

Members
of the Office of
the President



(FROM LEFT TO RIGHT)

TOP ROW

JIM BURKE
CHARLIE RATE
JACQUES LAMARRE
MICHAEL NOVAK
PATRICK LAMARRE

BOTTOM ROW

JEAN CLAUDE PINGAT
PIERRE DUHAIME
GILLES LARAMÉE
JEAN BEAUDOIN
RIADH BEN AÏSSA

In our 2007 Annual Report, we reported that for the first time in 15 years we had not met our annual objective to increase our net income by 7% to 12%, and that we expected our net income to be substantially higher in 2008. In fact, it increased to \$313 million, up from \$153 million in 2007 and from \$158 million in 2006. Looking ahead to 2009, we are well positioned to achieve this objective, though we remain cautious given the uncertainties regarding the global economic situation.

Substantial Net Income Growth

The main contributors to our growth in 2008 were particularly strong performances in Mining & Metallurgy and Infrastructure & Environment, and a good performance in Chemicals & Petroleum. In Power, we continued to feel the ripple effects of the Goreway thermal project. It has been a challenge, but we are confident that we will bring the plant into commercial operation in the second quarter of 2009.

We would like to thank our employees worldwide for their outstanding performance in 2008, which has brought us back on track after a challenging 2007.

Outstanding Financial Performance

We assess our financial performance based on three key annual objectives: increase our net income by 7% to 12%, attain a return on average shareholders' equity equal to that of the Canada long-term bond yield plus 6% (which totalled 10.1% in 2008) and maintain a strong balance sheet with a net cash position sufficient to meet our operational, financial and investment plans.

- 1) Our net income was \$313 million compared to \$153 million in 2007, an increase of about 100% over both our 2007 and 2006 results.
- 2) Our return on average shareholders' equity was 28.9% in 2008, almost three times our target return.
- 3) Our balance sheet remains strong with a net cash position of \$855 million at year-end.

Market Adaptability

Our ability to adapt to changing market realities is one of our defining characteristics. We have evolved from a small Canadian engineering consulting office in 1911 to a global firm whose services include engineering, procurement, construction, construction management, project management, operations and maintenance, project financing and infrastructure concession investments.

Offering these services individually or in combination has served our business well over many years. In our 2007 Annual Report, we expressed confidence in our ability to bring our Packages gross margin back to its traditional 7% to 10% level. In 2008 it was 4%, compared to a negative percentage in 2007, and we are well positioned to achieve a 7% to 10% gross margin in 2009.

In the infrastructure concession investment sector, we have always been very selective in choosing our investments and in 2008 we made only one major investment: a 25.5% indirect equity investment in Myah Tipaza, which will own and operate a seawater desalination plant we are building in Algeria.

We take an equally disciplined approach to acquisitions, buying only companies that meet our strategic and financial objectives and that share our business culture. We made 11 such acquisitions in 2008, and I am happy to report that all 18 acquisitions made in 2007 are performing well and contributing to our growth.

WE CARE

Last August, we experienced a terrible tragedy in Algeria, when 12 of our Algerian colleagues lost their lives in a terrorist attack. The incident took place 25 kilometres from the site of our Koudiat Acerdoune water treatment plant and distribution project. We have a longstanding relationship with Algeria, and have carried

out many projects in that country over more than 30 years. It was largely because of this relationship that we were able to organize a rapid, concerted response to the tragedy and provide help and support to our employees and their families.

The well-being of our employees, the communities we work in and the natural environment are of the utmost importance to us. We work hard to ensure safe and sustainable workplaces and project sites worldwide, and we never compromise on quality.



Outlook

Our capacity to operate in different categories of activity and industry sectors, and the fact that we have permanent offices in over 35 countries, give us the basis to achieve our expected net income growth of 7% to 12% in 2009. Decreases in commodity prices and capital expenditures mean some projects could be delayed, scaled back or cancelled, particularly in the Mining & Metallurgy, Chemicals & Petroleum and Industrial sectors, but the most viable projects will proceed. We expect governments worldwide will invest in infrastructure to stimulate their economies, which will benefit our Infrastructure & Environment and Operations & Maintenance sectors and increase the demand for Power projects. We do not expect to be affected by the tightening of available credit in the lending market as we have a solid balance sheet with a strong net cash position.

