



SNC • LAVALIN

FOURTH QUARTER 2011

Conference Call Notes
March 26, 2012



Agenda

Forward-looking Statements

- Denis Jasmin,
Vice-President, Investor Relations

Opening Statements

- Gwyn Morgan,
Chairman of the Board and the Governance Committee

Next Steps and 2012 Outlook

- Ian Bourne,
Vice-Chairman and Interim Chief Executive Officer

Financial Review

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

Q&A with Analysts

Q&A with Media

Forward-looking statements

- ✓ Unless otherwise indicated, all financial information included in this presentation is in Canadian dollars.
- ✓ 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 ventures, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint ventures. 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 its actual actions and/or results could differ materially from those expressed or implied in forward-looking statements, or could affect the extent to which a particular projection materializes, as a result of risks and uncertainties relating to: (a) cost overruns from fixed-price contracts; (b) failure to meet scheduled dates or performance standards on a particular project; (c) attracting and retaining qualified personnel and any strike, partial work stoppage or other labour actions by the Company’s or its subcontractors’ unionized employees; (d) failure of the Company’s joint venture partners to perform their obligations; (e) failure by the Company’s subcontractors to deliver their portion of a particular project according to contractual terms; (f) the financial performance of the Company’s infrastructure concession investments during a particular concession period; (g) the Company obtaining new contract awards; (h) revenue backlog and whether such revenue backlog will ultimately result in earnings and when revenues and earnings from such backlog will be recognized; (i) foreign currency exchange and interest rates; (j) credit risk and the delay in collection from the Company’s clients; (k) information management including its integrity, reliability and security; (l) the inherent limitations of the Company’s control framework and the effectiveness of the measures implemented by the Company to strengthen its internal controls over financial reporting following the identification by the Company of material weaknesses relating to the design and operational effectiveness of its internal controls over financial reporting as of December 31, 2011; (m) uncertain economic and political conditions in the countries in which the Company does business; (n) any lack of strong safety practices by the Company or its subcontractors exposing the Company to lost time on projects, penalties, lawsuits and impact on future contract awards; (o) the Company’s inability to comply with environmental laws and regulations; (p) the Company’s reputation as a result of, among others, any quality or performance issues on its projects, a poor health and safety record, non-compliance with laws or regulations by the Company’s employees, agents, subcontractors, suppliers and/or partners, or creation of pollution and contamination; (q) the inability to adequately integrate an acquired business in a timely manner; (r) non-compliance with laws and regulations by an employee, agent, supplier, subcontractor and/or partner of the Company or any further regulatory developments; (s) failure by the Company’s employees, agents, suppliers, subcontractors and/or partners to comply with anti-bribery laws; (t) any litigation and/or legal matters to which the Company is a party; (u) any negative publicity associated with the Independent Review led by the Company’s Audit Committee of the facts and circumstances surrounding certain payments that were documented to construction projects to which they did not relate, and certain other contracts, as well as any sanctions that could be brought against the Company in connection with possible violations of law or contracts should additional facts adverse to the Company become known in connection with such Independent Review including as to matters beyond its scope; (v) the proposed class action lawsuit filed on March 1, 2012 against the Company with the Quebec Superior Court; and (w) the investigations of the Royal Canadian Mounted Police and the World Bank relating to the Company’s involvement in a past submission as the Owner’s Engineer for the Bangladesh government.
- ✓ 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 2011 Financial Report under “Management’s Discussion and Analysis”. The forward-looking statements herein reflect the Company’s expectations as at the date of this presentation and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements, unless required by applicable legislation or regulation.

