



INTERVIEW

WITH PIERRE DUHAIME

WE OWE OUR SUCCESS
TO THE INCREDIBLE
TALENT AND DEDICATION
OF OUR EMPLOYEES

HOW DID THE COMPANY PERFORM FINANCIALLY IN 2010?

Our financial results for 2010 were excellent. Our backlog stood at \$13 billion and we increased our net income to \$437 million, 22% higher than in 2009. About 19% of our net income came from our infrastructure concession investments (ICI), which marks a definite shift in our business. ICI is now a substantial contributor to our net income.

Our return on equity was 27%, our revenues remained strong at \$6.3 billion, and our balance sheet was solid with cash and cash equivalents of \$1.3 billion. Of that amount, \$900 million is freehold cash we can use for strategic acquisitions and investments.

WHAT WERE SOME KEY MARKET DEVELOPMENTS IN 2010?

We saw significant growth in our public-private partnership (PPP) business. With the addition of the McGill University Hospital Centre and the Chinook Roads Partnership, we now have six PPPs in Canada, and we invested in our first PPP in India with a toll road concession in Andhra Pradesh.

Looking at the larger picture, developing countries are taking the lead in the global economy. They will soon account for more than half the world's economic output. This marks a fundamental, long-term structural change in the world marketplace that should open up many opportunities for us. Accelerated growth in countries like China and India is driving the demand for commodities and boosting the economies in resource-rich regions, many of which are strong markets for us. In Latin America, in particular in 2010, we nearly doubled our local presence. We now have over 4,000 employees in the region.

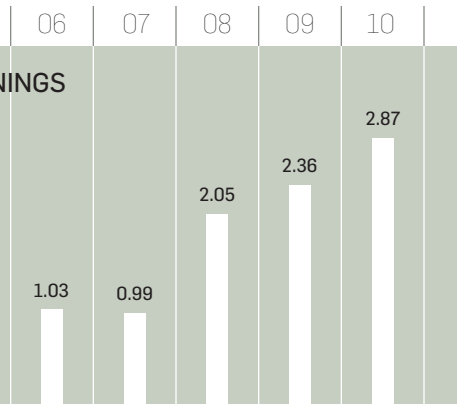
WHAT ARE YOUR MAIN PRIORITIES?

Safety is our top priority. We're happy to report that our health and safety (H&S) performance in 2010 was very positive for all our indicators and significantly improved. We'll continue to build on our H&S procedures and best practices. Equally important, we actively encourage and empower every employee to take the lead in spotting and correcting unsafe situations on the ground.

Risk management is another key area we'll be focussing on. Here too, we saw excellent results in 2010 with a 19% gross margin on our Packages projects. This reflects not only sound risk management practices, but also superb project delivery on the part of our employees. We are doing well, but managing risk is an ever-evolving process. Every new project brings its own challenges that help us refine our best practices.

Acquisitions are an important part of our long-term growth plan. We're selective about our choices in terms of price and expertise, but we're always looking for opportunities. In 2010, we acquired nine companies, bringing a total of 1,230 new employees to our operations in Canada, Colombia, France and South Africa.

DILUTED EARNINGS PER SHARE (in CAS)



Recruitment and talent management are equally essential to our long-term growth. We welcomed Darleen Caron to the team as Executive Vice-President, Global Human Resources and member of the Office of the President. This is a new position we created to address the growing complexities of recruiting and managing talent on a global scale. Darleen has international experience in talent and leadership management, and we're happy to have her on our team.

Our WE CARE values are an ongoing priority. Look for our 2010 Sustainability Report to be published in Spring 2011 for an update on our WE CARE activities.

WHAT IS THE OUTLOOK FOR YOUR MAJOR INDUSTRY SECTORS IN 2011?

