



SNC • LAVALIN

FIRST QUARTER 2014

Conference Call Notes
May 8, 2014



Agenda

Forward-looking Statements

- Denis Jasmin,
Vice-President, Investor Relations

President and CEO Remarks

- Robert G. Card,
President and Chief Executive Officer

Financial Review

- Alain-Pierre Raynaud,
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 arrangements or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

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 “aims”, “anticipates”, “assumes”, “believes”, “estimates”, “expects”, “goal”, “intends”, “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 2014 outlook referred to in this presentation is forward-looking information and is based on the methodology described in the Company’s 2013 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 2014 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 2013 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 2013 Management’s Discussion and Analysis), as updated in the Company’s First Quarter 2014 Management’s Discussion and Analysis. The 2014 outlook also assumes that previously disclosed amounts relating to a claim in Algeria will not be reversed and does not take into account the eventual gain on sale of the Company’s interest in AltaLink. 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 subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant, which, in turn, could harm the Company’s reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business; (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 administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company’s public image could influence its ability to obtain future projects; (f) 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; (g) 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; (h) 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; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) 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; (k) there are risks associated with the Company’s ownership interests in ICI that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) 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; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company’s project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) 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; (s) the Company’s failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) 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; (v) any acquisition or other investment may present risks or uncertainties; (w) a deterioration or weakening of the Company’s financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (x) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (y) an inability of SNC-Lavalin’s clients to fulfill their obligations on a timely basis could adversely affect the Company; (z) 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; (aa) 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; (bb) 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; (cc) inherent limitations to the Company’s control framework could result in a material misstatement of financial information, and; (dd) 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 2013 Management’s Discussion and Analysis, as updated in the Company’s First Quarter 2014 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 whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.



PRESIDENT AND CEO REMARKS

**ROBERT G. CARD,
PRESIDENT AND CHIEF EXECUTIVE OFFICER**



FINANCIAL REVIEW

**ALAIN-PIERRE RAYNAUD,
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER**

AltaLink Disposal

- ✓ On May 1, 2014, SNC-Lavalin has entered into a binding agreement to sell 100% of its interest in AltaLink, to Berkshire Hathaway Energy.
- ✓ Based on the terms of the agreement and assuming a December 31, 2014 closing date, gross proceeds to SNC-Lavalin from the sale will be approximately \$3.2 Billion.
 - ✓ \$250 millions taxes on SNC-Lavalin's gain is expected to be paid.
- ✓ SNC-Lavalin and MidAmerican Transmission, a subsidiary of Berkshire Hathaway Energy, have also mutually agreed to develop engineering, procurement and construction opportunities in the US and Canada within independent system operators and regional transmission organizations.
- ✓ Prospectively, AltaLink's assets and liabilities will be presented in SNC-Lavalin's consolidated statement of financial position as "Held for sale".

Consolidated Income Statement

(in millions CA\$)

	First Quarter	
	2014	2013
Revenues		
Services	503.6	650.7
Packages	610.1	723.4
Operations and Maintenance (O&M)	375.2	382.9
Infrastructure Concession Investments (ICI)	231.2	143.3
Total Revenues	1,720.1	1,900.3
Gross Margin	356.9	306.5
Gross Margin %	21%	16%
Selling, General & Administrative expenses	186.8	207.1
Restructuring costs	1.2	-
EBIT	168.9	99.4
EBIT Margin %	10%	5%
Depreciation and amortization included above	58.5	44.1
EBITDA	227.4	143.5
Depreciation and amortization	58.5	44.1
Net financial expenses	50.6	33.2
Income before taxes and non-controlling interests	118.3	66.2
Income tax expense	23.6	12.5
Income tax %	20%	19%
Non-controlling interests	0.1	0.1
Net income attributable to SNC-Lavalin shareholders	94.6	53.6
Net income from E&C	30.8	18.6
Net income from ICI:		
From Highway 407	29.4	16.8
From AltaLink	23.2	13.7
From Other ICI	11.2	4.5
Net income attributable to SNC-Lavalin shareholders	94.6	53.6

