

SNC - LAVALIN GROUP INC.

ANNUAL INFORMATION FORM

March 31, 2003

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ITEM 2 CORPORATE STRUCTURE

2.1 INCORPORATION OF THE CORPORATION

SNC-Lavalin Group Inc. (the “**Corporation**”) was incorporated under the laws of Canada on May 18, 1967 and was continued under the *Canada Business Corporations Act* on March 24, 1980. The articles of the Corporation were amended on several occasions, including for the following purposes: the split of its outstanding shares on a three-for-one basis, the implementation of a shareholder rights plan, the change of its name, the creation of new classes of shares and the reorganization of its outstanding share capital, the modification of the maximum number of directors, the addition of a requirement that at least two thirds of the directors must not be employees of the Corporation or its affiliates and the redesignation of the class A subordinate voting shares as common shares.

The Corporation is authorized to issue an unlimited number of common shares, first preferred shares and second preferred shares. Only common shares are currently outstanding and each such share entitles the holder thereof to one vote at each shareholders’ meeting of the Corporation.

The Corporation’s head office is located at 455 René-Lévesque Boulevard West, Montréal, Québec, Canada H2Z 1Z3.

Reference in this Annual Information Form to “**SNC-Lavalin**” means, as the context may require, the Corporation or all or some of its subsidiaries or joint ventures, or the Corporation or one or more of its subsidiaries or joint ventures.

2.2 SUBSIDIARIES AND ASSOCIATED COMPANIES

The chart appearing on the next page lists the main subsidiaries and associated companies of SNC-Lavalin, their jurisdiction of incorporation (which is in Canada, unless otherwise indicated) and the percentage of voting shares held directly or indirectly by SNC-Lavalin.

SNC-Lavalin Inc.	100%	•
Chemicals and Petroleum		
Northern SNC-Lavalin Constructors Inc.	100%	•
SNC-Lavalin GDS Inc. (<i>Texas</i>)	100%	•
Infrastructure		
Construction		
Socoddec Inc.	100%	•
Infrastructure, Buildings and Mass Transit Systems		
Kaska / SNC-Lavalin Inc. (<i>Yukon</i>)	49%	◆
Pacific Liaison and Associates Inc.	100%	•
BAE-Newplan Group Limited (<i>Newfoundland</i>)	100%	•
Lalonde, Girouard, Letendre & Associates Ltd.	100%	•
Piette, Audy, Bertrand, Lemieux & Associates Inc. (<i>Québec</i>)	100%	•
Polygec Inc.	100%	•
Nishi-Khon/SNC-Lavalin Limited (<i>Northwest Territories</i>)	49%	◆
Société d'expertise et d'ingénierie L.G.L., S.A. (<i>Haïti</i>)	33.33%	◆
SLIVIA Inc. (<i>Québec</i>)	60%	•
Environment		
SNC-Lavalin Environment Inc.	100%	•
Procean Environment Inc. (<i>Québec</i>)	100%	•
Mining and Metallurgy		
SNC-Lavalin Engineers & Constructors Inc. (<i>Ontario</i>)	100%	•
Power		
Canatom NPM Inc.	61.25%	•
SNC-Lavalin Energy Control Systems Inc.	100%	•
SNC-Lavalin Constructors Inc. (<i>Delaware</i>)	100%	•
SNC-Lavalin ATP Inc.	100%	•
Defence		
SNC Technologies Inc.	100%	•
SNC Technologies Corp. (<i>Delaware</i>)	100%	•
Securiplex Inc.	100%	•
EXPRO Technologies Inc.	100%	•

Facilities and Operations Management		
SNC-Lavalin Profac Inc.	100%	•
Nexacor Realty Management Inc.	100%	•
SNC-Lavalin Defence Programs Inc.	100%	•
Investments		
Gestion Gazmont Inc. (<i>Québec</i>)	50%	◆
Murraylink Transmission Company Pty Ltd. (<i>Australia</i>)	50%	◆
AltaLink Management Ltd. (<i>Alberta</i>)	50%	◆
Malta Mediterranean Link Consortium Limited (<i>Malta</i>)	38.75%	◆
Société d'Exploitation de Vatry Europort S.A. (SEVE) (<i>France</i>)	23.32%	◆
Other sectors		
Telecommunications		
Expertech Network Installations Inc.	25%	◆
Pharmaceuticals and Biotechnology		
International Cleanroom Control and Engineering (ICCE) s.a./n.v. (<i>Belgium</i>)	100%	•
Pellemon Inc.	100%	•
SNC-Lavalin Pharma Inc.	100%	•
Industrial		
SNC-Lavalin (S.A.) Inc.	100%	•
SNC-Lavalin Services Ltd.	100%	•
Financing services		
SNC-Lavalin Capital Inc.	100%	•
The Equinox Indemnity Co. Ltd. (<i>Bermuda</i>)	100%	•
International network		
SNC-Lavalin France S.A.S. (<i>France</i>)	100%	•
Pingat Ingénierie S.A.S. (<i>France</i>)	100%	•
Eurotec S.A. (<i>France</i>)	100%	•
Boplan Ingénierie S.A. (<i>France</i>)	100%	•
SNC-Lavalin International Inc.	100%	•
SNC-Lavalin Europe B.V. (<i>Netherlands</i>)	100%	•
S.A. SNC-Lavalin Europe N.V. (<i>Belgium</i>)	100%	•
S.A. Coppée-Courttoy N.V. (<i>Belgium</i>)	100%	•
SNC-Lavalin America, Inc. (<i>Colorado</i>)	100%	•
SNC-Lavalin Europe Limited (<i>England</i>)	100%	•
SNC-Lavalin Chile S.A. (<i>Chile</i>)	100%	•
Socoddec Venezuela C.A. (<i>Venezuela</i>)	100%	•
SNC-Lavalin do Brasil Ltda (<i>Brazil</i>)	100%	•
SNC-Lavalin Maghreb EURL (<i>Algeria</i>)	100%	•
SNC-Lavalin (Malaysia) Sdn. Bhd. (<i>Malaysia</i>)	100%	•
SNC-Lavalin Peru S.A. (<i>Peru</i>)	100%	•
SNC-Lavalin Philippines Inc.	100%	•
P.T. SNC-Lavalin TPS (<i>Indonesia</i>)	90%	•
SNC Italia S.p.A. (<i>Italy</i>)	100%	•
SNC-Lavalin Mühendislik VE Taahhüt Limited Sirketi (<i>Turkey</i>)	100%	•
SNC-Lavalin International (Tunisia) Inc. (<i>Tunisia</i>)	100%	•
SNC-Lavalin Australia Pty Ltd. (<i>Australia</i>)	100%	•
SNC-Lavalin South Africa (Proprietary) Limited (<i>South Africa</i>)	100%	•
Highway 407		
407 International Inc. (<i>Ontario</i>)	16.77%	◆

