

Q&As

WITH PIERRE DUHAIME

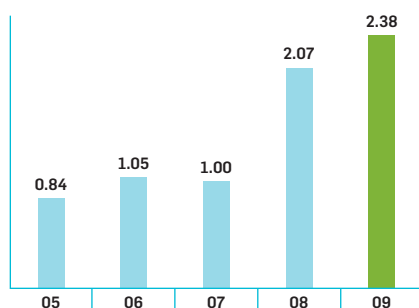


WHAT KIND OF A YEAR WAS 2009 FOR SNC-LAVALIN?

The economy was still tough on some sectors and we had to make a few adjustments. We lowered costs in the hardest hit divisions and redoubled our marketing efforts to secure our backlog. In July, we issued debentures totalling \$350 million to boost our cash position. It was a good move; we made investments and acquisitions that will grow our business, especially in Russia and Brazil. Mainly, we focused on our strong points, and it paid off. Even in a sluggish economy, we achieved a net income of \$359.4 million, and our backlog at year-end totalled \$10.8 billion.

With the retirement of Jacques Lamarre, 2009 was also a year of transition. I am grateful to Jacques for setting the stage so well; he eased the way for everyone and the transition has been smooth.

Unfortunately, 2009 was a tragic year for safety incidents. I am sad to report there were fatalities on three project sites. We took immediate action at the three sites and have intensified our safety training and follow-up on all our sites to avoid future incidents.



Earnings per Share
(IN CANADIAN \$)

WHAT IS THE OUTLOOK FOR YOUR INDUSTRY IN 2010?

Green technology is a booming field and we are ideally suited to it. We see great opportunities in biomass, solar and geothermal power, LEED buildings, carbon capture and sequestration, and greenhouse gas reduction, to name just a few.

The BRIC countries are another focus. We are already the largest foreign engineering/construction presence in Brazil and Russia and one of the largest in India. We are reinforcing those leads. Early in 2010, we created an engineering company in Russia with one of Russia's leading financial institutions, and in India, the number of permanent employees in our four offices has grown by over 1,000% in the last five years alone.

With the global economy on the mend, commodity prices should stabilize, restarting the economies of resource-rich countries. This bodes well for our natural resource-based divisions, and we expect it will increase the demand for infrastructure and power projects as well. We also expect more public-private partnership contracts to be tendered as governments struggle to meet the demand for infrastructure. PPPs are a strong suit for us and we see great potential here, particularly in Canada and Europe.

All told, we expect our 2010 net income to be as high or higher than 2009, and as a reflection of this, our Board of Directors has increased our quarterly dividend by 13% from 15 cents to 17 cents. This is the ninth consecutive year it has been increased.

WHAT ARE YOUR MAIN GOALS AND PRIORITIES FOR 2010?

Safety is number one overall, and professional development is our top Human Resources priority. Working with our own HR professionals and outside consultants, we are

NET INCOME OF

\$359.4
MILLION

launching a company-wide training program for our employees. Over the next few years, we will be rolling out three training streams devoted to leadership development, talent management and performance management.

Risk management is also an ongoing priority. You may remember we took a loss on the Goreway project in 2007. That project is behind us now, and we came out of the experience with tighter risk evaluation processes. We have entirely new corporate procedures and follow-up training programs, and a customized software system to help evaluate and manage cost, schedule, technical, and quality risks.

WHAT IS YOUR STRATEGY FOR GROWTH?

We are a world leader today because of the quality and breadth of our technical expertise and our knowledge of the global and local markets. Our strategy is to steadily build on our expertise and expand our leadership through internal growth and strategic acquisitions. Over the years, we have expanded across several different sectors and virtually all regions, which makes us less susceptible to fluctuations in any one sector or region. Thanks to this strategy, and to our employees who make it work, we have been able to grow consistently, even through difficult times.

HOW DO YOU PLAN TO PUT THIS STRATEGY INTO PRACTICE?

