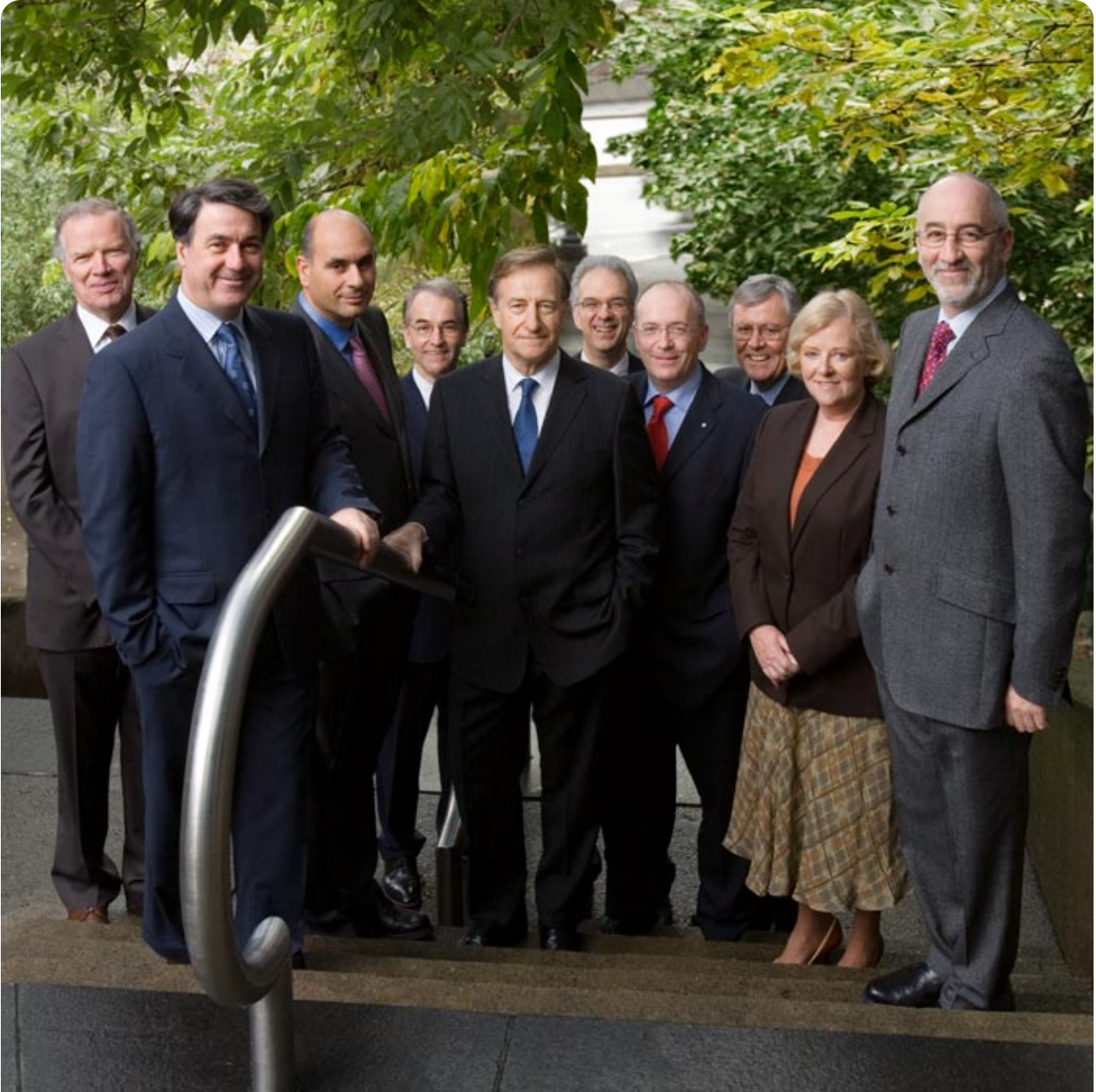


Members of the Office of the President



FROM LEFT TO RIGHT

Jacques Lamarre
Pierre Duhaime
Riadh Ben Aïssa
Michael Novak
Jean Claude Pingat
Gilles Laramée
Jean Beaudoin
Klaus Triendl
Marylynne Campbell
Pierre Ancil

Message to Shareholders

MANAGING FOR QUALITY

We are pleased to report that 2006 was another good year for SNC-Lavalin.