With the price of oil back up at over \$90 a barrel, we expect investment in oil and gas projects to pick up again. Copper prices have never been this high for this long and nickel and aluminum are making strong comebacks in the mining and metallurgy sector. We also see good opportunities in gold, iron ore and potash. The power market remains steady and, as the economy recovers, it will grow even stronger. We expect sustainable projects in the thermal and green power sectors to be especially active. Governments worldwide continue to refurbish ageing infrastructure and invest in new. We see PPP and ICI prospects in several regions, especially Canada, Europe and Latin America where we have a very strong presence. Our remote camp operations and maintenance support capabilities extend to mining and petroleum projects and, as those sectors recover, we can expect more opportunities in this field.

Overall, we expect 2011 to be another good year for SNC-Lavalin with good potential in all sectors. However, although we feel positive that the situation in Libya will be resolved, we prefer at this time to remain conservative in our outlook for this country in the short term.

WHY DO YOU THINK SNC-LAVALIN HAS BEEN SO SUCCESSFUL THESE LAST 100 YEARS?

I think our resilience stems from a balance of experience and innovation. We have an incredibly talented and dedicated team, and our clients and Board of Directors constantly motivate us to surpass their expectations. Over the last 100 years, SNC-Lavalin has risen to countless challenges. Each time, it has turned hard lessons to its advantage and become stronger. We learn from experience but, as engineers and constructors, we know how important it is to adapt, innovate and keep moving forward. The combination of these qualities is a winning formula.



CHAIRMAN'S COMMENTARY

From its founding roots a century ago in the province of Quebec, SNC-Lavalin has grown into a global leader with thousands of projects in some 100 countries. The year 2010 was a continuation of that progress, and a reflection of an emerging new world order in which growth has shifted from developed to developing nations. Geographic diversification isn't the only part of the story. SNC-Lavalin is one of very few engineering and construction companies capable of handling almost every kind of project; from mining to energy to urban rail transit, to roads, bridges, hospitals, buildings and environmental engineering, to name just a few. And recent years have seen strong growth of a revenue source that further distinguishes SNC-Lavalin from its competitors: infrastructure investments.

The Board and its Committees continue to strive for leadership in corporate governance. In 2010, the Human Resources Committee oversaw adjustments to executive compensation that better align rewards with performance while enhancing longer-term focus and retention. In cooperation with management, the Audit Committee strengthened its focus on risk assessment and early examination of potentially problematic projects. The Health, Safety and

Environment Committee continued to foster a strong, proactive culture with a particular focus on visible safety leadership at all levels.

Overall, the Board strives for governance leadership including integrity, disclosure and transparency. Once again, the Company was recognized for its leadership in this area. SNC-Lavalin ranked among the top 10 in the 2010 *Globe and Mail Report on Business* corporate governance rankings, and came in first in its category for corporate governance disclosure in the 2010 CICA *Corporate Reporting Awards*.

One of the keys to successful corporate governance is the recruitment of top quality directors that bring together all of the needed backgrounds and skills. Continued growth created the need for a suitable international director. We were very pleased to announce the appointment of London-based Mike Parker, a person whose experience includes CEO of global industrial giant Dow Chemical.

It's often said that people are a company's most important asset. That is especially true in the engineering and construction business. As the 24,000 employees based in over 35 countries prepare to celebrate the one hundredth anniversary of this very special company, all members of the Board of Directors express our pride in their extraordinary accomplishments.

GWYN MORGAN
Chairman of the Board



MEMBERS

OF THE OFFICE OF THE PRESIDENT

The Office of the President is SNC-Lavalin's senior decision-making management group composed of the President & CEO and executive vice-presidents.

FROM LEFT TO RIGHT

FEROZ ASHRAF
JEAN BEAUDOIN
JEAN CLAUDE PINGAT
CHARLIE RATE
GILLES LARAMÉE
RIADH BEN AÏSSA
JIM BURKE
PIERRE DUHAIME
MICHAEL NOVAK
DARLEEN CARON
PATRICK LAMARRE