Stantec

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Creating communities is our purpose.

Designing with community in mind is our promise.

The Stantec community unites approximately 22,000 employees working in over 400 locations across six continents. We collaborate across disciplines and industries to bring buildings, energy and resource, environmental, and infrastructure projects to life. Our work—engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics, from initial project concept and planning through design, construction, and commissioning—begins at the intersection of community, creativity, and client relationships.

Our local strength, knowledge, and relationships, coupled with our world-class expertise, have allowed us to go anywhere to meet our clients' needs in more creative and personalized ways. With a long-term commitment to the people and places we serve, Stantec has the unique ability to connect to projects on a personal level and advance the quality of life in communities across the globe. Stantec trades on the TSX and the NYSE under the symbol STN. Visit us at www.stantec.com or find us on social media.

Stantec is people—connected, creative, talented.
Allison Wenzel, Operational Business Analyst, Calgary, Alberta

Report to Shareholders

Third Quarter 2016

As a result of our four strategic acquisitions completed year to date, Stantec had strong gross revenue growth of 67.5% in the third quarter of 2016, compared to the same period last year. In particular, the MWH Global, Inc. (MWH) acquisition added significantly to our operating results.

Our results were impacted by a slight decrease in gross margin because of the mix of projects and the lower-margin Construction Services business acquired from MWH. There were also downward pressures on fees in some sectors.

Business Operating Unit Specialization
We continually adapt our organizational structure based on changes in the marketplace. We ensure that it meets our business needs and positions us for long-term success. With these goals in mind, effective January 1, 2016, we realigned our organizational structure from three to four business operating units: Buildings, Energy & Resources, Environmental Services, and Infrastructure. Subsequent to the MWH acquisition, Consulting Services still has these four business operating units and Construction Services operates as one unit. The addition of MWH broadens the scope of our services to clients across our business operating units.

The sectors we operate in have not changed in the third quarter of 2016 from those described on page M-8 of our 2015 Annual Report (incorporated here by reference) with two exceptions: (1) the addition of the Civic sector to the Buildings business operating unit in the first quarter of 2016 and (2) the addition of the Waterpower & Dams sector to the Energy & Resources business operating unit resulting from the MWH acquisition in the second quarter of 2016.

Life-Cycle Solutions
We provide professional services in all phases of the project life cycle: planning, design, construction, maintenance,

The main contract types in this segment fall generally into four functional areas:

- Construction management at-risk
- Design-build and progressive design-build
- Construction management in support of design completed by Consulting Services
- Hard-bid construction with self-performance

Key performance drivers for Construction Services are similar to our legacy Stantec drivers for our Water sector in our Infrastructure business operating unit. Specifically, trends that are expected to impact water infrastructure requirements and drive growth in the sector include demographic shifts, water scarcity, climate change, globalization and geopolitics, technology, and economic cycles.

Results

OVERALL PERFORMANCE

Highlights for Q3 16

Our Q3 16 results and performance reflect the four strategic acquisitions completed year to date, as well as the completion of a common share offering and the renegotiation of our long-term debt in the second quarter of 2016. In particular, the acquisition of MWH significantly added to our operating results and created a new service offering—Construction Services. Comparing the third quarter of 2015 to the third quarter of 2016, our gross revenue increased 67.5%—from $750.8 million to $1,257.3 million; adjusted EBITDA increased 21.5%—from $93.6 to $113.7 million; net income decreased 1.2%—from $49.9 to $49.3 million; diluted earnings per share (EPS) decreased 18.9%—from $0.53 to $0.43; and adjusted diluted EPS decreased 5.2%—from $0.58 to $0.55. (EBITDA, adjusted EBITDA, and adjusted diluted EPS are non-IFRS measures and are discussed in the Definition of Non-IFRS Measures section of this report.)

Our Q3 16 results were positively impacted by an increase in revenue because of acquisitions completed in 2015 and 2016. Our Infrastructure business operating unit has stable organic revenue in Q3 16 compared to Q3 15, and our other Consulting Services business operating units retracted organically in the quarter.