Comments

•Decrease in M&M and O&G

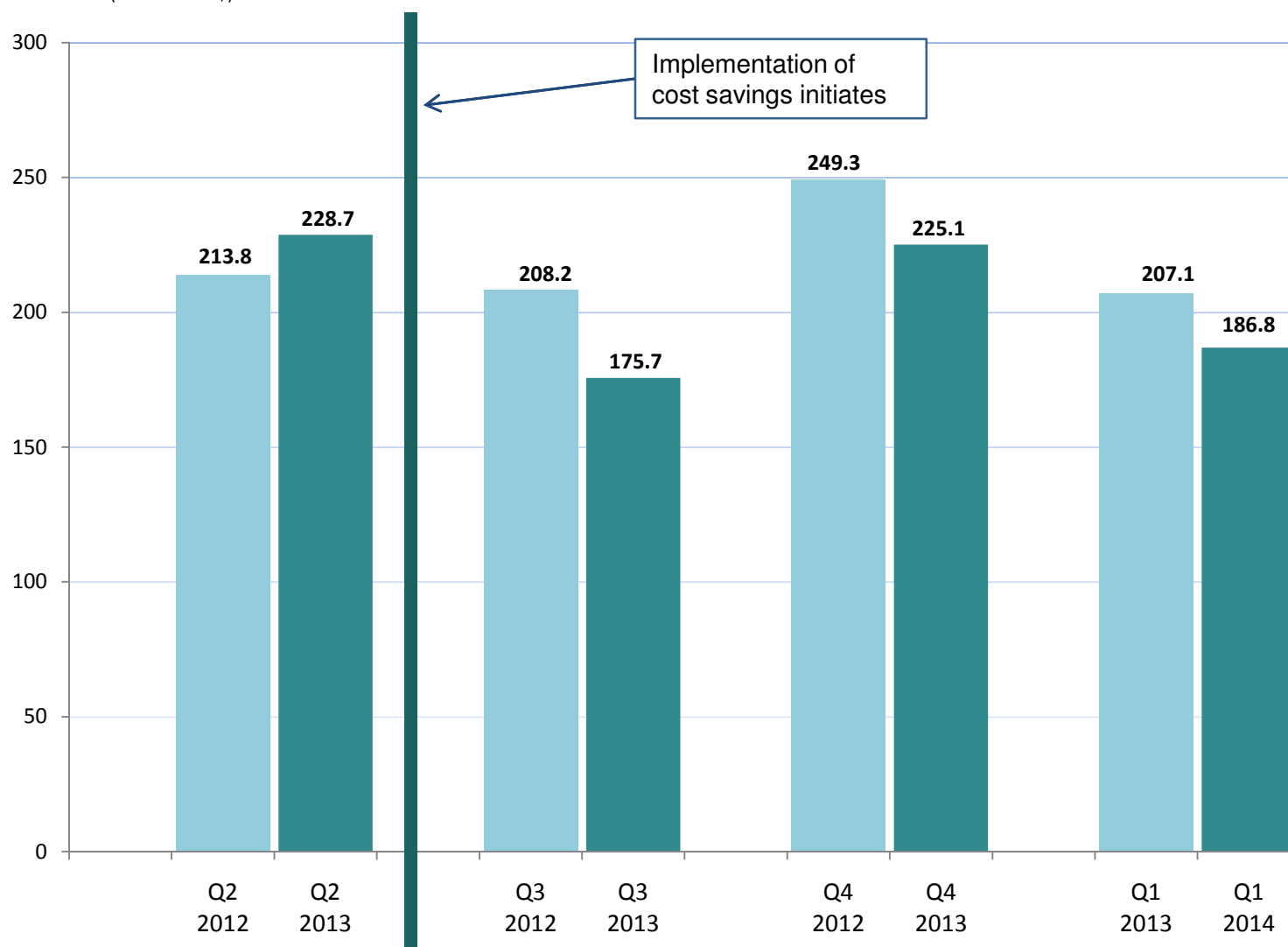
•Decrease in M&M and Power, partially offset by increase in I&C

•Mainly due to the reversal of Libya Risk Provision

•Lower SG&A reflecting the Company's restructuring plan implemented in the second half of 2013, as well as the initiatives under the Value-Up program.

SG&A Trend by Quarter

(in millions CA\$)



New Reporting Segments

(in millions CA\$)

BEFORE

- Infrastructure & Environment
- Mining & metallurgy
- Power
- Oil & Gas
- Operation & Maintenance
- ICI

•Revenues

•Operating Income
(included imputed interest)

AFTER

“REW”

