



SNC · LAVALIN

SECOND QUARTER 2014

Conference Call Notes
August 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”, “synergy”, “cost savings”, or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include statements relating to the following: (i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; and (ii) business and management strategies and the expansion and growth of the Company’s operations and potential synergies resulting from the Acquisition. 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.

Forward-looking statements made in this presentation are based on a number of assumptions believed by the Company to be reasonable on August 8, 2014. The assumptions are set out throughout the Company’s 2013 MD&A (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 MD&A), as updated in the Company’s Second Quarter of 2014 MD&A. 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 risk factors are set out in the Company’s 2013 MD&A and updated in the Company’s Second Quarter of 2014 MD&A.

The 2014 outlook referred to in this presentation is forward-looking information and is based on the methodology described in the Company’s 2013 MD&A 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.



PRESIDENT AND CEO REMARKS

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



FINANCIAL REVIEW

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

Kentz Proposed Acquisition

- ✓ On June 23, 2014, SNC-Lavalin announced that it has reached an agreement with Kentz on the terms of a cash acquisition
- ✓ Consideration: £9.35 per share
- ✓ Acquisition value: £1.2B (\$2.1B)¹
- ✓ Financed by a recourse non-revolving acquisition credit agreement “Acquisition Facility”:
 - \$2.55B asset sale bridge facility, to be repaid with the proceeds of AltaLink, maturing the latest in December 2015
 - \$200M term facility, maturing the latest in July 2016
- ✓ Closing expected in Q3 2014, subject to regulatory approvals and Kentz shareholder approval
- ✓ Impact on Q2 2014 financial results:

(in million CA\$)	As at June 30, 2014	As at June 30, 2013
Carrying value of the Acquisition Facility	63.6	-
	Second Quarter 2014	Second Quarter 2013
Unfavorable remeasurement of a foreign exchange hedge (mark to market)	20.4	-
Professional fees and other related costs	5.5	-
Acquisition-related costs	25.9	-

1. F/X assumption: GBP/CAD exchange rate of 1.8318 as of June 20, 2014

Consolidated Income Statement

(in millions CA\$)

	Second Quarter		Six months ended June 30	
	2014	2013	2014	2013
Revenues				
Services	558.7	723.1	1,062.2	1,373.8
Packages	625.0	736.9	1,235.2	1,460.3
Operations and Maintenance (O&M)	284.0	298.4	659.2	681.2
Infrastructure Concession Investments (ICI)	228.8	185.0	460.0	328.3
Total Revenues	1,696.5	1,943.4	3,416.6	3,843.6
Gross Margin	348.7	231.7	705.6	538.2
Gross Margin %	21%	12%	21%	14%
Selling, General & Administrative expenses	208.3	228.6	395.1	435.7
Restructuring costs	0.8	-	2.0	-
Acquisition-related costs	25.9	-	25.9	-
EBIT	113.7	3.1	282.6	102.5
EBIT %	7%	0%	8%	3%
Depreciation and amortization included above	29.1	47.0	87.6	91.1
EBITDA	142.8	50.1	370.2	193.6
Depreciation and amortization	29.1	47.0	87.6	91.1
Net financial expenses	63.6	35.1	114.2	68.2
Income before taxes and non-controlling interests	50.2	(32.0)	168.4	34.3
Income tax expense	17.9	5.5	41.5	18.1
Non-controlling interests	0.1	0.2	0.2	0.3
Net income attributable to SNC-Lavalin shareholders	32.2	(37.7)	126.7	15.9
Net income from E&C	(46.9)	(104.7)	(16.1)	(86.1)
Net income from ICI:				
From Highway 407	29.4	21.8	58.7	38.6
From AltaLink	44.7	17.5	67.9	31.1
From other ICI	4.9	27.7	16.2	32.3
Net income attributable to SNC-Lavalin shareholders	32.1	(37.7)	126.7	15.9

Comments

•Decrease in M&M and O&G

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

↑ Packages GM
 •Reversal in Q1 2014 of Libya Risk Provision taken in Q2 2013
 •Loss on a project in Algeria taken in 2013
 •Additional cost taken on a hospital in 2013
 ↓ Services GM
 ↑ ICI GM, due to AltaLink and H407