Our results were impacted by a slight decrease in gross margin—from 54.5% in Q3 15 to 54.2% in Q3 16—due to the mix of projects and the addition of the Construction Services business, which generates a lower margin than our Consulting Services business. Also, there were downward pressures on fees in some sectors. Our administrative and marketing expenses increased as a percentage of

- Energy

GROSS AND NET REVENUE

While providing professional services, we incur certain direct costs for subconsultants, equipment, and other expenditures that are recoverable directly from our clients. Revenue associated with these direct costs is included in gross revenue. Because these direct costs and associated revenue can vary significantly from contract to contract, changes in gross revenue may not be indicative of our revenue trends. Accordingly, we also report net revenue (which is gross revenue less subconsultant, subcontractor, and other direct expenses) and analyze results in relation to net revenue rather than gross revenue. The difference between gross revenue and net revenue is larger for construction-related projects than for consulting-related projects since Construction Services incurs higher costs for subcontractors, direct materials, and equipment.

For the purpose of the analysis and tables that follow, revenue earned by acquired companies in the first 12 months following an acquisition is initially reported as revenue from acquisitions and thereafter reported as organic revenue.

Our business generates a portion of its gross revenue in foreign currencies, primarily in US dollars. In 2015, all reportable segments generated a portion of gross revenue in the United States. The value of the Canadian dollar

Gross Revenue *(In millions of Canadian dollars)*	**Quarter Ended Sept 30 2016 vs. 2015**	**Three Quarters Ended Sept 30 2016 vs. 2015**
Increase (decrease) due to		
Acquisition growth	568.6	972.4
Organic retraction	(59.1)	(130.7)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(3.0)	50.8
Total net increase in gross revenue	506.5	892.5

Net Revenue *(In millions of Canadian dollars)*	**Quarter Ended Sept 30 2016 vs. 2015**	**Three Quarters Ended Sept 30 2016 vs. 2015**
Increase (decrease) due to		
Acquisition growth	308.0	553.1
Organic retraction	(53.7)	(121.3)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(2.2)	40.1
Total net increase in net revenue	252.1	471.9

The acquisitions that led to acquisition growth are listed in the following Gross Revenue by Reportable Segments section. Organic gross revenue in Q3 16 compared to Q3 15 was stable in our Infrastructure business operating unit. Organic gross revenue retracted in our Buildings, Energy & Resources, and Environmental Services business operating units.

Gross Revenue by Reportable Segments

Total gross revenue in Q3 16 was positively impacted by the acquisitions completed in 2015 and 2016. This increase was partly offset by the strengthening Canadian dollar in Q3 16 compared to Q3 15 and by organic revenue retraction, primarily in Canada.

The following acquisitions, completed in 2015 and 2016, impacted our reportable segments year to date:

Consulting Services – Canada

- Canadian engineering operations of Dessau Inc., 9073-4195 Quebec Inc., and Azimut Services (Central) Inc. (collectively, Dessau) (January 2015)
- MWH Global, Inc. (MWH) (May 2016)

Consulting Services – United States

- Sparling, Inc. (Sparling) (February 2015)
- VI Engineering, LLC (VI Engineering) (July 2015)
- VA Consulting, Inc. (VA Consulting) (August 2015)
- Fay, Spofford & Thorndike, Inc. (FST) (October 2015)
- The Infrastructure Americas Division of Kellogg Brown & Root Services, Inc. (KBR) (December 2015)
- Bury Holdings, Inc. (Bury) (March 2016)
- VOA Associates, Inc. (VOA) (May 2016)
- MWH Global, Inc. (MWH) (May 2016)
- Edwards & Zuck, P.C and Edwards & Zuck, D.P.C. (collectively, Edwards & Zuck) (September 2016)

Consulting Services – Global

- MWH Global, Inc. (MWH) (May 2016)

Construction Services

- MWH Global, Inc. (MWH) (May 2016)

In contrast, the public sector's support of investment in infrastructure remains robust and, in general, has increased, demonstrated by the federal and key provincial budgets released this year. We believe that our Transportation and Water sectors in our Infrastructure business operating unit will continue to benefit. Year to date, we experienced strong organic growth in Transportation because of ongoing significant public investments to meet demands for new infrastructure in roadways, bridges, and transit systems. Water has shown moderate growth year to date compared