•	Subsidiary
◆	Associated company

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Major events that have influenced the general development of the business of SNC-Lavalin over the last three years are as follows:

2000

In May, SNC-Lavalin became a North American leader in the facilities and operations management sector by acquiring the remaining 50% interest in ProFac Management Facilities Services Inc. (now under the name SNC-Lavalin Profac Inc.) (“**ProFac**”) which had previously acquired, in March, Nexacor Realty Management Inc., a company specializing in facilities management for the telecommunications industry.

407 International Inc. issued, on July 26, 2000, \$165 million (the Corporation’s proportionate share of which was \$44 million) of 7% Junior Bonds due July 26, 2010, extendible at the option of the bondholder to July 26, 2040, bearing interest at an annual rate of 7.125%. With this issue, the total refinancing of 407 International Inc.’s original debt of more than \$3.2 billion (SNC-Lavalin’s proportionate share of which was \$861 million) was completed.

In May, the Corporation renewed its normal course issuer bid program. A total of 1,214,300 common shares were redeemed in 2000 under the 1999 and 2000 programs for a total consideration of approximately \$15 million.

2001

In February, SNC-Lavalin took a 50% equity participation in the Murraylink build-own-operate project for the installation of an interconnector between the electricity transmission grids of two Australian states, Victoria and South Australia.

To strengthen its position in synthetic crude and heavy oil production, SNC-Lavalin acquired Titan Projects Ltd. of Alberta, recognized for its expertise in gas processing and steam-assisted gravity drainage projects. SNC-Lavalin also purchased certain assets of Quebec-based EXPRO Chemical Products Inc., a North American producer of an extruded propellant used in commercial and military products.

SNC-Lavalin took a 50% ownership in a consortium, AltaLink, which signed an agreement to acquire TransAlta’s power transmission business in Alberta, Canada.

The construction of the East partial and West Extensions of Highway 407 were successfully completed during the year and opened ahead of schedule.

In May, the Corporation renewed its normal course issuer bid program to purchase for cancellation on the open market, between May 23, 2001 and May 22, 2002, up to 3,253,400 common shares. A total of 391,000 common shares were redeemed in 2001 under the 2000 and 2001 programs for a total consideration of approximately \$6.4 million.

In June, the Corporation issued 3,000,000 common shares for a total of \$66 million to be used by the Corporation for general corporate purposes, including the funding of potential future acquisitions and investment opportunities in Canada and abroad.

2002

Effective January 1, 2002, the holder of 407 International Inc.'s subordinated convertible debenture (the "Debenture") entered into an agreement with 407 International Inc. and its shareholders, whereby the holder irrevocably agreed to formally convert its Debenture into common shares of 407 International Inc. on May 6, 2004 or, subject to certain conditions, at an earlier date. This undertaking to convert into common shares is considered to be an immediate conversion of the Debenture, and effective January 1, 2002, has been accounted for as such, thereby diluting SNC-Lavalin's participation in the common shares of 407 International Inc. to 22.58% from 26.92%, and resulting in a gain of \$14.7 million. In March, SNC-Lavalin sold 45 million shares (or 25.7%) of its 175 million shares in 407 International Inc. to a third party, for a total consideration of \$177.6 million, resulting in a net gain of \$121.3 million. Following these transactions, SNC-Lavalin's participation in the common shares of 407 International Inc. is 16.77%.

In April, the AltaLink consortium, in which SNC-Lavalin holds a 50% participation, acquired approximately 12,000 km of electrical transmission lines and over 250 substations in Alberta, which are rate regulated by The Alberta Energy & Utilities Board.

In May, SNC-Lavalin expanded its thermal power business by hiring about 5,000 employees and signing new engineering, procurement and construction contracts, totalling approximately \$1.0 billion, to complete construction of gas-fired thermal plants in the United States. SNC-Lavalin also concluded, in September, the acquisition of certain assets relating to the above-mentioned contracts, for a total cash consideration of approximately \$1.9 million.

Also in May, the Corporation renewed its normal course issuer bid program to purchase for cancellation on the open market, between June 10, 2002 and June 9, 2003, up to 4,112,000 common shares. A total of 521,900 common shares were redeemed in 2002 under the 2001 and 2002 programs for a total consideration of approximately \$17.3 million.

In July, SNC-Lavalin acquired an indirect interest of 15.5% in Malta International Airport p.l.c. which acquired the right to own and manage the Malta International Airport under a 65-year concession agreement.

First quarter of 2003

In January, SNC-Lavalin acquired all of the issued and outstanding shares of GDS Engineers, Inc., a privately owned Texas-based engineering firm which provides services to the refining, chemical and petrochemical industries.

ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 GENERAL

SNC-Lavalin is one of the leading groups of engineering and construction companies in the world, and a global leader in the ownership and management of infrastructure. SNC-Lavalin provides engineering, procurement, construction, project management and project financing services to a variety of industry sectors, including agrifood, biopharmaceuticals, chemicals and petroleum, defence, environment, heavy construction, mass transit, mining and metallurgy, telecommunications, industrial and manufacturing, power and water management. Founded in 1911, SNC-Lavalin has been active internationally for nearly 40 years, establishing a multicultural network that spans every continent.

SNC-Lavalin derives revenues from three principal sources: services, packages and concessions activities, in the following segments: (i) power, (ii) chemicals and petroleum, (iii) infrastructure, (iv) mining and metallurgy, (v) facilities and operations management, (vi) defence, (vii) investments and (viii) all other. Revenues on both services and packages contracts are derived primarily from cost-plus reimbursable contracts and fixed-price contracts while revenues from concessions reflect SNC-Lavalin's activities in its investments in companies arising from privatization, public-private partnerships, long-term outsourcing and other concession-type arrangements.

4.2 CONTEXT OF ACTIVITIES

Industry Background

Engineering-construction firms provide a full range of services to manage the execution of capital investment projects from conception to financing assistance and start-up of operations. Services provided for a particular project may include any or all of the feasibility studies, planning, detailed design, project and construction management, commissioning and plant operation, financial structuring and equity investment. Engineering-construction firms provide many other services, such as traffic flow analysis, environmental assessments, water resource management, agricultural and irrigation improvement programs and technology transfer.

Clients of engineering-construction firms in Canada range from small to large industrial companies and Crown corporations to municipal, provincial and federal governments. Most international clients of Canadian engineering-construction firms are developing countries or large industrial companies.

Major Trends in the Industry

Over the past 10 years, the Canadian engineering-construction services industry has been influenced by certain trends, as described below. Engineering-construction markets are changing; clients tend to demand lump-sum turnkey packages of goods and services, often combined with financing packages, a pattern that is fast replacing the traditional sale of services. They also ask for real technology transfer. Economic growth in emerging regions and indebted governments in developed countries lead them to look for privatization and public-private partnerships to answer their needs in infrastructure. These trends represent a significant opportunity for engineering-construction firms. In some countries, arranging the project financing or making an equity investment in the project is a deciding factor in obtaining contracts.

(i) Firm Price Contracts and Build, Own, Operate, Transfer (“BOOT”) Projects

A growing trend among clients is the demand for firm price contracts as well as BOOT arrangements requiring minority interest equity investments. These practices have required participants to enhance both their service offerings and their financing capabilities. Firm price contracts may cover engineering-construction services alone, or a package comprising services, material, equipment, construction and commissioning, in which case they are referred to as turnkey contracts. In other cases, these contracts provide for a package consisting of financing and engineering services.

(ii) Bonds and Letters of Credit

Another important trend in today's industry is the requirement for engineering-construction firms to provide clients, in certain circumstances, with bonds, letters of credit or other types of guarantees as collateral for the fulfillment of contractual obligations. In order to have access to such credit facilities, it

is vital to maintain a strong and healthy financial situation that will provide the level of comfort required by the different institutions who offer such facilities.

(iii) Privatization and Public-Private Partnerships

A growing trend is emerging towards the privatization of public services, as governments seek to refurbish and expand public infrastructure and BOOT projects requiring interest equity investments.

(iv) Association with Local Partners with respect to Foreign Opportunities

It has become very important for engineering-construction firms performing work in foreign countries to team up with local firms of the country where the services will be performed. Associations with local partners knowledgeable about the local industry provide a significant competitive edge to foreign firms.

(v) Environmental Awareness

Compliance with present laws and associated standards regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, offers a potential source of work for engineering-construction companies as clients seek to ensure that their plants and operations meet government requirements. On the other hand, if clients choose to delay their expansion efforts because of the large expenditures required to ensure regulatory compliance, or if activists and pressure groups succeed in having projects delayed or cancelled as a result of their demands for exhaustive environmental studies, then the engineering-construction industry's workload could be adversely affected. Another growing international trend impacting the industry is the move toward sustainable economic development and the establishment of effective environmental management systems. This opens opportunities for engineering-construction firms, especially in developing countries, to provide technical and managerial assistance, specialized skills and other tools required for effective, locally-based, environmental management and institutional strengthening.

Competition

The engineering-construction business is highly competitive. SNC-Lavalin is one of the worldwide leading groups of engineering-construction companies and, within each industry sector, competes with one or more Canadian or international firms that concentrate on that particular industry. As the leader in Canada, SNC-Lavalin has a competitive advantage in obtaining contracts for large capital projects. Domestically, engineering-construction firms compete primarily on the basis of price, the proposed project staff and the experience and size of the firm.

In industrialized countries, most engineering-construction work is carried out by domestic firms. Consequently, international competition is for projects in developing countries with emerging economies. As one of the leading groups of engineering and construction companies in the world, SNC-Lavalin competes with important engineering-construction firms from most industrialized nations and, for basic technology projects, from developing countries. Competitiveness in this market depends primarily on reputation, price, financial position and the ability to arrange financing for the project as well as, in some cases, a willingness to invest equity in the project.

With the expansion of engineering education and experience in developing countries in Asia, Africa, Latin America and former republics of the Soviet Union, some engineering firms from those areas have started to export engineering services, particularly for projects requiring basic technology. The competitive advantage of these firms is primarily derived from lower labour costs. Consequently,

engineering-construction firms from the western industrialized nations are facing increased competition for such projects as buildings, transportation facilities, dams and irrigation works.

SNC-Lavalin has worked in some 100 countries and, despite increased competition, has continued to obtain international contracts. In the year 2002, approximately 52% of SNC-Lavalin's revenues were from outside Canada.

Contracts are either competitively bid and awarded or individually negotiated. SNC-Lavalin also receives repeat business from its clients. Competition is primarily centered on performance and the ability to provide the engineering, planning and management skills required to complete complex projects on schedule and within budget.