Resources, Environment & Water

- Mining & Metallurgy
- Oil & Gas
- Environment & Water

Power

Infrastructure

- Infrastructure and Construction
 - Operation & Maintenance
- ICI

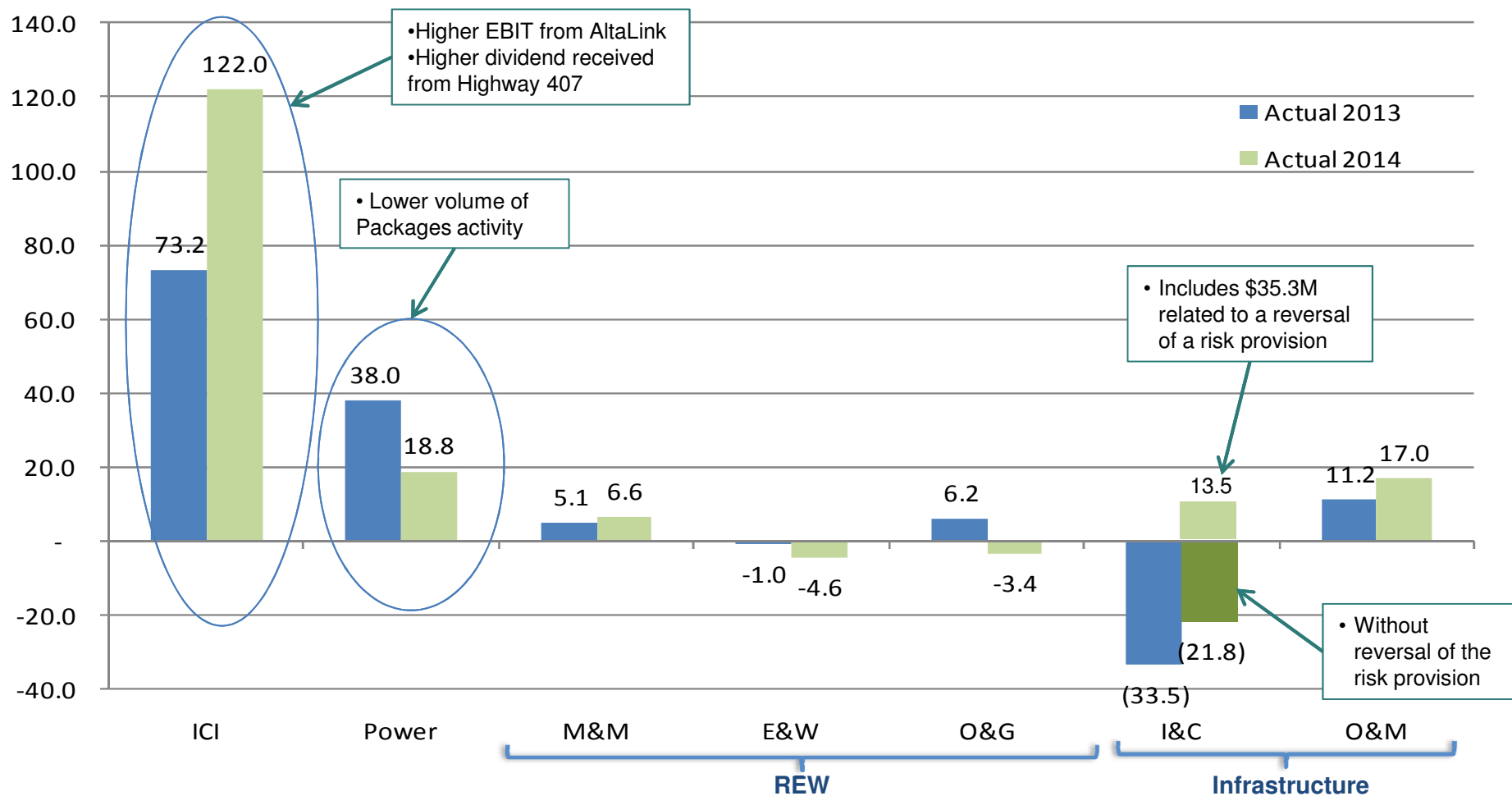
•Revenues

•Segment EBIT

Note : Section 12.2 of SNC-Lavalin's MD&A presents the restated 2013 quarterly segmented information