Consulting Services – Global

Gross revenue from our Consulting Services Global operations increased $111.2 million in Q3 16 compared to Q3 15 and $181.5 million year to date in 2016 compared to 2015. These increases were mainly due to the MWH acquisition and a slight strengthening of foreign currencies compared to the Canadian dollar. Organic revenue retracted year to date in our Mining sector and our Buildings business operating unit. The decline in Mining resulted from the general decline in the global commodities market. Revenue retraction in Buildings was due in part to not replacing completed projects with projects of a similar size, project delays due to government budget constraints, a high degree of alternative project delivery bidding, and the divestiture of our India operations in Q4 15.

Gross revenue generated from the MWH acquisition added $119.0 million in the quarter and $198.7 million since May 6, 2016, to our Consulting Services Global operations. Our Water sector in the Middle East performed well and is meeting management's expectations; in our Water operation in the United Kingdom, we continued to have strong activity; and in the Asia Pacific Water operation, revenues exceeded expectations. Acquisition revenue was partly impacted by a softening Asia Pacific Transportation sector, as well as project delays and volume reductions in Latin American mining projects. In Australia, depressed commodity prices slowed the country's mining and energy sectors, and infrastructure spending is down in the private and public sectors while Federal and some state governments address fiscal deficits.

Construction Services

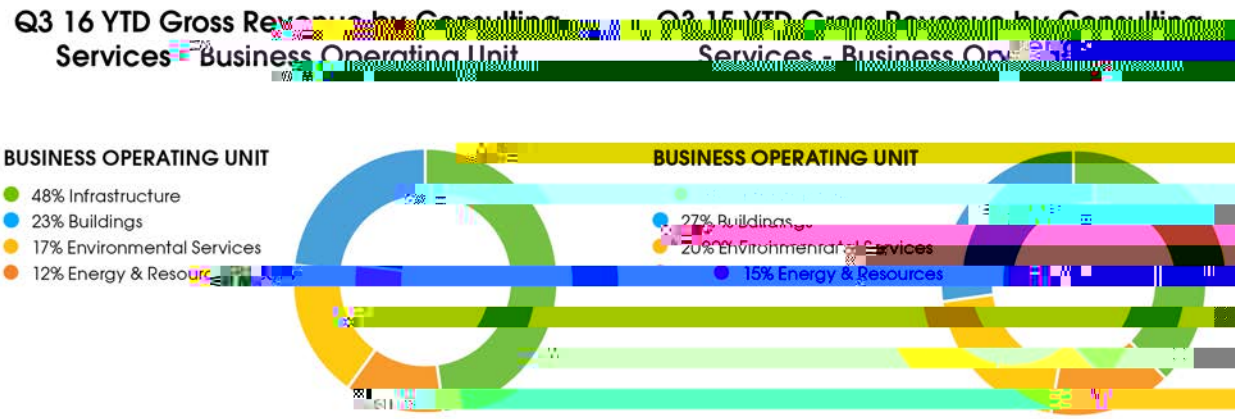
Construction Services earned $249.3 million in gross revenue in the quarter and $390.0 million since the MWH acquisition on May 6, 2016. Revenue was generated primarily in the United States and United Kingdom.

The United States generated $155.7 million in gross revenue in Q3 16 and $238.4 million since May 6, 2016. Significant activity for Q3 16 related to strong waste-plant activity in the west because various projects are in the construction phase. Also, project activity increased in the US industrial commercial and facility management market. These activities were offset by project delays in Dallas, Texas, where projects continued to be impacted by weather conditions and scheduling delays.

The United Kingdom generated $93.6 million in gross revenue in Q3 16 and $151.6 million since May 6, 2016. Construction Services in the United Kingdom was impacted by procurement and timing delays in waste-to-energy projects and the timing of work on Asset Management Plan 6 (AMP6) frameworks. Gross revenue earned in the United Kingdom year to date was negatively impacted by an 8.8% decline in the British pound sterling from May 6, 2016, to September 30, 2016, compared to the Canadian dollar.