SNC-Lavalin derives its competitive strength from its ability to work in many languages, its reputation for quality, its procurement capability, its project management expertise, its geographical coverage and its ability to execute projects of varying sizes calling for a wide range of services and technologies, as well as from its strong financial condition and its capability to structure and source project financing, by providing its own equity capital in certain cases.

Business Strategy

SNC-Lavalin's business strategy consists of several key elements: (i) build on its recognized expertise in its core sectors and develop new expertise in technical fields with promising growth opportunities; (ii) use its financing capabilities to enhance its competitiveness in major projects; (iii) combine its technical expertise and financial capabilities to develop and acquire infrastructure concessions with solid fundamentals and potential; and (iv) continue to leverage the international network it has built up over nearly 40 years. SNC-Lavalin's business strategy and operating efficiencies, combined with a culture of financial performance accountability among its work force, have permitted the Corporation to achieve sustained results for over a decade. SNC-Lavalin also makes selective investments in concession-type projects that require the capability to bring together a variety of skills ranging from technical, project management and financing.

Acquisition of businesses and investments is an integral component of SNC-Lavalin's strategy. SNC-Lavalin will acquire, or enter into joint ventures with specialized firms that combine SNC-Lavalin's strengths with targeted technical expertise. As the need arises, acquisitions and joint ventures will also be made in the more well-established sectors.

In May 2002, SNC-Lavalin expanded its thermal power business by hiring about 5,000 employees and signing new engineering, procurement and construction contracts totalling approximately \$1.0 billion, to complete construction of gas-fired thermal plants in the United States. SNC-Lavalin also concluded, in September 2002, the acquisition of certain assets relating to the above-mentioned contracts, for a total cash consideration of approximately \$1.9 million.

In April 2002, the AltaLink consortium, in which SNC-Lavalin holds a 50% participation, acquired approximately 12,000 km of electrical transmission lines and over 250 substations in Alberta, which are regulated by The Alberta Energy & Utilities Board.

Also in 2002, SNC-Lavalin acquired an indirect interest of 15.5% in Malta International Airport p.l.c. which acquired the right to own and manage the Malta International Airport under a 65-year concession agreement.

Other acquisitions were completed in 2002 by SNC-Lavalin, including the engineering firm Boplan in France, International Cleanroom Control Engineering (ICCE) in Belgium, and the assets of Eichleay Engineers and Constructors in the Northeastern United States. Each of these acquisitions adds valuable expertise which complements SNC-Lavalin's existing offering and raises its marketability.

In January 2003, SNC-Lavalin acquired all of the issued and outstanding shares of GDS Engineers, Inc., a privately owned Texas-based engineering firm of approximately 500 employees and which generates approximately US\$50 million in annual revenues and provides services to the refining, chemical and petrochemical industries. This acquisition gives SNC-Lavalin a vital and significant presence in the U.S. Oil and Gas industry.

Organizational Structure

SNC-Lavalin has a network of marketing and operating offices across Canada and in some 30 countries around the world. At any given time, its employees are working in approximately 100 countries carrying out projects, pursuing business opportunities and marketing its products and services. To gain better access to markets outside Canada and to facilitate the financing of international projects, SNC-Lavalin may form alliances, either with firms possessing expertise complementary to SNC-Lavalin's existing capabilities, or with leading local firms in such markets. These alliances enable SNC-Lavalin to share project risks and provide investment opportunities which can add to its strength and capabilities.

4.3 REVIEW OF MAJOR ACTIVITIES

A review of the major activities of SNC-Lavalin for the fiscal year ended December 31, 2002 is presented in the Report on Operations on pages 10 to 26 of the Corporation's 2002 annual report as well as under "Management's discussion and analysis" on pages 27 to 48 of the Corporation's 2002 annual report and in note 16 "Segment disclosures" to the consolidated financial statements for the fiscal year ended December 31, 2002 on pages 74 to 78 of the Corporation's 2002 annual report, which items are incorporated herein by reference.

4.4 BACKLOG AND OUTLOOK

A discussion of the revenue backlog of SNC-Lavalin is presented under the item "Management's discussion and analysis – Backlog", on pages 37 to 39 of the Corporation's 2002 annual report, which item is incorporated herein by reference.

4.5 RISK MANAGEMENT

SNC-Lavalin's business is conducted under various types of contractual arrangements, including cost-plus, fixed-fee, unit price, and firm price contracts as well as long-term outsourcing, investments and other concession-type arrangements. SNC-Lavalin has developed and applies rigorous risk assessment, mitigation and management practices to reduce the nature and extent of the financial, technical and legal risks under each of these types of contractual agreements.

SNC-Lavalin's continued commitment to sound risk management practices when underwriting and undertaking services and packages type contracts, includes technical risk assessment, rigorous drafting and legal review of contracts, applying stringent cost and schedule control of projects, the regular review of project forecasts to complete, the structuring of positive cash flow arrangements on projects, securing project insurance, obtaining third party guarantees and other risk mitigating measures. Maintaining insurance coverage for various aspects of its business and operations is an important element

in SNC-Lavalin's risk management process. SNC-Lavalin elects, at times, to retain a portion of losses that may occur by applying selective self-insurance practices and professionally managing such retention through its regulated captive insurance company.

While management is positive about the Corporation's long-term outlook, SNC-Lavalin is subject to the following risks and uncertainties:

Cost Overruns

SNC-Lavalin bears all or a significant portion of the risk for cost overruns on fixed-price contracts. Contract revenues and costs are established, in part, on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, prices, availability of labour, equipment and materials and other requirements that may affect project costs.

Project Performance

In certain instances, SNC-Lavalin may guarantee a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. Should the project or facility subsequently fail to meet the schedule or performance standards, SNC-Lavalin may incur additional costs.

Backlog

Backlog only reflects contract awards that are considered firm, and is thus an indication of future revenues. However, there can be no assurance that cancellations or scope adjustments will not occur, or when revenues and earnings from such backlog will be realized.

