



SNC • LAVALIN

FOURTH QUARTER 2012

Conference Call Notes
March 8, 2013

Agenda

Forward-looking Statements

- Denis Jasmin,
Vice-President, Investor Relations

President and CEO Remarks

- Robert Card,
President and Chief Executive Officer

Financial Review

- Gilles Laramée,
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 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, 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 “aim”, “anticipates”, “assumes”, “believes”, “estimates”, “expects”, “goal”, “intend”, “may”, “plans”, “projects”, “should”, “will”, or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. 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.

The 2013 outlook referred to during this presentation is forward-looking information and is based on the methodology described in the Company’s 2012 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. The purpose of the 2013 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.

Forward-looking statements made in this presentation are based on a number of assumptions believed by the Company to be reasonable as at the date hereof. The assumptions are set out throughout the Company’s 2012 Management’s Discussion and Analysis (particularly, in the sections entitled “Critical Accounting Judgments and Key Sources of Estimation Uncertainty” and “How We Analyze and Report our Results” in the Company’s 2012 Management’s Discussion and Analysis). 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 risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company’s business, financial condition and results of operation; (b) the Company is subject to ongoing investigations which could adversely affect its business, results of operations or reputation and which could subject it to sanctions, fines or monetary penalties, some of which may be significant; (c) further regulatory developments could have a significant adverse impact on the Company’s results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company’s reputation, reduce its revenues and net income, and subject the Company to criminal and civil enforcement actions; (d) a negative impact on the Company’s public image could influence its ability to obtain future projects; (e) fixed-price contracts or the Company’s failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (f) the Company’s revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company’s ability to match its workforce size with its contract needs; (g) the Company’s backlog is subject to unexpected adjustments and cancellations, including under “termination for convenience” provisions, and does not represent a guarantee of the Company’s future revenues or profitability; (h) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (i) the Company’s international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (j) there are risks associated with the Company’s ownership interests in ICI that could adversely affect it; (k) the Company is dependent on third parties to complete many of its contracts; (l) the Company’s use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company’s control; (m) the competitive nature of the markets in which the Company does business could adversely affect it; (n) the Company’s project execution activities may result in professional liability or liability for faulty services; (o) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (p) the Company may not have in place sufficient insurance coverage to satisfy its needs; (q) the Company’s employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (r) the Company’s failure to attract and retain qualified personnel could have an adverse effect on its activities; (s) Work stoppages, union negotiations and other labour matters could adversely affect the Company; (t) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company’s information systems or in data security could adversely affect its business and results of operations; (u) any acquisition or other investment may present risks or uncertainties; (v) a deterioration or weakening of the Company’s financial position, including its net cash position, would have a material adverse effect on its business and results of operations; (w) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (x) an inability of SNC-Lavalin’s clients to fulfill their obligations on a timely basis could adversely affect the Company; (y) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company’s results of operations and financial condition; (z) global economic conditions could affect the Company’s client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (aa) fluctuations in commodity prices may affect clients’ investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company’s projects; (bb) inherent limitations to the Company’s control framework could result in a material misstatement of financial information, and; (cc) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company’s services. The Company cautions that the foregoing list of factors is not exhaustive. 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 sections “Risks and Uncertainties”, “How We Analyze and Report Our Results” and “Critical Accounting Judgments and Key Sources of Estimation Uncertainty” in the Company’s 2012 Financial Report under “Management’s Discussion and Analysis”.

The forward-looking statements herein and discussed during the presentation 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 whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

President and CEO Remarks

Robert Card,
President and Chief Executive Officer

Financial Review

Gilles Laramée,
Executive Vice-President and Chief Financial Officer

Consolidated income statement

(in millions of \$)