Gross Revenue by Consulting Services – Business Operating Units

The following charts and tables summarize gross revenue and gross revenue growth in our four Consulting Services business operating units—Buildings, Energy & Resources, Environmental Services, and Infrastructure:



Gross Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except %)	Quarter Ended Sept 30 2016	% of Consulting Services Gross Revenue	2015	% of Consulting Services Gross Revenue	% Change in Gross Revenue 2016 vs. 2015
Consulting Services					
Buildings	201.2	20.0%	190.6	25.4%	5.6%
Energy & Resources	123.0	12.2%	101.5	13.5%	21.2%
Environmental Services	174.3	17.3%	159.9	21.3%	9.0%
Infrastructure	509.5	50.5%	298.8	39.8%	70.5%
Total Consulting Services	1,008.0	100.0%	750.8	100.0%	34.3%

Note: Comparative figures have been reclassified due to a realignment of several business lines between our Energy & Resources and Infrastructure business operating units.

(In millions of Canadian dollars, except %)	Three Quarters Ended Sept 30 2016	% of Consulting Services Gross Revenue	2015	% of Consulting Services Gross Revenue	% Change in Gross Revenue 2016 vs. 2015
Consulting Services					
Buildings	614.2	23.0%	573.5	26.4%	7.1%
Energy & Resources	317.5	11.9%	340.0	15.7%	(6.6%)
Environmental Services	449.8	16.9%	424.0	19.6%	6.1%
Infrastructure	1,287.8	48.2%	829.3	38.3%	55.3%
Total Consulting Services	2,669.3	100.0%	2,166.8	100.0%	23.2%

Note: Comparative figures have been reclassified due to a realignment of several business lines between our Energy & Resources and Infrastructure business operating units.

As indicated above, gross revenue growth was impacted by acquisitions, organic revenue retraction, and the effect of foreign exchange rates on revenue earned by our foreign subsidiaries. The impact that these factors had on gross revenue earned by each Consulting Services business operating unit is summarized in the following tables:

Gross Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars)	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**

Following are the acquisitions completed in 2015 and 2016 that impacted specific Consulting Services business operating units year to date:

- **Buildings**
  Dessau (Jan. 2015)
  Sparling (Feb. 2015)
  FST (Oct. 2015)
  VOA (May 2016)
  Edwards & Zuck (Sep. 2016)
- **Energy & Resources**
  Dessau (Jan. 2015)
  VI Engineering (July 2015)
  MWH (May 2016)
- **Environmental Services**
  Dessau (Jan. 2015)
  FST (Oct. 2015)
  MWH (May 2016)
- **Infrastructure**
  Dessau (Jan. 2015)
  VA Consulting (Aug. 2015)
  FST (Oct. 2015)
  KBR (Dec. 2015)
  Bury (Mar. 2016)
  MWH (May 2016)

In our Power sector, we continued securing projects as a result of infrastructure improvement, environmental compliance, and resiliency requirements in the transmission and distribution and the power replacement markets. Our Canadian Power operations were impacted by the continued slowdown in capital spending by oil and gas clients, resulting in deferred and cancelled proposed gas-generation projects. In the United States, year-to-date organic revenue was stable, assisted by the renewable energy and transmission and distribution subsectors. We secured two significant alternative energy projects in the quarter, including the buildings and interconnection design for Deltro Energy's Battery Energy Storage System project in Toronto, Ontario. Deltro will be Canada's largest battery energy storage system. Also, we were selected to provide site civil, turbine foundation design, substation and underground collector system electrical, and geotechnical investigations for E.ON Climate and Renewables' 50-turbine, 120-megawatt Grizzly Bear Creek wind farm in east central Alberta.