Concession Investments

Certain concession activities include SNC-Lavalin's investments in companies arising from privatization, and public-private partnerships as well as investments in other concession-type projects. The Corporation strives to limit its risk to the amount of its investment in such concessions, whereby all risks associated with the operation and financing of these concessions remain at the concessionaire level. The risk of erosion of the Corporation's investment value, which is dependent on the ability of the concession to attain its revenues and cost projections as well as the ability to obtain financing, is mitigated by sound risk management practices when investing in such concessions, such as:

- independence of the Investment division from the engineering and construction groups within SNC-Lavalin;
- detailed review and structuring of concession contract arrangements;
- detailed analyses of the risks specific to each investment, such as environment and supply and demand estimates;
- ensuring the financial strength of equity partners, as well as ensuring that the Corporation's interests in the concession are well aligned with those of its equity partners; and
- in-depth financial modelling performed in-house, coupled with independent third party modelling review.

Contract awards

Obtaining new awards, which is a key component for the sustainability of profits, is a risk factor for which the diversity of SNC-Lavalin's activities, industry segments and geographic base have proven to be mitigating factors.

Joint venture partners

The success of its joint ventures relies on the satisfactory performance of SNC-Lavalin's joint venture partners of their joint venture obligations. Failures by joint venture partners to perform their obligations could impose on SNC-Lavalin additional financial and performance obligations that could result in increased costs.

Foreign currency risk

Its significant international business volume could expose SNC-Lavalin to foreign currency exchange risks, which could adversely impact its operating results. SNC-Lavalin has a hedging strategy in place to protect itself against foreign currency exposure.

Economic and political conditions

A significant portion of SNC-Lavalin's revenues is attributable to projects in international markets which exposes it to a number of risks, such as: uncertain economic conditions in the countries in which SNC-Lavalin does business, abrupt changes in foreign government policies and regulations, restrictions on the right to convert and repatriate currency, political risks due to international hostilities, and the lack of well-developed legal systems in some countries, which could make it difficult to enforce SNC-Lavalin's contractual rights. SNC-Lavalin has approximately 40 years of involvement in international markets, which provides a valuable source of experience in assessing risks related to economic and political conditions.

4.6 REAL ESTATE

The Corporation has its head office at 455 René-Lévesque Boulevard West, Montréal, Québec, Canada H2Z 1Z3 and occupies 31,856 of the 37,486 square metres of the building, which SNC-Lavalin owns.

Office spaces of significant size leased by SNC-Lavalin range from 680 to 25,000 square metres of floor space in various cities in Canada, the U.S.A., Europe, Asia and South America. SNC-Lavalin also leases smaller office space around the world for its operations and marketing activities.

SNC TEC has three plants: one in Le Gardeur, Québec, occupying 1,178 acres with 85,500 square metres of floor space and a second plant in Saint-Augustin, Québec, which occupies 15 acres with 11,900 square metres of floor space and a third one for EXPRO Technologies in Valleyfield, Québec, occupying 1,100 acres. SNC TEC also owns property in Valcartier, Québec, which occupies 473 acres of land with 54,500 square metres of floor space.

4.7 HUMAN RESOURCES

As at December 31, 2002, SNC-Lavalin had nearly 15,000 employees. The number of engineering-construction employees varies with the sales volume and the number of projects. Towards

the end of a large project, there is always a certain attrition, which is offset as staff requirements for another large project are built up.

4.8 ENVIRONMENTAL AND HEALTH & SAFETY

The Corporation has a corporate environmental policy adopted by its Board of Directors that commits SNC-Lavalin and its employees to integrating environmental considerations into all its activities worldwide. The Corporation has also established the Occupational Health and Safety Committee to monitor the Corporation's General Policy on Occupational Health and Safety.

SNC-Lavalin is subject to federal, provincial and municipal laws and regulations relating to the environment, particularly with regard to its manufacturing operations. SNC-Lavalin ensures that it complies in all material respects with such laws and regulations. Compliance with such laws and regulations in the future may require additional capital expenditures and the Corporation expects that for the foreseeable future, such capital expenditures will be financed through cash flow from operations.

ITEM 5
SELECTED CONSOLIDATED FINANCIAL INFORMATION

1. Consolidated financial information for three consecutive years ended December 31:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(in millions of dollars, except per share amounts)		
Revenues	<u>3,431.6</u>	<u>2,326.8</u>	<u>1,740.4</u>
Net income (loss)			
Excluding Highway 407	89.5	59.2	53.1
From Highway 407	<u>113.0</u>	<u>(32.8)</u>	<u>(29.2)</u>
	<u>202.5</u>	<u>26.4</u>	<u>23.9</u>
Basic earnings per share			
Excluding Highway 407	1.79	1.24	1.14
From Highway 407	<u>2.25</u>	<u>(0.69)</u>	<u>(0.63)</u>
	<u>4.04</u>	<u>0.55</u>	<u>0.51</u>
Diluted earnings per share			
Excluding Highway 407	1.75	1.21	1.14
From Highway 407	<u>2.20</u>	<u>(0.67)</u>	<u>(0.63)</u>
	<u>3.95</u>	<u>0.54</u>	<u>0.51</u>
Dividends paid			
amount	17.6	13.4	11.1
per share	0.35	0.28	0.24
Total assets ⁽²⁾	2,554.0	2,490.6	2,227.2
Total long-term debt ⁽¹⁾⁽²⁾	789.7	1,178.6	1,095.9

(1) Includes long-term debt due within one year.

(2) The Corporation's consolidated total assets and long-term debt as at December 31, 2002, include the Corporation's proportionate share of total assets and total long-term debt (non-recourse to the general credit of the Corporation) of Highway 407 amounting to \$703.6 million (\$1,167.4 million in 2001 and \$1,111.0 million in 2000) and \$632.0 million (\$1,027.9 million in 2001 and \$942.0 million in 2000) respectively.