Restructuring plans and Value Up program

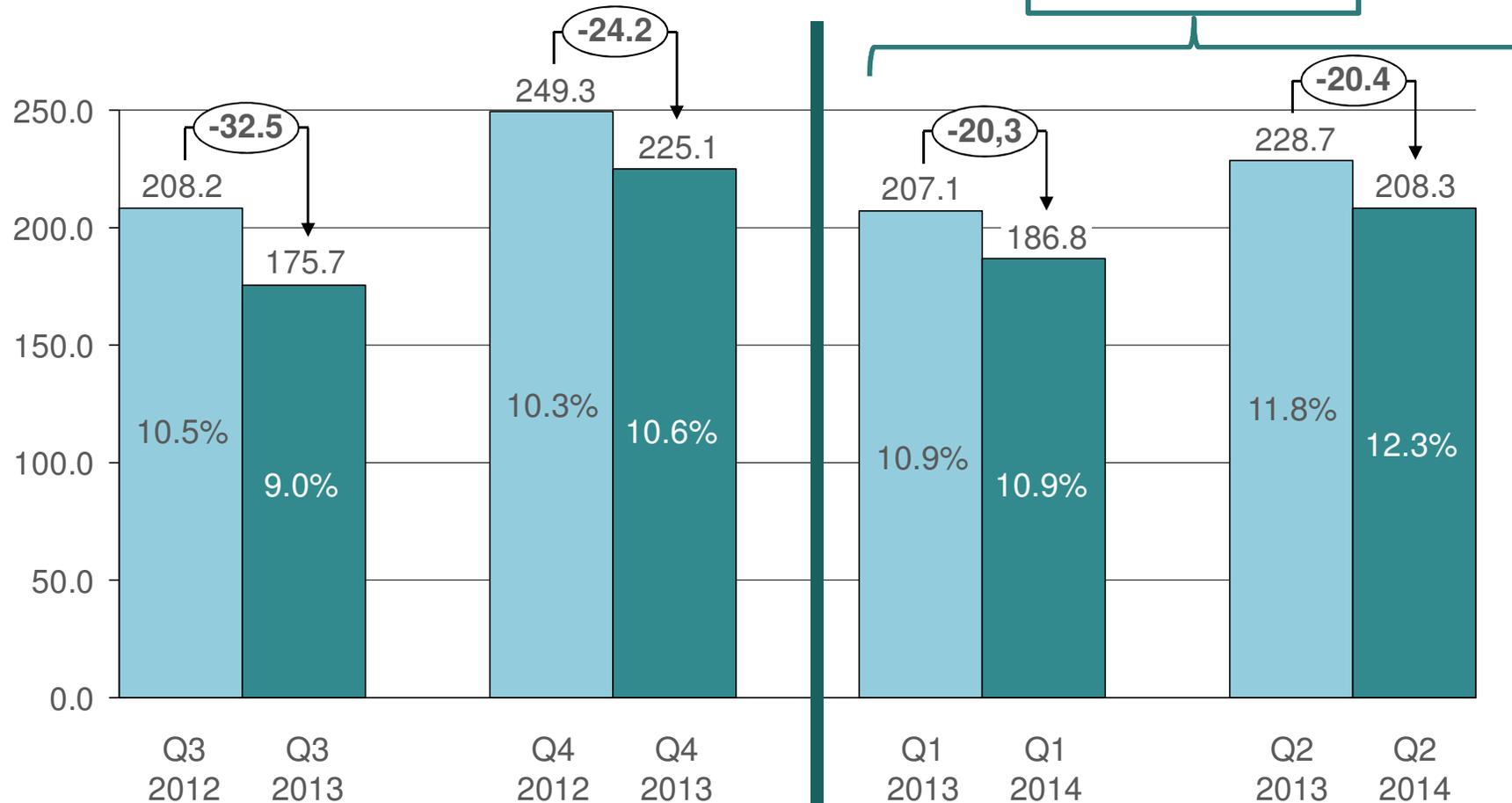
Mark to market of a F/X hedge

Additional non-recourse debt related to AltaLink and John Hart

Ceased to depreciate and amortize AltaLink non-current assets, effective May 1, 2014

SG&A Trend by Quarter

(in millions CA\$)