Our performance in 2006 reflects the quality of our work, not just over the past year, but over many years. Our long-term growth objectives are based on our commitment to quality, and we have achieved growth, year over year, by managing for quality. It is the common thread that runs through every aspect of our business: corporate governance, financial performance, business strategy, project execution, and our WE CARE values.

CORPORATE GOVERNANCE: RESPONSIBLE AND TRANSPARENT GOVERNANCE

Our shareholders, and all our stakeholders, have a right to transparent and complete information about our performance, and for the last several years we have been recognized for the quality of our corporate reporting. In 2006, the Canadian Coalition for Good Governance awarded SNC-Lavalin an Honourable Mention at its Governance Gavel Award Ceremony, and we ranked second out of 204 Canadian companies on the S&P/TSX composite index in the Globe and Mail's survey of corporate governance practices.

FINANCIAL PERFORMANCE: MEETING SET OBJECTIVES

We have three key financial objectives to meet every year: 1) increase our net income excluding Highway 407 by 7%–12%; 2) attain a return on average shareholders' equity, excluding Highway 407, equal to that of the Canada long-term bond yield plus 6% (which totalled 10.27% in 2006); and 3) maintain a strong balance sheet. In 2006, we met all three.

- Our net income excluding Highway 407 increased by 11.6% to reach \$150.3 million. Our consolidated net income also increased, rising to \$158.4 million in 2006 from \$129.9 million in 2005.
- Our return on average shareholders' equity excluding Highway 407 was 18% in 2006. Shareholders who held shares at the end of 2005 obtained a return on their investments of 24.9% for 2006, assuming the dividends were reinvested.
- Our balance sheet remains strong with \$1.1 billion in consolidated cash and cash equivalents. In addition, our infrastructure concession investments have increased in value, and their market values are much higher than their book values.

As you may have noted in our 2006 fourth quarter results, we now report under four revenue categories: Services, Packages, Operations & Maintenance, and Infrastructure Concession Investments. These categories correspond to the different activities currently associated with the projects we undertake, and give a clearer picture of them following the sale of the munitions manufacturing arm of our business, SNC Technologies Inc., effective January 5, 2007. SNC Technologies Inc. is shown as a discontinued operation in our financial reports. It should be noted, however, that we remain active in the Defence industry, notably in defence contracting and providing operations and maintenance services to the Canadian Navy, as well as remote-site infrastructure and logistics support for the Canadian Armed Forces overseas.

BUSINESS STRATEGY: DIVERSE AND EVOLVING EXPERTISE

Our business strategy draws on our ability to adapt to evolving markets over the long-term, and on the strength of our core expertise, which we continually enhance through internal growth, strategic partnerships and acquisitions. Our strategic plan has three main components:

1. Maintain world-class technical expertise, continue to build on this expertise, and expand into other sectors.

We have world-class expertise in some of our sectors of activity and are constantly looking to enhance the expertise we have in all our sectors. Over the next 10 years, we would like to increase, perhaps even double, the number of sectors in which we have achieved world-class recognition.

2. Develop well-established engineering bases in several key geographic areas.

Our management philosophy is based on distributed leadership, which allows our offices around the world to take the initiative in developing and expanding their operations based on economic developments in their respective regions. In 2006, we increased our international presence in this way on virtually every continent, and we continue to look for good growth opportunities around the world.

3. Continue to invest in infrastructure concessions.

The combination of our technical expertise and our global financing abilities positions us well for future infrastructure concession investment opportunities. We have over 20 years of experience in this field and have built up an excellent track record with our current portfolio of infrastructure concession investments.

The quality of our business strategy is confirmed by our backlog, which continues to increase year after year. By the end of 2006, our backlog was \$10.4 billion, up from \$7.5 billion in 2005.