ICI notable events

- ✓ **Acquisition of Macquarie Essential Assets Partnership ("MEAP ") 23.08% ownership interest in AltaLink**
 - \$228.8 million in cash
 - SNC-Lavalin's ownership now 100%

Additions in 2011

- ✓ **Rainbow Hospital Partnership**
 - 100% equity interest
 - 30 years concession
 - EPC to an SNC-Lavalin-led joint venture
 - O&M to SNC-Lavalin
 - ✓ **Aéroport de Mayotte S.A.S**
 - 100% equity interest
 - 15 years concession
 - EPC and O&M to SNC-Lavalin
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Outlook

✓ **2012 net income to be in line with 2011**

➤ **Main contributors**

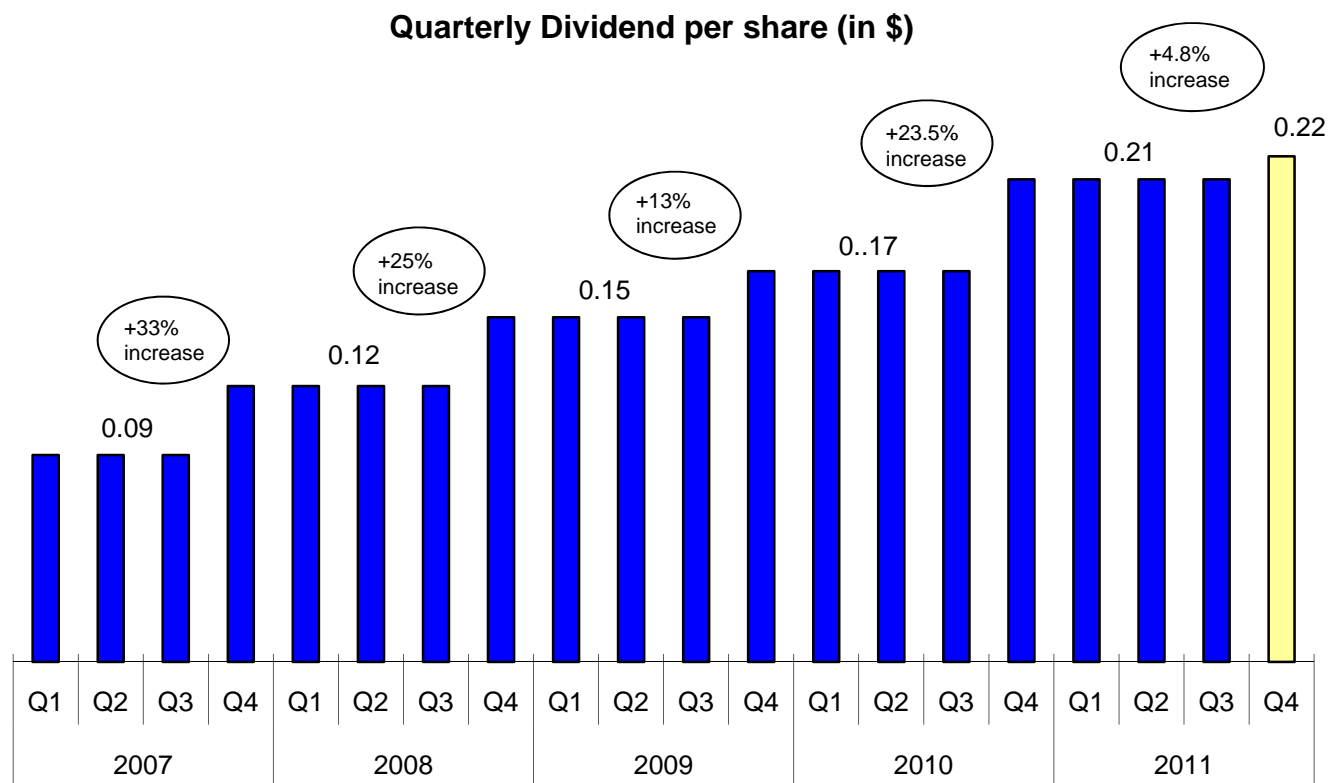
- Power
- Mining & Metallurgy
- ICI

➤ **Challenging segments**

- Hydrocarbons & Chemicals
 - Infrastructure & Environment
-

Dividend increase

- ✓ Board of Directors has increased the quarterly cash dividend by 4.8% to \$0.22 per share