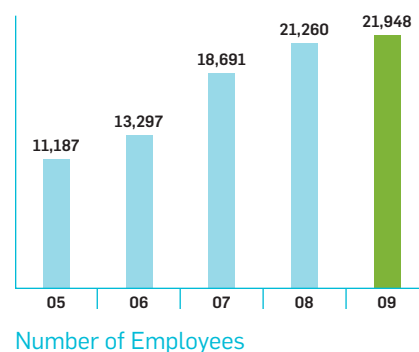
Our employees put our growth strategy into practice. We encourage them to take the lead on the ground, and we give them the independence and authority to grow their business to suit their markets. This distributed leadership approach creates an entrepreneurial business culture and promotes innovation, which is essential in our industry. Most importantly, we never compromise on quality. As a result, most of our clients are longstanding and repeat customers.

AND YOUR STRATEGY FOR INFRASTRUCTURE INVESTMENTS?

We will continue investing in infrastructure that includes design/build and operations and maintenance work, and that falls into our areas of expertise. We are looking at airports, bridges, cultural and public service buildings, power plants, mass transit systems, roads and water-related infrastructure. We will still only invest in countries we know well. Our strategy has shifted slightly in that we are more open to selling mature investments that no longer require design/build work. Our overall strategy is the same—we are always looking for new prospects that will create value for our shareholders, whether they are investments, acquisitions or new technologies.

I would like to take this opportunity to thank the Board, the members of the Office of the President, and all our employees worldwide for their advice, dedication, support and hard work.

13%
**INCREASE
IN DIVIDEND**



CHAIRMAN'S

COMMENTARY



The most important responsibility of a corporate board is selecting the CEO. After 13 years of building SNC-Lavalin into one of Canada's most successful global companies, Jacques Lamarre retired in 2009. It can truly be said the mark of a successful CEO is not only bottom line success, but also the development of a worthy successor. For

many years, Jacques brought annual succession plans forward for review by the Board, but the real test came when we faced the question as to whether we had an internal candidate fully capable and ready to assume the top job. I am pleased to report that Jacques had done his job so well that a robust process was required for the Board to choose. The ultimate result was the selection of Pierre Duhaime. Pierre has played an integral part in building SNC-Lavalin into one of the world's leading engineering and construction companies.

That SNC-Lavalin was able to achieve record 2009 earnings in the face of a worldwide recession is testament to the soundness of the Company's core engineering and construction business, as well as the reliability of returns from its portfolio of infrastructure investments. The resiliency of these results also reflects a continuing expansion of the Company's presence in the world's growing economies, including North Africa, Brazil, India, the Middle East and Russia. In 2009, nearly half of the Company's revenues and 40% of the year-end backlog were from outside Canada.

I am pleased to report that SNC-Lavalin was again recognized as a corporate governance leader in 2009, ranking number one in the Globe and Mail's "Board Games". Award criteria include such elements as clarity of disclosure, compensation policy and transparency, director independence and board composition. Just as CEO and executive selection are crucial to operational success, the key to successful governance is identification and recruitment of directors with the range of skills and backgrounds needed around the board table, and on committees. Effective board committee work is crucial to successful governance. A prime example is the Audit Committee, where members dedicate a substantial amount of time to examining the integrity of company accounts and assessing financial risks. Chairing the Audit Committee is a demanding responsibility and, on behalf of the Board, I'd like to thank Claude Mongeau for his skillful chairmanship over the past six years. Shareholders will continue to benefit from Claude's wisdom as a Board and Audit Committee member, and we congratulate him on his appointment as CEO of the Canadian National Railway Company.

During the year, France-based Jean-Paul Vettier stepped down from the Board as he assumed the CEO role in a substantial European-based firm. On behalf of the Board, I express appreciation to Jean-Paul for his diligent contribution. We welcomed Calgary-based Ian Bourne as a director and as a member of both the Audit Committee and the Health, Safety and Environment Committee. He brings experience including former Chief Financial Officer of Calgary-based TransAlta, corporate and public sector directorships, and he serves on the Canadian Public Accountability Board.

GWYN MORGAN

Chairman of the Board