

SNC-Lavalin announces updated outlook for full year 2013 results

Written by Australian Business

MONTREAL, Oct. 15, 2013 /CNW Telbec/ - SNC-Lavalin Inc. (TSX: SNC) today announced that it has revised its outlook for Fiscal 2013. Following its most recent extensive evaluation and analysis of its project portfolio, the Company has recorded, in the third quarter, unfavourable cost reforecasts on certain unprofitable legacy fixed price contracts in North Africa and in the Infrastructure & Environment segment, particularly in the hospital and road sectors. The Company believes these cost reforecasts, which relate mostly to projects that were already in a loss position, represent one-time events and, as a result, it does not expect them to further affect the future profitability profile of the Company.

In addition, as a result of recent decisions and actions taken in connection with the implementation of the previously announced European reorganization, the Company anticipates that its outlook for Fiscal 2013 will be impacted by an additional charge of approximately \$75 million. The reorganization is intended to increase efficiency and competitiveness for that region and related service offerings by sector of activity.

The revised outlook for Fiscal 2013 also reflects the impact of further softness in the commodity markets on the Company's Mining & Metallurgy segment.

Accordingly, the Company now expects consolidated net income in Fiscal 2013 to be in the range of \$10 million to \$50 million, as compared to the previous guided range of \$220 million to \$235 million.

This revised outlook takes into account the expected proceeds from the previously announced sale of 66 percent of its minority interest in the Astoria II power plant. This 2013 revised outlook should be read in conjunction with the "Forward Looking Statements" section below and is subject to the assumptions, risks and uncertainties summarized therein, which are more fully described in the Company's public disclosure documents.

"Certain legacy fixed price contracts entered into by the company between 2010 and 2012 and the ongoing softness in the mining sector unfortunately continue to stress our performance in 2013," said Robert G. Card, President and Chief Executive Officer, SNC-Lavalin Group Inc. "Following an extended review of our ongoing projects during our most recent monthly evaluation and analysis, we have revised our guidance to reflect a treatment of legacy fixed

SNC-Lavalin announces updated outlook for full year 2013 results

Written by Australian Business

price contracts that should reduce future volatility associated with them. The principal goal for the Company is to continue to push through the difficult aspects of certain projects of the current backlog and actively pursue potential claims."

"Going forward, we will remain focused on winning and delivering high margin projects and implementing measures to restore our SG&A to historical levels, or better, with the aim of better positioning SNC-Lavalin for growth. We remain encouraged by some of the recent resource sector contracts awarded to the Company and the significant progress we have made in implementing our strategic plan," added Mr. Card.

As presented in SNC-Lavalin's strategic plan this past May, the Company is targeting growth in key E&C markets with a focus on the resources sector, including oil and gas, mining and metallurgy, and environment and water. The Company is also aiming to modify its service mix by increasing, as a percentage of total revenues, its Services revenues. The Company will also pursue sustained growth in its existing world-class Clean Power and Infrastructure E&C businesses, while continuing to move forward with its fully integrated services strategy, including project financing, engineering, construction and operations and maintenance.

SNC-Lavalin will announce its third quarter results on November 1, 2013, and will host a conference call at 3:00 PM (Eastern Daylight Time) to discuss the results. This call will be accompanied by an online presentation that will be made available on the Investor section of our website at <http://investors.snclavalin.com/en> approximately one hour prior to the call.

About SNC-Lavalin SNC-Lavalin is one of the leading engineering and construction groups in the world, and is a major player in the ownership of infrastructure and in the provision of operations and maintenance services. Founded in 1911, SNC-Lavalin has offices across Canada and in over 40 other countries around the world, and is currently active in some 100 countries.

www.snclavalin.com

Forward-looking Statements Reference in this press release, and hereafter, to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or

SNC-Lavalin announces updated outlook for full year 2013 results

Written by Australian Business

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 press release 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 2013 outlook referred to in this press release 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" in addition to the elements described in the Company's press release of August 4, 2013 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 press release, 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 press release 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), as updated in the Company's Second Quarter 2013 Management's Discussion and Analysis. This revised 2013 outlook also assumes that previously disclosed amounts relating to a claim in Algeria and the attempted draw on a letter of credit in Libya will not be reversed. 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) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (b) 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; (c) 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; (d) 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; (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 net cash position, would have a material adverse effect on its business and results of operations; * 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

SNC-Lavalin announces updated outlook for full year 2013 results

Written by Australian Business

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 2012 Management's Discussion and Analysis, as updated in the Company's Second Quarter 2013 Management's Discussion and Analysis.

The forward-looking statements herein reflect the Company's expectations as at the date of this press release 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.

SOURCE SNC-Lavalin