Factors affecting the comparability of the above data:

(i) 2000

In March, SNC-Lavalin acquired, through ProFac, Nexacor Realty Management Inc. In May, SNC-Lavalin purchased the remaining 50% equity interest in ProFac.

On July 26, 2000, 407 International Inc. issued \$165 million (the Corporation's proportionate share of which was \$44 million) of 7% Junior Bonds due July 26, 2010, extendible at the option of the bondholder to July 26, 2040, bearing interest at an annual rate of 7.125%. With this issue, the total refinancing of 407 International Inc.'s original debt of more than \$3.2 billion (the Corporation's proportionate share of which was \$861 million) was completed.

In May, the Corporation renewed its normal course issuer bid program (the "**2000 Program**") to purchase for cancellation on the open market, between May 23, 2000 and

May 22, 2001, up to a maximum of 3,910,000 common shares. During 2000, 1,214,300 common shares were redeemed under the 1999 Program and the 2000 Program for a total consideration of \$15 million.

(ii) 2001

In May, the Corporation renewed its normal course issuer bid program (the “**2001 Program**”) to purchase for cancellation on the open market, between May 23, 2001 and May 22, 2002 up to a maximum of 3,253,400 common shares. During 2001, 391,000 common shares were redeemed under the 2000 Program and the 2001 Program for a total consideration of \$6.4 million.

The Corporation retroactively adopted the new recommendations of the CICA with respect to the calculation of earnings per share. The principles for calculating basic earnings per share are consistent with previous recommendations; however, diluted earnings per share are now calculated using the treasury stock method. Under the treasury stock method, the diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of issuance, and the proceeds from the exercise of such dilutive options are used to repurchase common shares at the average market price for the period. The new recommendations no longer require an adjustment to net income for imputed interest in calculating diluted earnings per share. The 2000 consolidated diluted net earnings per share and diluted cash flow per share have been restated to reflect the new recommendations, resulting in no change for diluted earnings per share, while diluted cash flow per share increased by \$0.07, to \$1.86 from \$1.79.

The Corporation completed an offering to the public of three million (3,000,000) common shares at \$22 per share for net proceeds of \$63.2 million to be used for general corporate purposes including the funding of potential future acquisitions and investment opportunities in Canada and abroad.

(iii) 2002

The Corporation adopted the new recommendations of the CICA with respect to “Goodwill and Other Intangible Assets”. Effective January 1, 2002, goodwill and other intangible assets are no longer amortized, but instead are tested for impairment and, if required, written down and charged to earnings only in the periods in which the recorded values of goodwill and other intangible assets exceed their fair values. In 2001, the new recommendations relating to “Goodwill and Other Intangible Assets” applied only for business combinations initiated after June 30, 2001. Goodwill represents the excess of the cost of acquired enterprises over the net of the amounts assigned to assets acquired and liabilities assumed at the date of acquisition.

In conformity with the new CICA recommendations, the Corporation has completed the transitional impairment test of the existing goodwill as at December 31, 2001. The transition test indicated no impairment of goodwill except for the facilities and operations management reporting unit. The facilities and operations management reporting unit generates earnings based mostly on long-term contracts, the renewals of which are uncertain. Factoring such risk into the discounted cash flow analysis, a transitional goodwill impairment of \$25.5 million for this reporting unit was identified. In

accordance with the new standards, as required by the transitional provisions, such goodwill impairment was charged to opening retained earnings as at January 1, 2002.

In March, SNC-Lavalin sold 45 million shares (or 25.7%) of its 175 million shares in its investment in 407 International Inc., resulting in a net gain of \$121.3 million. Prior to this disposal, SNC-Lavalin's participation in the common shares of 407 International Inc. was diluted to 22.58% from 26.92%. Effective January 1, 2002, the holder of 407 International Inc.'s subordinated convertible debenture entered into an agreement with 407 International Inc. and its shareholders, whereby the holder irrevocably agreed to formally convert its debenture into common shares of 407 International Inc. on May 6, 2004 or, subject to certain conditions, at an earlier date. This undertaking to convert into common shares is considered to be an immediate conversion of the debenture, and effective January 1, 2002, has been accounted for as such from that date, resulting in a gain on dilution of \$14.7 million. SNC-Lavalin's proportionate share of Highway 407, following both the partial disposal and the dilution, is 16.77%.

In April, the AltaLink consortium, in which SNC-Lavalin holds a 50% participation, acquired approximately 12,000 km of transmission lines and over 250 substations in Alberta, which are rate regulated by The Alberta Energy & Utilities Boards.

In May, SNC-Lavalin expanded its thermal power business by hiring about 5,000 employees and signing new engineering, procurement and construction contracts, totalling approximately \$1.0 billion, to complete construction of gas-fired thermal power plants in the United States.

In July, SNC-Lavalin acquired an indirect interest of 15.5% in Malta International Airport p.l.c., which acquired the right to own and manage the Malta International Airport under a 65-year concession agreement.

The Corporation renewed its normal course issuer bid program (the "**2002 Program**") to purchase for cancellation on the open market, between June 10, 2002 and June 9, 2003, up to a maximum of 4,112,000 common shares. During 2002, a total of 521,900 common shares were redeemed under the 2001 and 2002 Programs for a total consideration of \$17.3 million.

