A	2010 Actual	Actual vs. Expectations	2011 Expectations per 2010 MD&A ⁽¹⁾
Services and Packages				
Infrastructure and Environment	↓	↑	✓	↓
Chemicals and Petroleum	↑	↓	X	↑
Power	↓	↑	✓	↑
Mining and Metallurgy	≡	↓	X	↑
Other Industries	≡	≡	✓	≡
Operations and Maintenance	↑	↑	✓	↑
ICI	↑	↑	✓	↓
Total Operating Income	↑	↑	✓	↓
<div> <div>✓ In line or above expectations</div> <div>X Below expectations</div> </div>				<div> <div>↓</div> <div>If we exclude 2010 net gains on disposals</div> </div>

(1) The expectations for 2011 are based on IFRS comparable figures for 2010 and exclude any potential contribution from projects in Libya, until the situation there is clarified

2011 outlook summary

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	2011 Outlook
Revenues	<u>↑</u>
Gross margin	≡
Selling, general and administrative expenses	↑
Interest and capital taxes	≡
Income taxes	↓
Net income	<u>↓</u>
SNC-Lavalin's net income from ICI	↓
Net income, excluding ICI	↓
Net income	<u>↓</u>
Net income (excluding 2010 net gains on disposals)	≡

Balance sheet

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(in millions of \$)

Assets

Cash and cash equivalents

Other current assets

Property and equipment:

From infrastructure concession investments

From other activities

Goodwill

Infrastructure concession investments

Other non-current assets

Liabilities

Current liabilities

Long-term debt:

Recourse

Non-recourse from infrastructure concession investments

Other non-current liabilities and non-controlling interests

Shareholders' equity

December 31,
2010

December 31,
2009

1,288.2

1,218.2

2,883.1

2,174.8

2,588.7

2,217.0

117.5

114.0

543.6

520.9

386.7

469.4

795.4

492.0

8,603.2

7,206.3

2,924.9

2,849.0

348.2

348.0

2,981.5

2,005.5

640.2

569.1

1,708.4

1,434.7

8,603.2

7,206.3

ICI Net book value and market value

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	NBV	MV ⁽¹⁾	MV ⁽¹⁾
	December	(except Others)	(except Others)
	2010	December	December
		2010	2010
	(in millions \$)	(in millions \$)	(in \$, per SNC-Lavalin's share)
Highway 407 (16.77%)	(97.4)	1,499.5	9.85
AltaLink (76.92%)	328.0	709.9	4.66
Others	532.9	532.9	3.50
	<u>763.5</u>	<u>2,742.3</u>	<u>18.01</u>

(1) Based on recent third party transactions

Solid financial position

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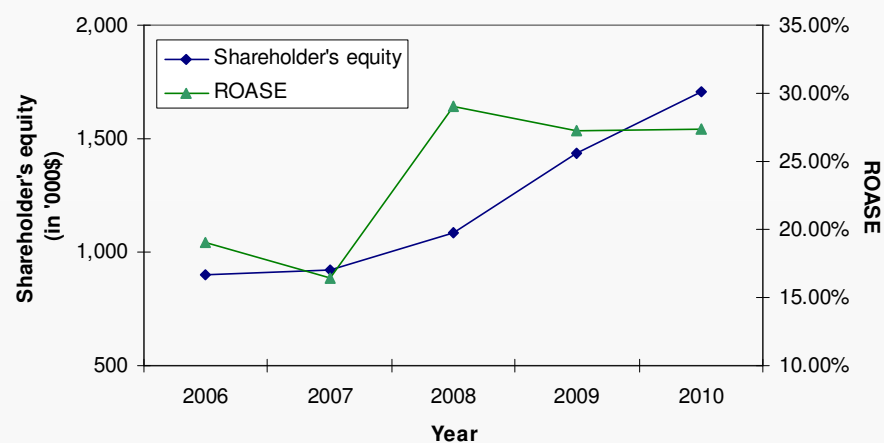
(in millions of \$)

■ Cash position

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	1,288.2	1,218.2	988.2	1,088.6	1,106.3
Freehold cash (included above)	900.0	800.0	600.0	600.0	500.0

■ Return on Average Shareholders' Equity (ROASE)

The Company strives to position itself to achieve a consistently high ROASE while maintaining a strong balance sheet, which it has achieved over the last years.



BY CATEGORY OF ACTIVITY

(in millions of \$)	December 2010	September 2010	December 2009
Services	1,410.7	1,429.1	1,464.9
Packages	5,912.1 ⁽¹⁾	5,764.3	4,197.5
Operations & Maintenance	2,732.8	2,621.3	2,596.1
AltaLink	2,202.4	2,108.5	1,877.4
Highway 407	645.0	635.9	600.7
Other	102.5	102.0	100.6
Infrastructure Concession Investments	2,949.9	2,846.4	2,578.7
Total Revenue Backlog	13,005.5	12,661.1	10,837.2

(1) As a precautionary measure, all Libyan projects have been removed

SERVICES AND PACKAGES ONLY, BY SEGMENT

(in millions of \$)	At December 31 2010		At December 31 2009	
	Services	Packages	Services	Packages
Services and Packages				
Infrastructure and Environment	665.1	2,820.6	677.9	2,034.6
Chemicals and Petroleum	165.8	907.4	170.5	1,553.5
Power	219.6	1,696.5	253.5	436.1
Mining and Metallurgy	273.6	167.1	297.9	-
Other Industries	86.6	320.5	65.1	173.3
Total Services and Packages Backlog	1,410.7	5,912.1	1,464.9	4,197.5

- Presentation was done on January 25, 2011
 - Copy of the presentation and audio is available on our web site, under the “Investors” section
- Main impacts on SNC-Lavalin’s consolidated financial statements upon transition to IFRS
 - Service concession arrangements
 - Jointly controlled entities
 - Non-controlling interests within equity
- In 2011, SNC-Lavalin will stop disclosing the Infrastructure Concession Investments revenue backlog, notably due to the impact of IFRIC 12 and IAS 31 on these investments

Peer group comparison

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	Net Income Growth (last TTM)	R.O.E. ⁽¹⁾	P/E ⁽²⁾
SNC-Lavalin	21.6%	27.4%	13.5 ⁽³⁾
Fluor	-47.8%	9.8%	31.7
Foster Wheeler	-38.5%	15.7%	18.3
Jacobs Engineering	-32.8%	7.9%	23.7
Shaw Group	181.0%	5.9%	30.5
Technip	145.1%	14.9%	15.0
URS Corp.	7.0%	7.1%	12.9
WorleyParsons	-14.9%	14.5%	26.7

To be comparable to our peers, SLI's P/E needs to be adjusted by removing from SLI's price and earnings SLI's ICIs.

Ratios are based on most recent available 4 trailing quarters as at March 2, 2011.

Sources of information are from company reports and Bloomberg as of March 2, 2011.

(1) Shareholders' equity excludes the "accumulated other comprehensive income (loss)".

(2) P/E ratios adjusted to reflect best estimate of freehold cash where applicable.

(3) P/E ratio adjusted to reflect freehold cash and to exclude SLI's ICIs. SNC-Lavalin market price = \$54.96, less interest in Highway 407 of \$9.85 (based on CPPIB acquisition), less interest in AltaLink of \$4.66 (based on SNC-Lavalin's offer to MEAP) and less other ICIs of \$3.50 (based on net book value) and less \$5.90 of freehold cash.

- If you have further questions, please contact:
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