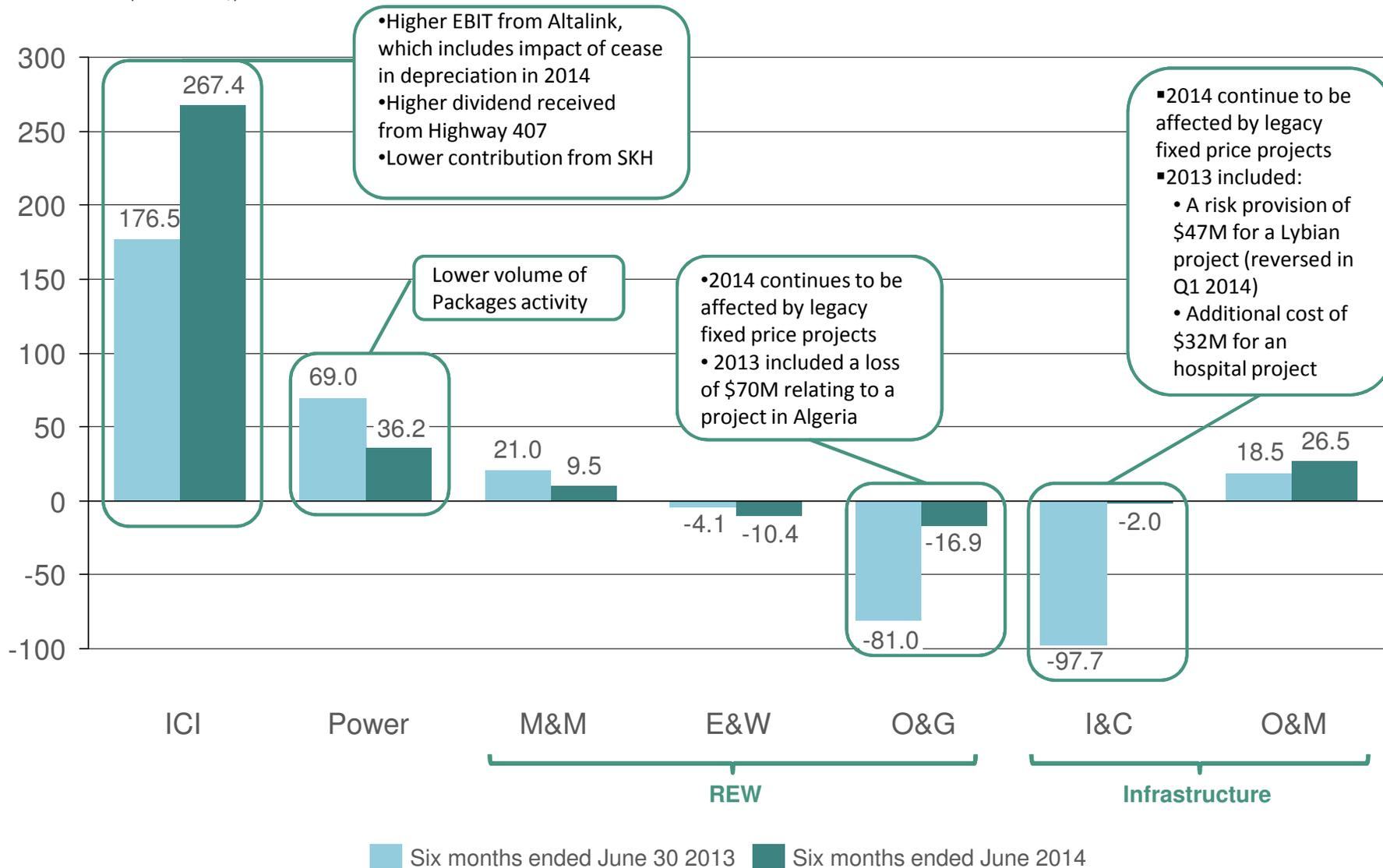


Decline in SG&A mainly due to cost savings resulting from the Company's restructuring plans implemented in the 2nd half of 2013, and other initiatives under the Value Up program.