Our Mining sector's organic revenue retraction year to date is primarily attributed to the continuing slowdown in the mining market but was also caused by the one-time recognition of additional fees in the first half of 2015, which resulted from attaining certain performance metrics on a major project. The same project was postponed by the client due to market conditions resulting in reduced project revenue year to date compared to the same period in 2015. Our US mining operations had organic growth offset by organic retraction in our Canadian and Global operations, primarily due to our clients' curtailed spending on major projects and the continued challenging macroeconomic industry conditions. As a result of this retraction, we continued to align our staffing levels to match workload. Although there is a shortage of larger capital projects, we maintained our client relationships and were successful in winning midsized projects and studies in Canada and in various international locations. For example, in the third quarter, our team was selected as prime consultant and asked to provide a pre-feasibility-level study for the El Bermejal gold mine in Guerrero, Mexico. The study will determine the preliminary mine design, mine development and production schedules, equipment and infrastructure requirements, capital investment and operating costs, and an execution plan to enable profitable gold production to continue.

The MWH acquisition added $51.7 million gross revenue in Q3 16 and $83.1 million since May 6, 2016, to our Mining and Waterpower & Dams sectors. Mining experienced project delays and decreased project activity in Latin America. Activity remains strong in the Waterpower & Dams sector, especially in US East and Global operations.

Environmental Services

Gross revenue for our Environmental Services business operating unit increased 9.0% in Q3 16 compared to Q3 15 and 6.1% year to date in 2016 compared to 2015. Revenue was positively impacted by acquisition growth. Organic gross revenue retracted 14.2% in Q3 16 compared to Q3 15 and 10.9% year to date in 2016 compared to 2015.

Retraction in organic gross revenue year to date resulted from low commodity prices and reduced capital spending, primarily in the midstream oil and gas sector. This led to project delays and cancellations and put downward pressure on project fees. In the United States, organic gross revenue retracted due to the winding down of projects; this was partly offset by growth in the Power and Transportation sectors. We experienced increased activity in airport and rail projects as well as highway and road projects, particularly in our US East operations. In 2014, our oil and gas environmental services represented approximately 11% of our Company's overall gross revenue; in 2015, it represented approximately 7%; and year to date in 2016, it represented 5%. This change reduces the impaoam.9(h.9(nf9(s)2.422)0.9

mandate municipalities to upgrade their water and wastewater facilities, as well as the continued efforts of public agencies and private industrial concerns to improve operational efficiency. Our Canadian and US Water operations continued work on existing projects and new treatment plant work in British Columbia, Ontario, and Virginia.

The MWH acquisition added $159.3 million gross revenue in Q3 16 and $258.3 million since May 6, 2016, to our Water and Transportation sectors. Water in the United States continued to have solid performance; utilization increased in the quarter, and we continued to secure major projects. Our Middle East Water sector performed well and met management's expectations. Our UK Water sector is entering year two of the AMP five-year cycle. Year one was slower to generate revenue compared to the revenue expected for years two to four. Gross revenue earned in the United Kingdom during the quarter was negatively impacted by a decline in the British pound sterling compared to the Canadian dollar—from $1.86 at the beginning of May to $1.70 on September 30, 2016, representing an 8.6% decrease.

In our Consulting Services Canada operations, the decreases in gross margin in Q3 16 compared to Q3 15 and year to date in 2016 compared to 2015 resulted from the mix of projects. The increase in gross margins in our US operations resulted mainly from higher margins on the mix of projects acquired from MWH, predominantly in the Water and

Administrative and marketing expenses fluctuate year to year because of the amount of staff time charged to

INCOME TAXES

Our effective income tax rate for the first three quarters of 2016 was 28.0% compared to 26.1% for the year ended December 31, 2015. In Q3 16, th

The table below compares quarters, summarizing the impact of acquisitions, organic growth, and foreign exchange on gross revenue:

Gross Revenue

(In millions of Canadian dollars)	**Q3 16 vs. Q3 15**	**Q2 16 vs. Q2 15**	**Q1 16 vs. Q1 15**	**Q4 15 vs. Q4 14**
Increase (decrease) in gross revenue due to				
Acquisition growth	568.6	354.6	49.2	57.5
Organic growth (retraction)	(59.1)	(36.0)	(35.6)	(52.4)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(3.0)	17.7	36.1	57.8
Total net increase in gross revenue	506.5	336.3	49.7	62.9