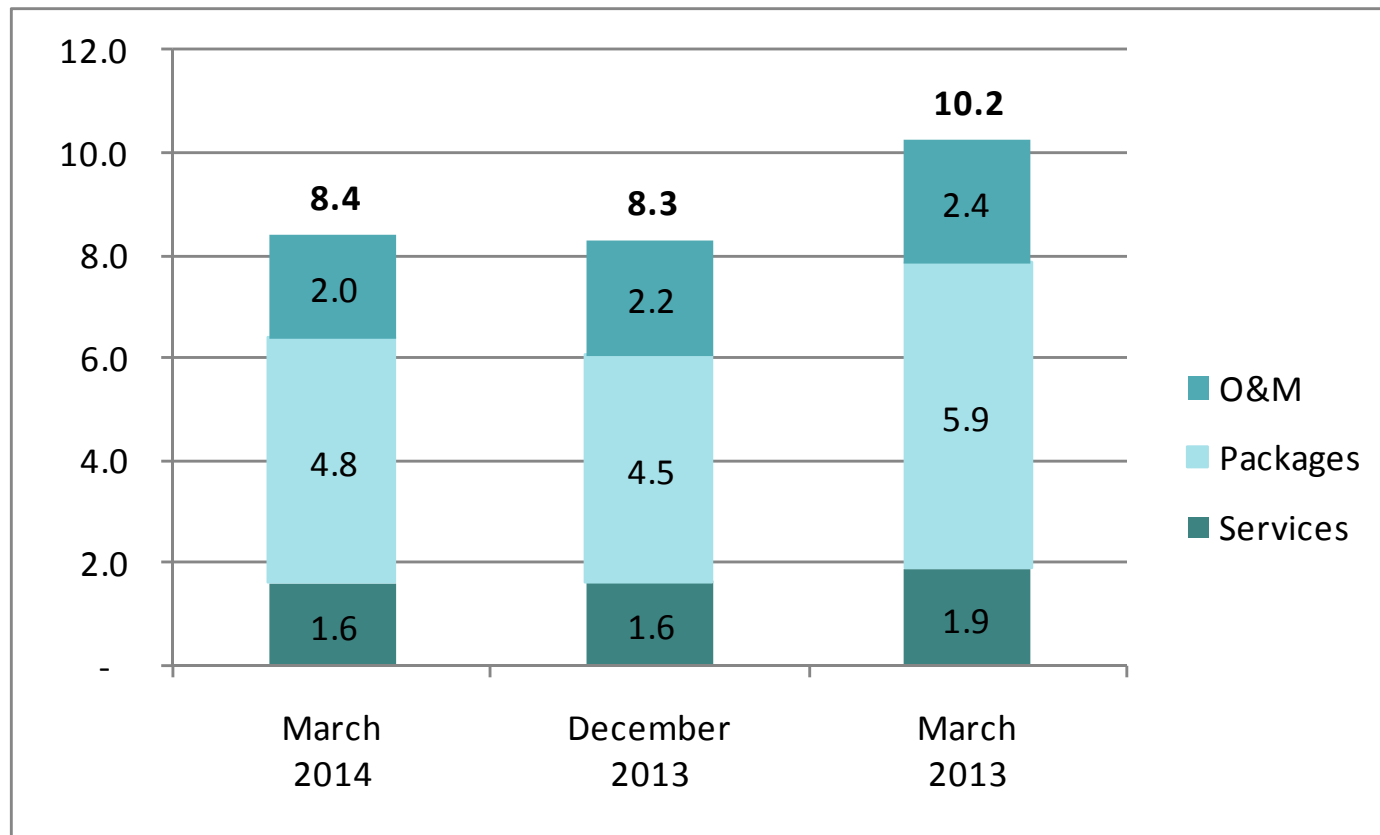
EBIT by Segment

(in millions CA\$)



Revenue Backlog by Activity

(in billions CA\$)



Book-to-bill ratio

1.06

0.62

1.06

Main Challenging Projects in Backlog

(in millions CA\$)

	As at March 31, 2014	As at Dec. 31, 2013
Revenue backlog		
Services	1,604.3	1,629.6
Packages	4,780.9	4,429.7
Operations and Maintenance (O&M)	1,988.9	2,228.5
Total Revenue Backlog	8,374.1	8,287.8
Challenging Projects		
Hospitals (~ 65% to be recognized by end of 2014, rest by end 2016)	566.0	712.6
Roads (to be recognized by end of 2014)	32.2	33.3
North Africa (to be recognized by end of 2014)	67.9	82.8
Other	62.7	73.9
	728.8	902.6
Total Revenue Backlog, excl. challenging projects	7,645.3	7,385.2

19% sequential decrease

Financial Position

(in millions CA\$)