Financial Review

Gilles Laramée,

Executive Vice-President and Chief Financial Officer

Financial highlights

Q4 2011 vs Q4 2010

- ✓ **Net income = \$76.0 million for Q4 2011 vs \$158.7 million for Q4 2010**
- ✓ **\$76.0 million vs \$132.6 million excluding the 2010 net gain of \$26.1 million from the disposal of two ICIs**



Operating loss in Infrastructure & Environment and in Hydrocarbons & Chemicals



\$22.4 million loss from a revised position of the Company's net financial position on its Libyan infrastructure projects



\$35 million of period expenses

Partially offset by:



Mining & Metallurgy
Operations & Maintenance

Financial Highlights – YTD 2011 vs YTD 2010

(in millions of \$)

Year ended December 31	
2011	2010

Net income attributable to SNC-Lavalin shareholders:

From net gains from the disposals
of certain assets and investments

- 45.7

Excluding ICI and net gain from the disposal
of certain technology solution assets

247.6 322.2



Infrastructure &
Environment



All others segments

From ICI, excluding a net gain
from the disposal of investments

131.2 108.8



Dividends from
Highway 407

Net income attributable to SNC-Lavalin shareholders

378.8 476.7

Financial highlights (cont'd)

- ✓ **Revenues for YTD 2011 increased by 20.3% to \$7.2 billion vs \$6.0 billion for YTD 2010**



In all segments of activity and in all revenue categories

Packages up by 34.3%

Services up by 18.7%

- ✓ **Revenues in Canada increased by 30.2% in 2011 compared to 2010**
 - ✓ **Revenues from outside Canada increased by 9.9% in 2011, compared to 2010.**
-

Main business acquisitions in 2011

- ✓ **Atomic Energy of Canada Limited (“AECL”)**
 - Candu Energy, wholly-owned subsidiary of SNC-Lavalin, acquired certain assets of AECL’s commercial reactor division
 - Approx. 1,400 employees transitioned from AECL to Candu Energy
 - ✓ **Interfleet Technology**
 - International rail technology consultancy group
 - Headquartered in Derby, United Kingdom
 - Approx. 600 employees
 - ✓ **Arcturus Realty Corporation**
 - Manages over 35 million square feet of office, retail and industrial properties across Canada
 - Over 350 employees
 - ✓ **Groupe Stavibel**
 - Provides engineering consulting expertise
 - Based in Abitibi-Témiscamingue, Québec
 - Approx. 300 employees
-

Annual gross margin

(in millions of \$)

	Year Ended December 31			
	2011		2010	
	Actual	As a % of revenues	Actual	As a % of revenues
Services	592.5	24.3	543.0	26.4
Packages	301.9	10.5	434.2	20.3
Operations and Maintenance	78.4	5.6	59.6	4.5
ICI	279.3	55.7	264.2	55.9
Total Gross Margin	<u>1,252.1</u>		<u>1,301.0</u>	

Selling, general and administrative expenses

(in millions of \$)

	<u>Year Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Selling, general and administrative expenses	<u>654.7</u>	<u>581.7</u>

- ✓ Variance is mainly due to \$45 million from businesses recently acquired and 5% increase in the overall SG&A
-

Revenues and operating income by segment

(in millions of \$)

	Year Ended December 31			
	2011		2010	
	Revenues	Operating Income	Revenues	Operating Income
Services and Packages				
Infrastructure & Environment	1,945.1	46.8	1,807.1	221.3
Hydrocarbons & Chemicals	1,075.6	33.8	888.7	21.8
Mining & Metallurgy	1,022.0	80.6	683.8	59.6
Power	894.1	119.7	496.6	116.4
Other Industries	372.5	43.2	315.0	38.6
Operations and Maintenance	1,399.2	50.1	1,330.4	39.4
ICI	501.4	131.2	472.3	134.9
Total	7,209.9	505.4	5,993.9	632.0