Q4 15 vs. Q4 14. During Q4 15, net income decreased by $12.8 million, or 33.6%, from Q4 14, and adjusted diluted earnings per share for Q4 15 decreased by $0.10, or 22.7%, compared to Q4 14. Net income for Q4 15 was positively impacted by an increase in revenue because of acquisitions completed in 2014 and 2015 and by foreign exchange due to the weakening of the Canadian dollar, and it was partly offset by organic revenue retraction in our Energy & Resources business operating unit. Our gross margin decreased—from 55.6% in Q4 14 to 54.1% in Q4 15—due to the mix of projects, lower margins from our Dessau acquisition, ongoing P3 pursuits, and margin pressures in the energy and resources market. Our administrative and marketing expenses as a percentage of net revenue increased—from 42.5% in Q4 14 to 43.7% in Q4 15—mainly from lower utilization and a $4.7 million increase in our share-based compensation expense. In addition, our net income was impacted by an increase in the amortization of intangible assets from acquisitions and a $4.1 million non-operating loss related to the sale of our India subsidiary. Net income was positively impacted by a decrease in our effective tax rate—from 26.3% at Q3 15 to 26.1% at Q4 15.

Q1 16 vs. Q1 15. During Q1 16, net income decreased by $7.4 million, or 19.5%, from Q1 15, and adjusted diluted earnings per share for Q1 16 decreased by $0.06, or 13.0%, compared to Q1 15. Net income for Q1 16 was positively impacted by an increase in revenue because of acquisitions completed in 2015 and 2016 and the impact of foreign exchange rates on revenue earned by our US subsidiaries. This was partly offset by organic revenue retraction in our Energy & Resources business operating unit. Our gross margin decreased—from 55.2% in Q1 15 to 53.9% in Q1 16—mainly due to the recognition of certain performance metric fees obtained in Q1 15 on a major mining project, as well as downward margin pressures in the energy and resources market. Our administrative and marketing expenses as a percentage of net revenue increased—from 42.5% in Q1 15 to 43.2% in Q1 16—mainly due to an increase in acquisition-related transaction costs and lease exit costs.

Q2 16 vs. Q2 15. During Q2 16, net income decreased $21.9 million, or 50.8%, from Q2 15, and adjusted diluted earnings per share for Q2 16 decreased $0.08, or 17.8%, compared to Q2 15. Net income for Q2 15 was positively impacted by an increase in revenue due to acquisitions completed in 2015 and 2016 and the impact of foreign exchange rates on revenue earned by our US subsidiaries. The acquisition of MWH significantly added to our operating results and created a new service offering—Construction Services. Organic revenue retracted 5.1% in Q2 16 compared to Q2 15. We had strong organic revenue growth in our Infrastructure business operating unit compared to Q2 15 and our other Consulting Services business operating units retracted organically in the quarter. Our gross margin decreased—from 54.0% in Q2 15 to 53.6% in Q2 16. This decrease was due to the addition of the Construction Services business, which generates a lower margin than our Consulting Services business. In addition, there were downward margin pressures in some sectors and execution challenges with projects in our Buildings business operating unit and Transportation sector. Our administrative and marketing expenses as a percentage of net revenue increased—from 41.2% in Q2 15 to 43.9% in Q2 16—mainly due to an increase in ac

Total current and long-term debt increased, mainly because funds drawn from our New Credit Facilities (as defined on page M-29 of this report) were required for the MWH acquisition. Total current and long-term provisions increased as well, primarily because we assumed provisions for claims and various end-of-employment benefit plans from MWH. Also from MWH, we assumed $9.4 million in net deferred tax liabilities and $19.9 million in uncertain tax positions, which is the main reason for the increase in other liabilities. With the MWH acquisition, we became the sponsor of defined benefit pension plans covering certain full-time employees and past employees, primarily in the United Kingdom. The $36.6 million net employee defined benefit liability represents the unfunded status of these plans at September 30, 2016. Benefits are based on final compensation, and years of service and contributions to the plans must be made to separately administered funds that are maintained independently by custodians.