	Fourth Quarter		Year Ended December 31	
	2012	2011	2012	2011
Revenues by activity:				
Services	921.2	795.2	3,175.0	2,437.8
Packages	954.7	784.5	3,020.4	2,871.5
Operations & Maintenance	349.4	382.5	1,330.5	1,399.2
Infrastructure Concession Investments (ICI)	196.2	155.9	565.1	501.4
	2,421.5	2,118.1	8,091.0	7,209.9
Gross margin	387.8	318.9	1,355.0	1,252.1
Selling, general and administrative expenses	248.2	184.9	851.2	654.7
Net financial expenses				
From ICI	30.6	30.8	112.5	99.7
From other activities	(0.5)	(0.2)	13.7	15.5
Income before inc. tax and non-contr. interests	109.5	103.4	377.6	482.2
Income tax expense	14.7	27.3	68.1	94.9
Non-controlling interests	0.2	0.1	0.4	8.5
Net income attributable to SNC-Lavalin shareholders	94.6	76.0	309.1	378.8
Net income excluding ICI	24.2	36.5	152.2	247.6
SNC-Lavalin's net income from ICI	70.4	39.5	156.9	131.2
Net income attributable to SNC-Lavalin shareholders	94.6	76.0	309.1	378.8

Annual gross margin

(in millions of \$)

	Year Ended December 31			
	2012		2011	
	Actual	As a % of revenues	Actual	As a % of revenues
Services	747.3	23.5%	592.5	24.3%
Packages	227.1	7.5%	301.9	10.5%
Operations & Maintenance	64.0	4.8%	78.4	5.6%
Infrastructure Concession Investments	316.6	56.0%	279.3	55.7%
Total gross margin	1,355.0	16.7%	1,252.1	17.4%

Selling, general and administrative expenses

	<u>Year ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Selling, general and administrative expenses	<u>851.2</u>	<u>654.7</u>

- ✓ Variance is mainly due to i) additional selling, general and administrative expenses of \$72.4 million from businesses acquired; ii) a \$16.2 million increase in selling costs, excluding \$18.0 million from businesses acquired, as well as, iii) \$15.6 million of expenses related to compliance and other related costs; iv) \$15.3 million of expenses related to certain retention measures, and; v) \$5.0 million in connection with the terms of the Former CEO's departure arrangement, which are presently held separately in escrow, as well as; vi) a \$72.0 million increase in the other general and administrative expenses which included, amongst others, expenses related to restructuration and reorganization of certain offices and higher occupancy-related expenses.

Revenues and operating income by segment

(in millions of \$)	Year Ended December 31			
	2012		2011	
	Revenues	Operating Income	Revenues	Operating Income
Services and Packages				
Infrastructure & Environment	2,070.9	22.5	1,945.1	46.8
Mining & Metallurgy	1,519.2	98.7	1,022.0	80.6
Power	1,388.5	80.2	894.1	119.7
Hydrocarbons & Chemicals	840.4	(11.0)	1,075.6	33.8
Other Industries	376.4	34.6	372.5	43.2
Operations & Maintenance	1,330.5	43.3	1,399.2	50.1
ICI	565.1	156.9	501.4	131.2
Total	8,091.0	425.2	7,209.9	505.4

Financial position

(in millions of \$)	December 31 2012	December 31 2011
Assets		
Cash and cash equivalents	1,174.9	1,231.0
Other current assets	2,619.2	2,315.3
Property and equipment:		
From ICI	3,470.0	2,637.7
From other activities	193.1	159.9
ICI accounted for by the equity or cost methods	712.4	643.5
Goodwill	635.8	639.5
Other assets	805.5	727.1
	9,610.9	8,354.0
Liabilities and Equity		
Current liabilities	3,958.2	3,514.3
Long-term debt:		
Recourse	348.6	348.4
Non-recourse from ICI	2,000.7	1,561.4
Other liabilities	1,225.0	1,043.2
	7,532.5	6,467.3
Equity attributable to SNC-Lavalin shareholders	2,075.4	1,883.1
Non-controlling interests	3.0	3.6
	9,610.9	8,354.0

REVENUE BACKLOG

By Category of Activity

(in millions of \$)	December 2012	September 2012	December 2011
Services	2,151.3	2,125.7	2,226.1
Packages	5,747.7	5,453.6	5,482.8
Operations & Maintenance	2,234.4	2,346.3	2,379.1
Total Revenue Backlog	10,133.4	9,925.6	10,088.0

- ✓ If you have further questions, please contact:

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- ✓ Replay of conference call:

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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.