Financial position

(in millions of \$)	December 31 2011	December 31 2010
Assets		
Cash and cash equivalents	1,231.0	1,235.1
Other current assets	2,315.3	2,331.4
Property and equipment:		
From ICI	2,637.7	2,072.8
From other activities	159.9	115.2
ICI accounted for by the equity or cost methods	643.5	627.0
Goodwill	639.5	542.0
Other assets	727.1	597.3
	8,354.0	7,520.8
Liabilities and Equity		
Current liabilities	3,514.3	2,886.6
Long-term debt:		
Recourse	348.4	348.2
Non-recourse from ICI	1,561.4	1,529.0
Other liabilities	1,043.2	837.5
	6,467.3	5,601.3
Equity attributable to SNC-Lavalin shareholders	1,883.1	1,816.8
Non-controlling interests	3.6	102.7
	8,354.0	7,520.8

Solid financial position and ROASE

(in millions of \$)

✓ Cash position

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	1,231.0	1,235.1	1,218.2	988.2	1,088.6
	IFRS		CND GAAP		

✓ Return on Average Shareholders' Equity (ROASE)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
ROASE	19.3	28.4	27.3	29.1	16.4
	IFRS		CND GAAP		

Cash flow

(in millions of \$)

	Year Ended December 31	
	2011	2010
Cash flows generated from (used for):		
Operating activities	919.6	500.1
Investing activities	(863.6)	(475.9)
Financing activities	(56.8)	31.9
Decrease in exchange differences on translating cash and cash equivalents held in foreign operations	(3.3)	(12.4)
Net increase (decrease) in cash and cash equivalents	(4.1)	43.7
Cash and cash equivalents at beginning of year	1,235.1	1,191.4
Cash and cash equivalents at end of year	1,231.0	1,235.1

ICI net book value and estimated market value

	Net Book Value Dec. 2011	Estimated Market Value ⁽¹⁾ Dec. 2011	Estimated Market Value ⁽¹⁾ Dec. 2011
	(in millions \$)	(in millions \$)	(in \$, per SNC- Lavalin's share)
Highway 407 (16.77%)	-	1,499.5	9.87
AltaLink (100%)	602.0	1,039.7	6.84
Others	763.3	763.3	5.02
	<u>1,365.3</u>	<u>3,302.5</u>	<u>21.73</u>

⁽¹⁾The basis for the estimated market value are: (a) Highway 407 market value is based on the 10% interest acquired by CPPIB (Oct. 2010); (b) AltaLink market value is based on SNC-Lavalin's transaction price for the acquisition of the 23.08% remaining interest (Sept. 2011), following our right of first refusal on an offer made by a third party + capital invested by SNC-Lavalin since the transaction; (c) Others ICI are based on their net book value

Revenue Backlog

By Category of Activity

(in millions of \$)	December 2011	September 2011	December 2010
Services	2,226.1	2,196.6	1,410.7
Packages	5,482.8	4,852.3	5,572.4
Operations & Maintenance	2,379.1	2,393.2	2,732.8
Total Revenue Backlog	10,088.0	9,442.1	9,715.9

Peer group comparison

	R.O.E. ⁽¹⁾	P/E ⁽²⁾	
SNC-Lavalin	19.3%	7.5 ⁽³⁾	<div> <p>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.</p> </div>
AECOM	10.7%	9.7	
Fluor	16.5%	16.0	
Foster Wheeler	11.9%	14.9	
Jacobs Engineering	10.5%	15.5	
Shaw Group	-8.5%	n/a	
Technip	15.1%	18.6	
URS Corp.	-12.0%	n/a	
WorleyParsons	18.7%	18.8	

Ratios are based on most recent available 4 trailing quarters as at March 22, 2012.

Sources of information are from company reports and Bloomberg as of March 22, 2012.

(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.

Price = \$38.60, less interest in Highway 407 of \$9.87 (based on CPPIB acquisition), less interest in AltaLink of \$6.84 (based on SNC-Lavalin's transaction with MEAP + capital invested by SNC-Lavalin since the transaction) and less other ICIs of \$5.02 (based on net book value) and less \$4.90 of freehold cash.

✓ **If you have further questions, please contact:**

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✓ **Replay of conference call:**

Investor Relations section of website:

www.snclavalin.com