Our shareholders' equity increased $606.1 million, mainly due to a combination of the following: $578.1 million net proceeds from the issuance of common shares, $101.1 million in net income earned in the first three quarters of 2016, share options exercised for cash, and share-based compensation expense. These increases were partly offset by a $24.1 million loss in other comprehensive income, resulting mainly from unrealized losses on the translation of our foreign subsidiaries. As well, we spent $18.2 million year to date on the repurchase of shares under our Normal Course Issuer Bid through the Toronto Stock Exchange and $36.2 million year to date in dividends declared.

Liquidity and Capital Resources

We are able to meet ourtl.nle tTh663v5( )-2(e)3(our)-5i4(r)-0n n(e)]TJ 0.1007 Tc -0.6c 0 Ti .of.ourchare1re nclbu andng

Our actual sources of cash were $85.5 million greater than estimated, for the most part a result of the underwriters exercising their overallotment of 2,604,000 subscription receipts for $78.8 million. Our uses of cash were greater than estimated mainly because the outstanding balances at May 6, 2016, on our existing revolving credit facility and MWH's indebtedness were greater than those included in the prospectus (which was based on December 31, 2015, balances). The purchase price for MWH was less than anticipated because the estimated US exchange rate was higher than the actual exchange rate. The foreign currency hedge on the purchase price is further described on page M-22.

CAPITAL MANAGEMENT

We manage our capital structure according to the internal guideline established in our 2015 Annual Report by maintaining a net debt to EBITDA ratio of below 2.5. At September 30, 2016, our net debt to EBITDA ratio was 3.09, calculated on a trailing four-quarter basis. There may be occasions when we exceed our target by completing opportune acquisitions that increase our debt level for a period of time. This was the case for the MWH acquisition.

Concurrent with the closing of the MWH acquisition, we entered into an agreement for new $1.25 billion syndicated senior secured credit facilities (New Credit Facilities) consisting of a senior secured revolving credit facility in the

We previously issued $70 million of 4.332% senior secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018. These amounts were recorded net of transaction costs of $1.1 million. The senior secured notes were issued pursuant to an indenture dated May 13, 2011, between Stantec Inc., as issuer, and BNY Trust Company of Canada, as trustee and collateral agent. These notes were ranked equally with our existing

CONTRACTUAL OBLIGATIONS

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, operating and finance lease commitments, purchase and service obligations, and other obligations at September 30, 2016, on a discounted basis.

For further information regarding the nature and repayment terms of our long-term debt, refer to the Cash Flows from Financing Activities and Capital Management sections of this report and notes 9 and 18 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2016.

Operating lease commitments include obligations under office space rental agreements, storage facilities, and equipment and vehicle operating leases. Purchase and service obligations include agreements to purchase future goods and services that are enforceable and legally binding. Other obligations include amounts payable under our deferred share unit plan and amounts payable for performance share units issued under our long-term incentive program. Failure to meet the terms of our operating lease commitments may constitute a default, potentially resulting in a lease termination payment, accelerated payments, or a penalty as detailed in each lease agreement.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2016, we had off-balance sheet financial arrangements relating to letters of credit for $61.9 million that expire at various dates before October 2017. These were issued in the normal course of operations, including the guarantee of certain office rental obligations. We also provide indemnifications and, in very limited circumstances, surety bonds. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing. As part of the normal course of operations, our surety facilities allow the issuance of bonds for certain types of project work. At September 30, 2016, $491.4 million in bonds—expiring at various dates before April 2020—were issued under these surety facilities. This is an increase of $486.8 million from Q1 16, mainly due to the MWH acquisition, which requires the use of construction and performance bonds related mainly to our construction business. These bonds are intended to provide owners financial security regarding the completion of their construction project in the event of default. As well as surety facilities, we had a bid bond facility that was cancelled in Q2 16 because we

sector during 2015. Economic uncertainty exists because of the November election. Although there is a backlog of work within the transportation market and public sector budgets are tight, we anticipate that the passing of the five-year US$305-billion Fixing America's Surface Transportation (FAST) Act in Q4 15 may provide some stability going forward. We believe opportunities may exist from the Water Resources Reform and Development Act, which provides funding to the US Army Corps of Engineers to develop, maintain, and support US waterway infrastructure. Proposition 1 in California was approved for a $7.5 billion water bond, which has been allocated for various purposes such as water supply and flood protection, and we believe we are well positioned to secure work associated with this funding. We believe our US Environmental Services business operating unit and Power sector will continue to experience growth, driven by the renewable energy and transmission and distribution subsectors. We anticipate that our newly created Civic sector will assist in opportunities presented by federal funding.