*As % of Revenue

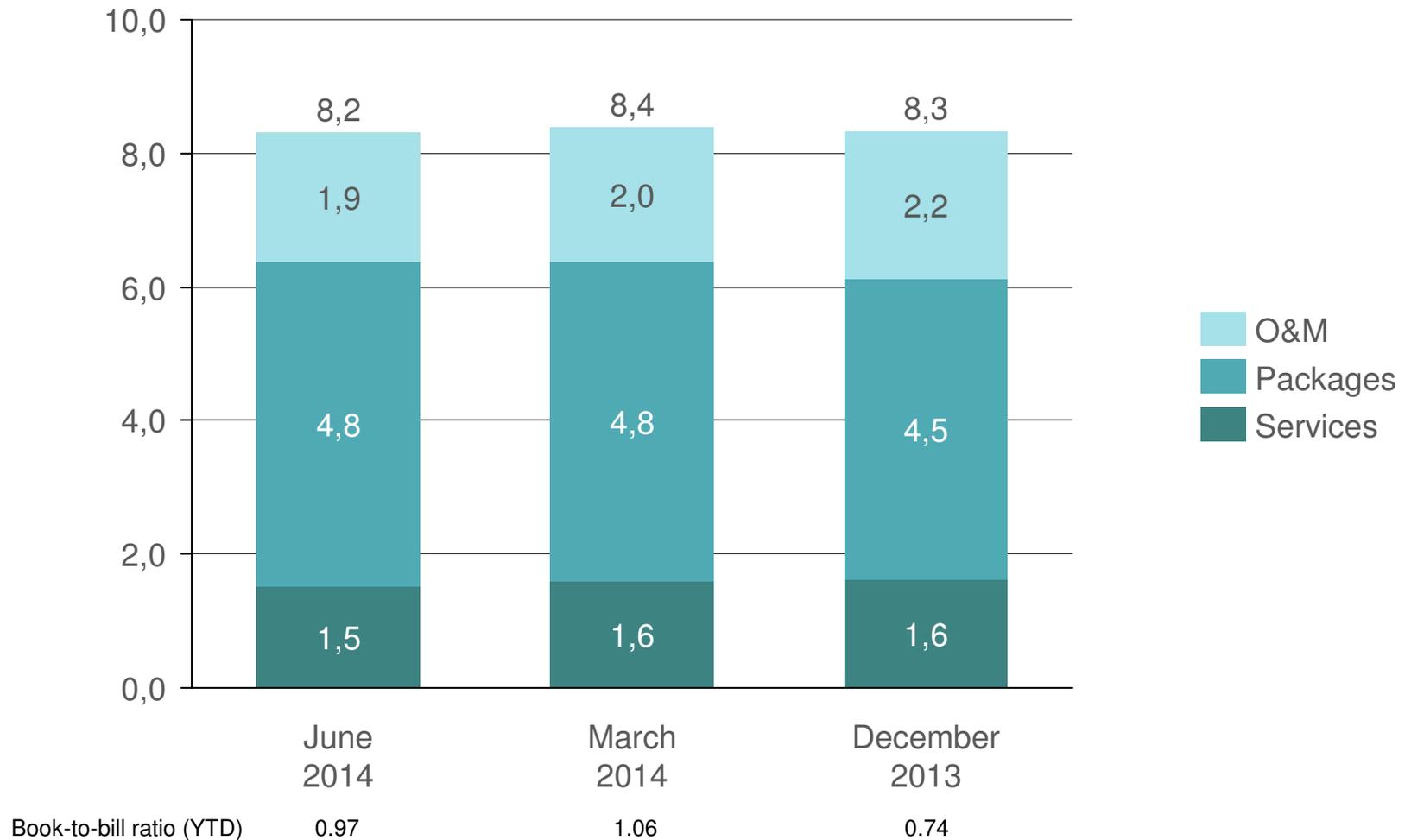
EBIT by Segment

(in millions CA\$)



Revenue Backlog by Activity

(in billions CA\$)



Main Challenging Projects in Backlog

(in millions CA\$)

	As at June 30, 2014	As at March 31 2014
Revenue backlog		
Services	1,526.0	1,604.3
Packages	4,843.4	4,780.9
Operations and Maintenance (O&M)	1,843.8	1,988.9
Total Revenue Backlog	8,213.2	8,374.1
Challenging Projects		
Hospitals (~ 50% to be recognized by end of 2014, rest by end 2016)	464.4	566.0
Roads (to be recognized by end of 2014)	26.2	32.2
North Africa (to be recognized by end of 2014)	48.5	67.9
Other	62.8	62.7
	601.9	728.8
Total Revenue Backlog, excl. challenging projects	7,611.3	7,645.3