2. Consolidated financial information for the eight consecutive quarters ended December 31, 2002.

	QUARTER ENDED			
	March 31 2002	June 30 2002	Sept. 30 2002	Dec. 31 2002
	(in millions of dollars, except per share amounts)			
Revenues	<u>627.2</u>	<u>815.3</u>	<u>1,002.2</u>	<u>987.0</u>
Net income (loss)				
Excluding Highway 407	19.4	23.7	22.9	23.5
From Highway 407	<u>124.6</u>	<u>(3.3)</u>	<u>(2.7)</u>	<u>(5.6)</u>
	<u>144.0</u>	<u>20.4</u>	<u>20.2</u>	<u>17.9</u>
Basic earnings per share				
Excluding Highway 407	0.39	0.47	0.46	0.47
From Highway 407	<u>2.49</u>	<u>(0.06)</u>	<u>(0.06)</u>	<u>(0.11)</u>
	<u>2.88</u>	<u>0.41</u>	<u>0.40</u>	<u>0.36</u>

	QUARTER ENDED			
	March 31 2001	June 30 2001	Sept. 30 2001	Dec. 31 2001
	(in millions of dollars, except per share amounts)			
Revenues	<u>564.9</u>	<u>532.0</u>	<u>575.2</u>	<u>654.7</u>
Net income (loss)				
Excluding Highway 407	12.7	17.0	15.8	13.7
From Highway 407	<u>(6.7)</u>	<u>(6.3)</u>	<u>(8.9)</u>	<u>(10.9)</u>
	<u>6.0</u>	<u>10.7</u>	<u>6.9</u>	<u>2.8</u>
Basic earnings per share				
Excluding Highway 407	0.28	0.36	0.32	0.28
From Highway 407	<u>(0.15)</u>	<u>(0.13)</u>	<u>(0.18)</u>	<u>(0.23)</u>
	<u>0.13</u>	<u>0.23</u>	<u>0.14</u>	<u>0.05</u>

3. Dividend policy

The Corporation has paid quarterly dividends on its shares since it became a public company in 1986, except from the third quarter of 1988 until the third quarter of 1989, inclusively. Thereafter, there were increases and reductions in the quarterly dividend. In 2001, a dividend of \$0.07 per share was paid for the first three quarters of the year and \$0.08 per share was paid in 2002 for the fourth quarter of 2001. In 2002, a dividend of \$0.09 per share was paid for the first three quarters of the year and \$0.10 per share was paid in 2003 for the fourth quarter of 2002.

ITEM 6
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

A discussion and analysis by management of the financial condition and results of operations for the fiscal years ended December 31, 2002 and 2001 is given under the item "Management's discussion and analysis" on pages 27 to 48 of the Corporation's 2002 annual report, which item is incorporated herein by reference.

ITEM 7
MARKET FOR SECURITIES

The common shares of the Corporation are listed for trading on The Toronto Stock Exchange.

ITEM 8
DIRECTORS AND SENIOR EXECUTIVES

The following tables list the directors and officers of the Corporation, and their municipality of residence:

Directors of the Corporation		
<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director since</u>
Jacqueline L. Boutet, C.M. ⁽¹⁾ Montréal, Québec	President Jacqueline L. Boutet Inc. Montréal, Québec	1990
Angus A. Bruneau, O.C., Ph.D. ⁽²⁾ St. John's, Newfoundland	Chairman of the Board Fortis Inc. St. John's, Newfoundland	1991
John E. Cleghorn, O.C., F.C.A. ⁽²⁾⁽³⁾ Toronto, Ontario	Chairman of the Board SNC-Lavalin Group Inc. Montréal, Québec	2001
Jacques A. Drouin ⁽²⁾ London, England	Managing Director - Canada Country Head Lazard Brothers & Co., Limited London, England	1993
David Goldman ⁽¹⁾ Toronto, Ontario	President Dave Goldman Advisors Ltd. Toronto, Ontario	2002
Jacques Lamarre Montréal, Québec	President and Chief Executive Officer SNC-Lavalin Group Inc. Montréal, Québec	1996
Allan F. Leach ⁽²⁾ Toronto, Ontario	President Allan Leach Consultants Inc. Toronto, Ontario	1999

Directors of the Corporation

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director since</u>
Pierre H. Lessard ⁽²⁾ Montréal, Québec	President and Chief Executive Officer Metro Inc. Montréal, Québec	1998
Edythe A. Parkinson-Marcoux ⁽¹⁾ Canmore, Alberta	Company Director Canmore, Alberta	1998
Hugh D. Segal ⁽¹⁾ Kingston, Ontario	President Institute for Research on Public Policy Montréal, Québec	1999
Lawrence N. Stevenson ⁽²⁾ Toronto, Ontario	President Pathfinder Capital Inc. Toronto, Ontario	1999
Neil Webber, Ph.D. ⁽¹⁾ Calgary, Alberta	President and Chairman Webber Academy Inc. Calgary, Alberta	1990

(1) Member of the Audit Committee

(2) Member of the Corporate Governance and Human Resources Committee

(3) Chairman of the Board

All of the above-named directors have held their present position or other executive positions with the same or associated firms or organizations during the past five years, or were elected to their present term of office by a vote of the shareholders of the Corporation at a meeting, the notice of which was accompanied by a management proxy circular containing the required information. The term of office of each director expires upon the election of his/her successor unless he/she resigns his/her office, or his/her office becomes vacant by death, removal or other cause.

The Board of Directors does not have an executive committee. As of March 1, 2003, the Board of Directors reorganized the Bid and Investment Approval Committee as a senior management committee rather than a committee of the Board.

As at March 31, 2003, the directors of the Corporation held either directly or indirectly, or exercised control over 1.05% of the common shares of the Corporation.

