



# Letter to Shareholders

Dear Shareholders:

I'm very proud that we did what we said we would do in 2015. We stabilized our organization, improved our internal cost base and aligned our businesses with market conditions. Thanks to our good Q3 and Q4 performance, we were able to meet 2015 market guidance and deliver our best Engineering and Construction ("E&C") results of the last four years.

We also continued to build what matters around the world, from Tier-1 megaprojects to targeted services drawing on expertise across our four key sectors: Infrastructure, Mining & Metallurgy, Oil & Gas and Power. At every step, our goal remained the same: to deliver what our clients expect, as promised and on schedule, while operating within our communities worldwide, safely, ethically and profitably.

In October 2015, I took over as President and CEO of SNC-Lavalin with a clear mandate and a strategic plan to improve performance and results. This plan revolves around four priorities: streamlining our structure, focusing on delivery, fostering a performance-driven culture, and growing organically as well as, in due course, through acquisitions.

Working on all these complementary fronts will reinforce our position among the world's global, Tier-1 E&C firms. It will also ensure that we consistently offer our best to all stakeholders, from clients and shareholders to employees and partners.

## Good financial performance

I'm pleased to report that, despite turbulent markets and a persisting softer economic environment, we delivered a good financial performance in 2015. We maintained both a strong balance sheet with cash and cash equivalents rising to \$1.6 billion, up 9% from 2014, and a stable, increasingly diversified revenue backlog of \$12 billion at year-end.

E&C revenue grew by 28% to \$9.4 billion compared to 2014. Our adjusted E&C net income increased to \$201.9 million or \$1.34 per diluted share, compared to \$54.9 million or \$0.36 per diluted share in 2014, with higher Earnings Before Interest and Taxes ("EBIT") from all segments accounting for the improvement.

In 2015, we returned approximately \$270 million to shareholders through share buy-backs and dividends. Given SNC-Lavalin's long-term outlook, cash position and diversified backlog, in March 2016 we raised our quarterly dividend by 4%, maintaining a 15-year trend of annual increases.

## Streamlined structure

We took meaningful steps to improve our operational efficiency and execution across all of our businesses. Completed in 2015, our successful "STEP Change" program increased our competitiveness and agility. It allowed us to identify and implement numerous cost-reduction initiatives as well as aligned our organization with market conditions. In 2016, we expect to reduce our expenses by twice as much as the cost of restructuring. Our focus is now on better execution and delivering sustainably better results.

## Focus on delivery

I would like to thank our 37,000 employees for continuing to deliver projects that enhance people's lives and frequently exceed client expectations. Examples in 2015 included the Shriners Hospital for Children in Montreal, Canada, the ongoing massive Gorgon natural gas project off the coast of Australia and the EMAL mega-smelter in Abu Dhabi, United Arab Emirates.

Now we must be able to deliver flawlessly on all projects, regardless of size, scope and complexity, while reinforcing our culture of continuous improvement, efficiency and execution.

## Growth in four strategic sectors

Our diversified backlog speaks to our strength in our Infrastructure, Mining & Metallurgy, Oil & Gas and Power sectors. Our diversification and end-to-end capabilities enable us to continue to progress despite the current economic downturn in some markets. In 2015, employees' dedication and expertise helped us win major contracts in all four sectors and we can build on this in the coming year.

In Infrastructure, we reinforced our public-private partnership leadership in Canada when our consortia were selected to deliver two of the country's largest projects: Montreal's new Champlain Bridge Corridor and Toronto's Eglinton Crosstown Light Rail Transit. Both projects won Gold Awards at the 2015 Canadian Council for Public-Private-Partnerships. We expect continued growth in this sector, especially in Canada where we stand to benefit from ongoing government investments in critical infrastructure.

Our Mining & Metallurgy experts are providing engineering, procurement and construction management services for Ethiopia's first greenfield potash mining and processing facility. In Oil & Gas, our robust backlog includes two new major sustaining capital projects in Saudi Arabia and a new ExxonMobil oil processing facility in Iraq.

We also continued to see many opportunities in the Power sector, particularly in the nuclear and thermal markets. In early January 2016, Ontario Power Generation awarded our joint venture a \$2.75 billion contract for the Darlington nuclear refurbishment project.

Our Capital team continued to make good progress on our strategy of monetizing mature assets with the sale of our 5% interest in the Ambatovy nickel mine, the largest capital project in Madagascar's history. We also sold our indirect ownership interest in SNC-Lavalin (Malta) Limited for approximately 63 million euros. These opportunistic disposals demonstrate the underlying value of our equity portfolio.

### **Progress in ethics and compliance**

In 2015, Public Services and Procurement ("PSP") Canada recognized our significant and continuing efforts to strengthen our ethics and compliance culture. This recognition led to an administrative agreement with PSP under Canada's new Integrity Regime, which allows us to keep bidding on and winning federal government procurement contracts.

We will continue to work closely with all federal government departments and agencies to build what matters in Canada and abroad. We also reached a settlement agreement with the African Development Bank Group, a further acknowledgement of our integrity and commitment to ethical business.

### **Building a performance-driven culture**

Among our other important accomplishments, I'm proud to report that we exceeded our 2015 total recordable incident frequency target by 28%, confirming our position alongside world leaders in health and safety.

We'll continue to take decisive steps to sustain our focus on improving performance across the board. We expect our financial performance in 2016 to benefit from our diversified E&C strategy, cost reductions driven by the 2015 restructuring and right-sizing initiatives, and our continued commitment to improving project delivery performance. A company-wide Operational Excellence program, to be rolled out by Q2 2016, will further enhance our agility, project delivery and client focus.

We expect that our strategic priorities will enable us to achieve clear targets: growth in adjusted diluted earnings per share ("EPS") from E&C from \$1.34 in 2015 to a range of \$1.50 to \$1.70 in 2016, and an annualized adjusted E&C Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") margin of 7% in 2017.

Our rigorous efforts to improve performance are already generating clear results. We're leveraging our reach, flexibility and resources to meet our clients' full range of E&C needs. Employees are developing an even greater ability to focus on and deliver what clients expect, on time and on budget. In turn, we're starting to see enhanced client trust and satisfaction as well as increased repeat business, new and long-term projects, and a steady, healthy backlog.

These improvements are the next step in our evolution as a high-performing E&C service provider. In closing, I would like to thank our employees, clients, partners and stakeholders for their continuous support as we work toward delivering sustainable value by building what matters for another century.

Yours truly,

[Neil Bruce](#) *(signed)*

President and Chief Executive Officer