Assets

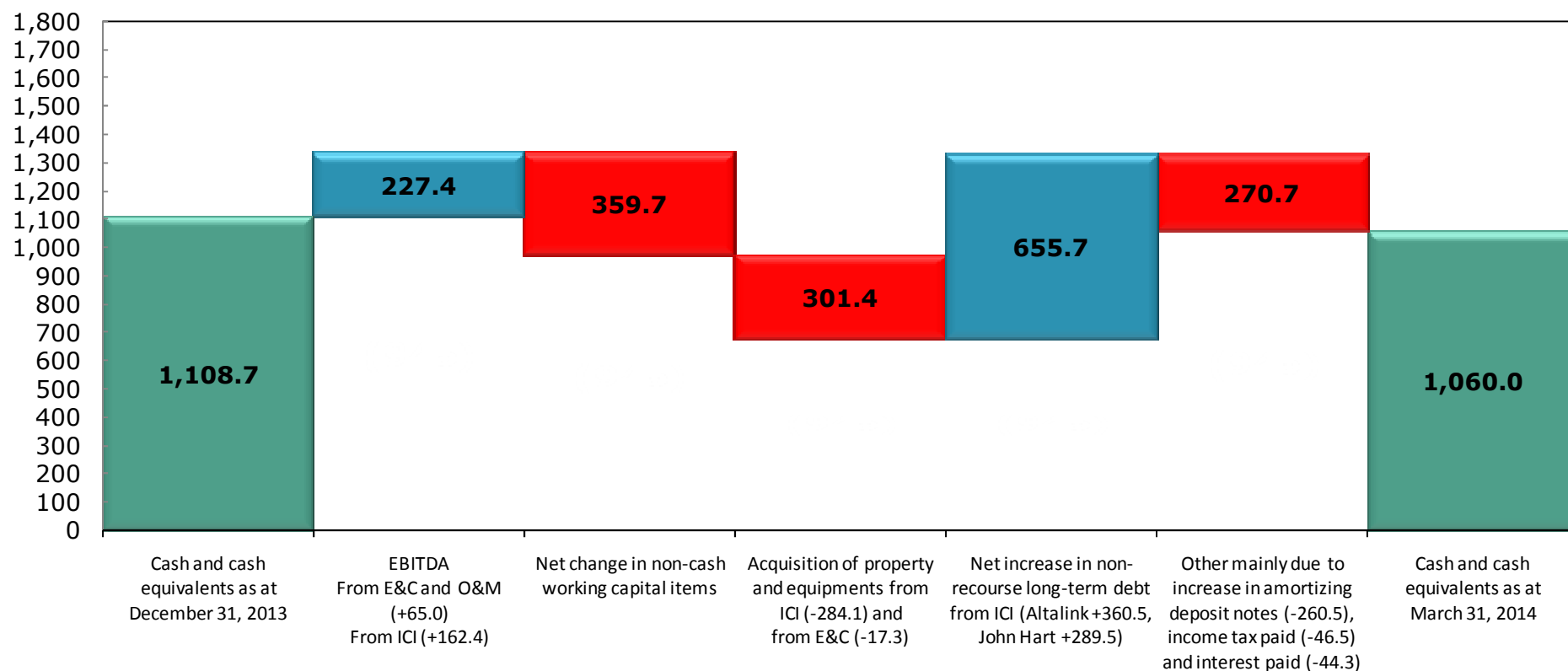
	March 31 2014	December 31 2013
Cash and cash equivalents	1,060	1,109
Other current assets	2,991	2,807
Property and equipment :		
From ICI	5,626	5,132
From other activities	178	180
ICI accounted for by the equity or cost methods	898	876
Goodwill	583	577
Other non-current assets and deferred tax asset	1,293	1,092
	12,629	11,773

Liabilities and Equity

Current liabilities	4,253	4,166
Current portion of long-term debt	735	277
Long-term debt:		
Recourse	349	349
Non-recourse from ICI	3,743	3,537
Other non-current liabilities and deferred tax liability	1,447	1,404
	10,527	9,733
Equity attributable to SNC Lavalin shareholders	2,099	2,037
Non-controlling interests	3	3
	12,629	11,773
Debt to capital ratio	0.14	0.14

Cash Flow – Year-to-Date

(in millions CA\$)



2014 Outlook Update

- ✓ **EPS to be in the range of \$2.80 and \$3.05 vs previous guidance of \$2.25 to \$2.50**
 - The revision results from an accounting requirement under IFRS, following the Company's recent announced agreement to sell its equity stake in AltaLink, under which the Company will cease to depreciate and amortize non-current assets on a prospective basis. This outlook does not take into account the eventual gain on the sale of the Company's interest in AltaLink.
 - Based on the assumptions that:
 - Infrastructure and Construction and Oil and Gas sub- segments will continue to be challenging
 - Mining and Metallurgy sub-segment will continue to be affected by the softening of the commodity markets
 - Increased contributions from the Power and ICI segments, as well as the O&M sub-segment
 - SG&A expenses will continue to decrease mainly as a results of new initiatives and ongoing activities associated with SNC-Lavalin's new profit improvement program.

- ✓ If you have further questions, please contact:

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E-mail: denis.jasmin@snclavalin.com

- ✓ Replay of conference call:

Investor Relations section of website:

www.snclavalin.com



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.