17% sequential decrease

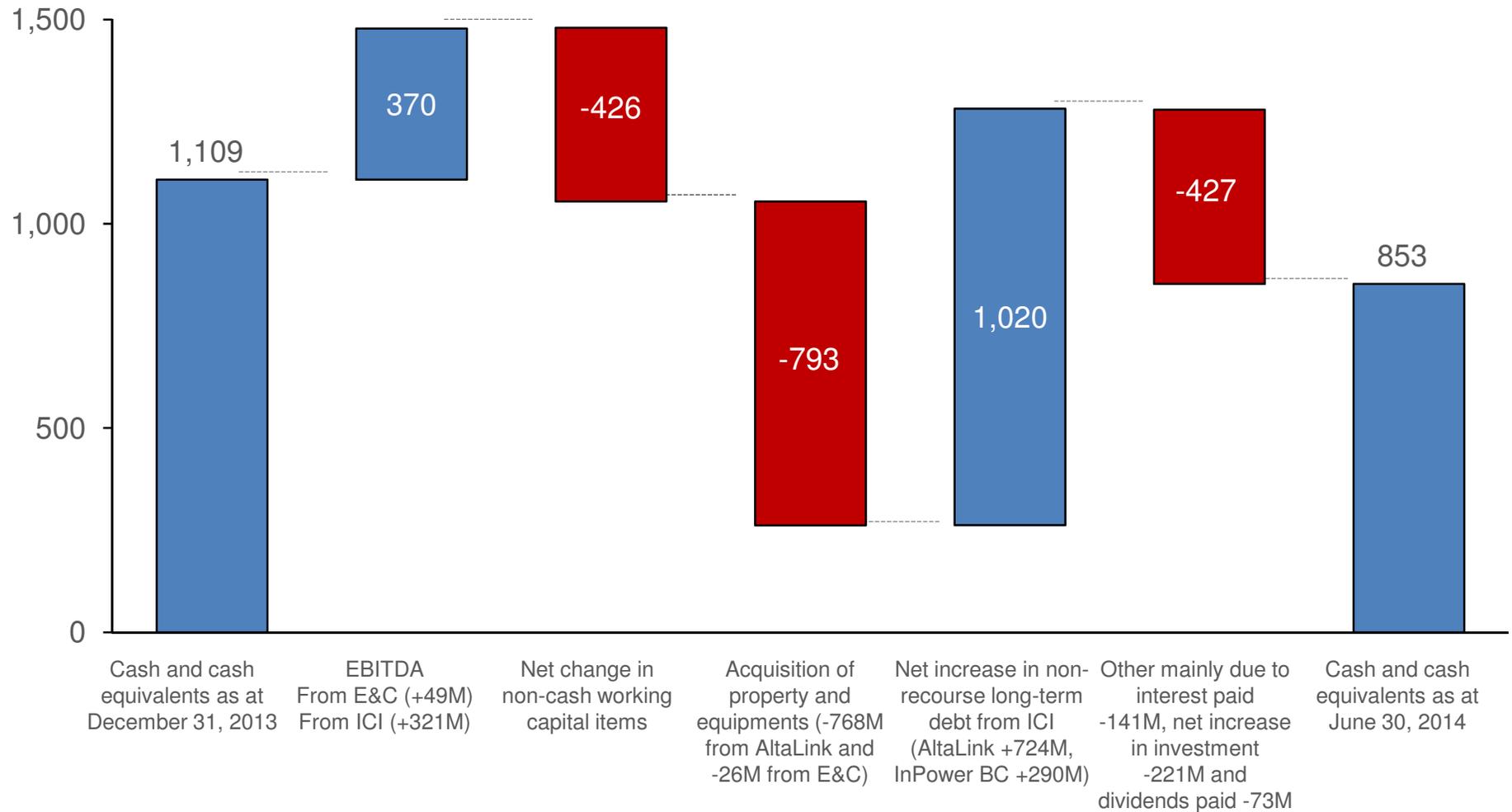
Financial Position

(in millions CA\$)

	June 30 2014	December 31 2013
Assets		
Cash and cash equivalents	853	1,109
Asset of disposal group classified as held for sale	6,779	-
Other current assets	2,786	2,807
Property and equipment :		
From ICI	-	5,132
Excluding ICI	163	180
ICI accounted for by the equity or cost methods	904	876
Goodwill	379	577
Other non-current assets and deferred income tax asset	914	1,092
	<u>12,778</u>	<u>11,773</u>
Liabilities and Equity		
Current portion of long-term debt :		
Recourse	64	-
Non-recourse from ICI	418	277
Liabilities of disposal group classified as held for sale	5,108	-
Other current liabilities	3,774	4,166
Long-term debt:		
Recourse	349	349
Non-recourse from ICI	509	3,537
Other non-current liabilities and deferred income tax liability	445	1,404
	<u>10,667</u>	<u>9,733</u>
Equity attributable to SNC Lavalin shareholders	2,107	2,037
Non-controlling interests	4	3
	<u>12,778</u>	<u>11,773</u>
Debt to equity ratio	0.16	0.14

Cash Flow – Year-to-Date

(in millions CAS)



2014 Outlook

✓ **EPS to be in the range of \$2.80 and \$3.05**

> Based on the assumptions that:

- Environment & Water, Infrastructure & Construction and Oil & Gas sub-segments will continue to be challenging;
- Mining & Metallurgy sub-segment will continue to be affected by the softening of the commodity markets;
- Increased contributions from the ICI segment and the O&M sub-segment; and
- SG&A expenses will continue to decrease mainly as a result of new initiatives and ongoing activities associated with SNC-Lavalin's company-wide profit improvement program.

> This outlook does not take into account the eventual gain on the sale of the Company's interest in AltaLink, as well as the impact of the proposed acquisition of Kentz, including all acquisition-related costs.

- ✓ If you have further questions, please contact:

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- ✓ 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.