



SNC • LAVALIN

FIRST QUARTER 2012

Conference Call Notes
May 3, 2012



Agenda

Forward-looking Statements

- Denis Jasmin,
Vice-President, Investor Relations

Opening Remarks and Outlook

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

Financial Review

- Gilles Laramée,
Executive Vice-President and Chief Financial Officer
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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.
- ✓ This 2012 outlook referred to in this press release is based on the methodology described in the Company’s annual Management’s Discussion and Analysis 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, including risks resulting from the Independent Review.
- ✓ 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 and March 31, 2012; (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” and the section “Risks and Uncertainties” in the Company’s first quarter 2012 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.

Financial Review

Gilles Laramée,

Executive Vice-President and Chief Financial Officer

Selected income statement elements

(in millions of \$)

	First Quarter	
	2012	2011
Net income from ICI:		
From Highway 407	14.7	13.8
From other ICI	10.4	10.6
Net income excluding ICI:	42.0	51.7
Net income attributable to SNC-Lavalin shareholders	67.1	76.1

Consolidated income statement

(in millions of \$)

	First Quarter	
	2012	2011
Revenues by activity:		
Services	669.1	480.1
Packages	618.9	634.9
Operations & Maintenance	383.4	426.8
Infrastructure Concession Investments (ICI)	116.5	101.8
	1,787.9	1,643.6
Gross margin	297.2	276.2
Selling, general and administrative expenses	183.2	153.1
Net financial expenses		
From ICI	25.8	23.2
From other activities	4.4	4.0
Income before inc. tax and non-contr. interests	83.8	95.9
Income tax expense	16.5	17.1
Non-controlling interests	0.2	2.7
Net income attributable to SNC-Lavalin shareholders	67.1	76.1
Net income excluding ICI	42.0	51.7
SNC-Lavalin's net income from ICI	25.1	24.4
Net income attributable to SNC-Lavalin shareholders	67.1	76.1

Revenues and operating income by segment

Three Months Ended March 31

	2012		2011	
	Revenues	Operating Income	Revenues	Operating Income
Services and Packages				
Infrastructure & Environment	414.5	2.4	420.5	6.1
Power	321.6	32.2	137.2	25.0
Mining & Metallurgy	282.7	16.0	177.3	1.4
Hydrocarbons & Chemicals	188.8	10.4	302.8	17.9
Other Industries	80.4	4.6	77.2	10.5
Operations and Maintenance	383.4	9.0	426.8	17.8
ICI	116.5	25.1	101.8	24.4
Total	1,787.9	99.7	1,643.6	103.1

Financial position

(in millions of \$)

	March 31 2012	December 31 2011
Assets		
Cash and cash equivalents	1,119.2	1,231.0
Other current assets	2,421.4	2,315.3
Property and equipment:		
From ICI	2,782.2	2,637.7
From other activities	171.3	159.9
ICI accounted for by the equity or cost methods	646.9	643.5
Goodwill	638.8	639.5
Other assets	741.9	727.1
	8,521.7	8,354.0
Liabilities and Equity		
Current liabilities	3,616.9	3,514.3
Long-term debt:		
Recourse	348.4	348.4
Non-recourse from ICI	1,560.9	1,561.4
Other liabilities	1,044.5	1,043.2
	6,570.7	6,467.3
Equity attributable to SNC-Lavalin shareholders	1,947.1	1,883.1
Non-controlling interests	3.9	3.6
	8,521.7	8,354.0

Cash flow

(in millions of \$)

	Three Months Ended March 31	
	2012	2011
Cash flows generated from (used for):		
Operating activities	42.1	119.6
Investing activities	(239.5)	(201.2)
Financing activities	85.3	28.0
Decrease in exchange differences on translating cash and cash equivalents held in foreign operations	0.3	0.4
Net increase (decrease) in cash and cash equivalents	(111.8)	(53.2)
Cash and cash equivalents at beginning of period	1,231.0	1,235.1
Cash and cash equivalents at end of period	1,119.2	1,181.9

ICI net book value and estimated market value

	Net Book Value March 2012	Estimated Market Value⁽¹⁾ March 2012	Estimated Market Value⁽¹⁾ March 2012
	(in millions \$)	(in millions \$)	(in \$, per SNC- Lavalin's share)
Highway 407 (16.77%)	-	1,499.5	9.89
AltaLink (100%)	626.6	1,049.7	6.92
Others	788.2	788.2	5.20
	1,414.8	3,337.4	22.01

⁽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

(en millions de \$)

	March 2012	December 2011	September 2011
Services	2,377.4	2,226.1	2,196.6
Packages	5,580.6	5,482.8	4,852.3
Operations & Maintenance	2,558.4	2,379.1	2,393.2
Total Revenue Backlog	10,516.4	10,088.0	9,442.1

Services and Packages revenue backlog by segment

(in millions of \$)	At March 31 2012		At December 31 2011	
	<u>Services</u>	<u>Packages</u>	<u>Services</u>	<u>Packages</u>
Services and Packages				
Infrastructure & Environment	840.1	1,905.9	804.7	2,051.2
Hydrocarbons & Chemicals	269.5	898.2	248.9	971.8
Mining & Metallurgy	756.2	439.5	646.4	476.6
Power	380.3	1,987.9	360.8	1,601.1
Other Industries	131.3	349.1	165.3	382.1
Total Services and Packages Backlog	<u>2,377.4</u>	<u>5,580.6</u>	<u>2,226.1</u>	<u>5,482.8</u>

Peer group comparison

	R.O.E. ⁽¹⁾	P/E ⁽²⁾	
SNC-Lavalin	18.5%	7.9 ⁽³⁾	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.
AECOM	10.7%	9.8	
Fluor	16.5%	15.5	
Foster Wheeler	13.7%	13.8	
Jacobs Engineering	10.2%	14.3	
Shaw Group	-5.1%	n/a	
Technip	14.7%	18.9	
URS Corp.	-12.0%	n/a	
WorleyParsons	18.7%	17.9	

Ratios are based on most recent available 4 trailing quarters as at May 1, 2012.

Sources of information are from company reports and Bloomberg as of May 1, 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 = \$38.52, less interest in Highway 407 of \$9.89 (based on CPPIB acquisition), less interest in AltaLink of \$6.92 (based on SNC-Lavalin's transaction with MEAP + capital invested by SNC-Lavalin since the transaction) and less other ICIs of \$5.20 (based on net book value) and less \$4.30 of freehold cash.

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

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✓ **Replay of conference call:**

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www.snclavalin.com