Given its confidence in SNC-Lavalin's business and in recognition of its solid performance in 2008, the Board of Directors increased the quarterly dividend by 25% from 0.12 cents to 0.15 cents. This is the eighth consecutive year the Company's dividend paid per share has been increased.

Acknowledgements

I would like to extend a special thanks to Pierre Anctil who retires from the Office of the President after nearly 20 years of distinguished service. Pierre played a major role in developing our investment operations into the successful portfolio of infrastructure concession investments we have today. I wish him all the best.

In Conclusion

After 13 years as President and Chief Executive Officer, and a total of 42 years of actively participating in SNC-Lavalin's growth and development, I announced on March 6 that I would be passing the baton to my successor on May 7, 2009.

It is time to move on, and to hand over the care and pleasures of leading this Company towards new challenges and successes, to others. Thanks to the outstanding cooperation and support I have received from colleagues and employees, and from a Board which is both astute and open, we have been able to turn SNC-Lavalin into the Company we all know today. I would also like to thank our clients and all our stakeholders for their contributions to SNC-Lavalin's success.

I wish the new President and CEO, Pierre Duhaime, as much pleasure in confronting the challenges which lie ahead—as I personally have enjoyed.

JACQUES LAMARRE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

With over 21,000 employees and projects in 100 countries, SNC-Lavalin has long been one of the world's most versatile and respected international engineering and construction companies. Recent years have seen the addition of both a growing operations and maintenance business and increased revenues from equity participation, mostly in projects built by the Company. This diversification is consistent with strategic plans that are robustly reviewed and supported by the Board.

An important priority for fiscal 2008 was conducting Board level post-mortems of problematic projects and working with management to improve risk assessment and management. As well, the Board worked with the CEO to strengthen the Company's executive development and succession process.

SNC-Lavalin has consistently ranked at or near the top of external corporate governance assessments conducted on Canadian corporations. Over the past year, SNC-Lavalin was ranked second out of 180 companies by the Globe and Mail newspaper in its annual review of Canada's corporate boards, based upon a rigorous set of governance criteria covering board composition, compensation, shareholder rights and disclosure. These are important measures but, as we have seen all too often, it's the core values of an organization that truly determine behaviour. The leadership team at SNC-Lavalin understands that ethics and quality must never be compromised as they are the foundation on which enduring success is built. This is one of the most impressive attributes I have observed in the people of SNC-Lavalin.

After power project setbacks in 2007, which ended the Company's 15 year record of earnings growth, SNC-Lavalin delivered a strong financial performance in 2008. We enter 2009 in the midst of the most severe global economic downturn in seven decades. No company, including SNC-Lavalin, will be immune to its impact. Expected increases to infrastructure spending by governments, combined with reliable income from concession investments as well as operations and maintenance contracts, will help offset slowdowns in industry sectors such as petroleum and mining. This diversified revenue base, combined with net cash on the balance sheet and teams with world class expertise, positions SNC-Lavalin well to weather the downturn and emerge even stronger.

The Company's May, 2009 Annual Meeting will witness a transition of leadership with the retirement of Jacques Lamarre, after 13 years as President and CEO and 42 years with the Company. Jacques leaves a truly exceptional legacy in the building of SNC-Lavalin into a globally respected leader in its field. His many recognitions include Canada's Outstanding CEO, but those who have been fortunate to work with him know that the success of the people of SNC-Lavalin is what is truly important to this great Canadian business leader. On behalf of shareholders and the Board, I express our admiration and appreciation to Jacques Lamarre, and wish him and his wife Céline a healthy and fulfilling retirement.

The mark of a quality CEO is the development of quality successors. Pierre Duhaime has demonstrated his readiness to lead SNC-Lavalin after 30 years of progressively more challenging and successful responsibilities in Canada and around the world. The Board is confident that the Company will achieve continued success under his leadership.

GWYN MORGAN

CHAIRMAN OF THE BOARD