PROJECT EXECUTION: UNCOMPROMISING QUALITY

We will incur a financial loss rather than compromise on quality, and in 2006, we did incur some losses on certain turnkey projects. On all our projects, large or small, we are mindful that our client's name, as well as our own, will be linked to the project for years to come, and we take care to ensure that both of us can be proud of a job well done.

We go out of our way to make ourselves available to our clients, and place great importance on direct contact with an emphasis on face-to-face meetings and telephone conversations. In many cases, our multicultural staff is able to speak our clients' languages.

We can also bring added value to our clients through the synergies created by our complementary expertise. Our service offering can cover the entire life cycle of a project, and we are seeing more and more opportunities for our various sectors of expertise to work together on projects all over the world. We are encouraging all our business units to identify and promote these synergies worldwide.

WE CARE: INTEGRITY IN EVERYTHING WE DO

When we say we will not compromise on quality we are referring, of course, to all aspects of our work, including what we call our WE CARE values: employee well-being, health & safety, and the sustainable development of communities and the environment. These are crucial elements in the life cycle of all our projects and we encourage you to read our WE CARE & Sustainability Progress Report on page 27 for full coverage of the quality of our work in these areas.

We would like to make special mention of our employees who uphold our WE CARE values in our offices and on project sites around the world. We recognize this fact with our SNC-Lavalin Awards of Excellence for Outstanding Achievement in engineering, project management, health & safety and sustainable development. We also recognize and encourage excellence in our everyday operations, giving our employees more responsibility and authority than is traditionally afforded by large companies. We encourage them to innovate and take ownership of every project they undertake, regardless of their position in the Company. They have proven themselves many times over and we would like to thank every one of them for the part they have played in reinforcing SNC-Lavalin's reputation as a company of uncompromising quality.

OUTLOOK: WORLDWIDE OPPORTUNITIES

We are active in numerous industry sectors and geographical regions. If business is slow in one sector or region of the world, the lower revenues are mitigated by higher activity in other areas. Current commodity prices continue to create opportunities in the Chemicals and Petroleum and Mining and Metallurgy sectors, and global demand for Infrastructure and Power development also continues. Along with these projects come opportunities for environmental assessments and studies. Our Pharma group has expanded its share in the growing biotechnology market, and our Agrifood and

Industrial divisions are finding steady work on upgrade and conversion projects driven by increasingly stringent regulatory requirements. On the Operations and Maintenance side, we continue to diversify our portfolio and expand our presence in Canada and internationally.

In recognition of this positive outlook, the Board of Directors increased the quarterly dividend by 29% on February 23, 2007 from \$0.07 per share to \$0.09 per share. It is worth noting that, over the past five years, we have increased the dividends paid to our shareholders by an average of 26% per year, and in 2006, our dividend payments increased by 31%.

ARRIVALS AND DEPARTURES: RECOGNIZING MERIT

We welcomed Riadh Ben Aïssa to the Office of the President on January 1, 2007. Riadh assumes responsibility for construction operations and water projects worldwide, and we look forward to working with him in his new capacity.

We bid farewell to Sami Bébawi, who retired from SNC-Lavalin and the Office of the President at the end of 2006 after many years of service. Sami has been a driving force behind our construction operations and water projects all over the world, and we are pleased that he will continue to act as an advisor to the Company.

Our Board of Directors welcomed Patricia Hammick, Lorna Marsden and Jean-Paul Vettier to its ranks, and we are pleased to announce the proposal of Gwyn Morgan for Chairman of the Board. His appointment is subject to his re-election as a director by shareholders at our Annual Shareholders' Meeting on May 4, 2007.

On behalf of myself, SNC-Lavalin and the members of the Board of Directors, our sincere thanks to John Cleghorn, who retires in May 2007 after completing his five-year commitment as Chairman of the Board.

John has been an insightful advisor and a respected Chairman. Thanks in part to his advice and support, SNC-Lavalin had some of its most dynamic and profitable years during his tenure with us. It has been an honour and a pleasure working with John these past five years.

Jacques Lamarre

Jacques Lamarre, O.C., ENG.
PRESIDENT AND
CHIEF EXECUTIVE OFFICER



John E. Cleghorn, O.C., FCA
CHAIRMAN OF THE BOARD