**Officers who are not also
Directors of the Corporation**

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
Pierre Anctil Montréal, Québec	Executive Vice-President
Luc Audet St-Cyrille de Wendover, Québec	Vice-President, Agriculture

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
Jean Beaudoin Calixa-Lavallée, Québec	Senior Vice-President and General Manager, Industrial Division, Québec
Sami Bébawi Outremont, Québec	Executive Vice-President
Christiane Bergevin Montréal, Québec	Senior Vice-President and General Manager, Capital
Robert Blackburn Ottawa, Ontario	Senior Vice-President, Government and International Development Institutions
George Boutary Saint-Lambert, Québec	Vice-President and General Manager, Risk and Insurance
Jim Burke Surrey, British Columbia	Senior Vice-President and General Manager, Transportation and General Engineering, British Columbia
Marylyne Campbell Toronto, Ontario	Executive Vice-President
Ian Chapman Montréal, Québec	Vice-President, Law and Corporate Secretary
Dale Christensen Calgary, Alberta	Senior Vice-President and General Manager, Domestic Projects, Chemicals and Petroleum
Louis Dagenais Varenes, Québec	Vice-President, Global Information Technologies & Project Management Systems
Guy Davister Brussels, Belgium	Senior Vice-President and General Manager, Belgium
Michael Day Mississauga, Ontario	Vice-President, Mining and Metallurgy
Paul Dufresne Montréal, Québec	Senior Vice-President and General Manager, Power Division, Montréal
Pierre Duhaime Montréal, Québec	Executive Vice-President
John Gillis Redmond, WA, U.S.A.	Senior Vice-President and General Manager, Thermal Division

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
Gerry Grigoropoulos Brossard, Québec	Vice-President and Treasurer
John Hutchinson Calgary, Alberta	Vice-President and General Manager, International Projects, Chemical & Petroleum, Alberta
Michael Ioffredi Montréal, Québec	Vice-President and Controller
Krish Krishnamoorthy Calgary, Alberta	Executive Vice-President
Daniel Lachapelle Terrebonne, Québec	Vice-President and General Manager, Pharmaceuticals and Biotechnology
Hubert Lafortune Montréal, Québec	Director, Internal Audit
Luc Lainey Montréal, Québec	Vice-President and General Manager, General Engineering and Environment, Québec
Gilles Laramée Saint-Bruno, Québec	Executive Vice-President and Chief Financial Officer
Denny Law Calgary, Alberta	Vice-President, Gas Processing
Robert Leboeuf Nuns' Island, Québec	Executive Vice-President
James Leonidas Montréal, Québec	Vice-President and General Manager, Fire Protection Systems
Mark Loader Vancouver, British Columbia	Senior Vice-President, Transport, Vancouver
Gillian MacCormack Westmount, Québec	Vice-President, Public Relations
Adam Malkhassian Ahuntsic, Québec	Vice-President and Chairman, Risk Evaluation Committee
Vincent Marcoux Montréal, Québec	Vice-President, Corporate Human Resources

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
Normand Morin Outremont, Québec	Executive Vice-President
Michael C. Novak Westmount, Québec	Executive Vice-President
David Parsons Coquitlam, British Columbia	Senior Vice-President and General Manager, Thermal Division (Vancouver)
Jean-Claude Pingat Reims, France	Senior Vice-President and General Manager, France
Alain Poplemon Mont-Saint-Hilaire, Québec	Senior Vice-President and General Manager, Energy Control Systems
Pierre Ranger L'Orignal, Ontario	Senior Vice-President and General Manager, Aluminum
Yash Sthankiya Toronto, Ontario	Vice-President and General Manager, Sulphuric Acid Plants
Albert Sweetnam North York, Ontario	Senior Vice-President and General Manager, Infrastructure and Environment, Ontario
Klaus Triendl Pointe-Claire, Québec	Executive Vice-President
Albert Williams St. John's, Newfoundland	Senior Vice-President and General Manager, Atlantic Canada
Michael Winter Etobicoke, Ontario	Senior Vice-President, Facilities Management Services
Gregory Wortman Santiago, Chile	Vice-President and General Manager, Chile

All the above officers have held their present position or other positions within the Corporation or associated companies within the past five years with the exception of John Gillis who was President of National Energy Production Corporation until May 2001, James Leonidas who was Vice-President Finance and Operations of TIMS International Inc. until October 1999, Mark Loader who was Senior Associate at Booz-Allen & Hamilton in Sydney, Australia until December 1999, Gillian MacCormack who was Site Manager, Communications at Montréal General Hospital of the McGill University Health Centre until June 2001, Vincent Marcoux who was Administration Manager at the *Commission des écoles catholiques de Montréal* until December 1999 and Pierre Ranger who was Consultant and Representative for Canada at Mannesmann Dematic until October 2000.

As at March 31, 2003, the directors and officers of the Corporation, as a group, held, either directly or indirectly, or exercised control over 2.42% of the common shares of the Corporation.

ITEM 9 ADDITIONAL INFORMATION

When the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus, or when a preliminary short form prospectus has been filed in respect of a distribution of its securities, copies of the following documents may be obtained upon request from the Corporate Secretary, SNC-Lavalin Group Inc., Suite 1500, 455 René-Lévesque Boulevard West, Montréal, Québec, Canada H2Z 1Z3:

- (i) annual information form of the Corporation, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form;
- (ii) comparative financial statements of the Corporation for its most recently completed financial year together with the accompanying auditors' report and the interim financial statements of the Corporation subsequent to the financial statements for its most recently completed financial year;
- (iii) management proxy circular of the Corporation in respect of its most recent annual meeting of shareholders that involved the election of directors or any annual filing prepared in lieu of that information circular, as appropriate; and
- (iv) any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus and which are not required to be provided under (i) to (iii) above.

At any other time, one copy of any documents referred to in (i) to (iii) above may also be obtained upon request from the Corporate Secretary, at the address indicated above; the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Additional information, including executive compensation and indebtedness, principal holders of securities and options to purchase securities, is contained in the Management Proxy Circular of the Corporation dated March 21, 2003 (the "**2003 Management Proxy Circular**"), which relates to the May 8, 2003 annual meeting of shareholders of the Corporation.

Additional financial information, including comparative financial statements for its most recently completed financial year, is contained in the 2002 annual report of the Corporation on pages 49 through 78.

Copies of the 2003 Management Proxy Circular and the 2002 annual report may be obtained upon request from the Corporate Secretary, SNC-Lavalin Group Inc., Suite 1500, 455 René-Lévesque Boulevard West, Montréal, Québec, Canada H2Z 1Z3.