Global

We believe that our Consulting Services Global operations will result in an organic gross revenue retraction in 2016. Before acquiring MWH, these operations—mainly in our Buildings business operating unit and Mining sector—made up a small percentage of our business. With the addition of MWH, our Consulting Services Global gross revenue increased and made up 9.6% of our total Consulting Services gross revenue at the end of September 30, 2016. Economic conditions and business operations in our Consulting Services Global regions are mixed. Like for Canada and the United States, we expect to leverage our local position to drive cross-selling opportunities. During the first half of 2016, certain projects were deferred, in particular in the Middle East, and although new projects were awarded during Q3 16, they were not commissioned to commence work. We believe the economic impact of the Brexit referendum will not, in the short term, have a significant impact on our UK operations.

BUSINESS OPERATING UNIT OUTLOOK

Our organic revenue outlook for each Consulting Services

Environmental Services

We believe our Environmental Services business operating unit will retract in 2016 compared to 2015. During the second quarter of 2016, we revised our outlook from that described in our 2015 Annual Report due to the depressed oil and gas sector and based on the expectation that downward pressures on fees will continue to impact our gross revenue. Environmental Services operates in all sectors but primarily in the oil and gas, power, mining, commercial, and transportation sectors; therefore, it is impacted by all of the expectations outlined for our other business operating units. We believe opportunities exist in Canada as a result of the federal government's plans for infrastructure spending, specifically for aboriginal community water and wastewater infrastructure projects.

Infrastructure

In 2016, we expect moderate organic gross revenue growth in our Infrastructure business operating unit based on expectations described in our 2015 Annual Report (incorporated here by reference). We expect that a gradual continuation of long-term trends—particularly for population growth, urbanization, and the need to rehabilitate aging infrastructure—will further drive the requirement for our water, community development, and transportation services. We believe opportunities exist both in Canada and the United States as a result of the federal governments' plans for infrastructure spending. The US Environmental Protection Agency's coal combustion residuals rule may affect the coal-burning power industry, thereby creating additional opportunities for our Water sector. We expect that our increasing presence in various geographies will assist in generating organic growth. We anticipate that our Water business, now combined with MWH's, will allow us to propose on and win projects that individually we could not have won. This will also contribute to our organic growth.

OVERALL OUTLOOK

We believe that our outlook is to end the year with organic revenue retraction in 2016 compared to 2015. During the quarter, we revised our outlook from stable growth to organic revenue retraction due to the continued weakness in the oil and gas and mining sectors. We believe that our Buildings business operating unit will be stable compared to 2015 and that our Infrastructure business operating unit will achieve moderate organic gross revenue growth. However, organic gross revenue for our Environmental Services and Energy & Resources business operating units are expected to retract in 2016 compared to 2015 since we anticipate that our Mining and Oil & Gas sectors will decline and our Power sector will remain stable.

Critical Accounting Estimates, Developments, and Measures

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires us to make various estimates and assumptions. However, future events may result in significant differences between estimates and actual results. There has been no significant change in our critical accounting estimates in Q3 16 from those described in our 2015 Annual Report under the heading Critical Accounting Estimates, Developments, and Measures and in note 5 of our December 31, 2015, audited consolidated financial statements (incorporated here by reference).

DEFINITION OF NON-IFRS MEASURES

This Management's Discussion and Analysis includes references to and us

RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2016, we adopted the following amendments (further described in note 6 of our December 31, 2015, annual consolidated financial statements and note 4 of our September 30, 2016, unaudited interim consolidated financial statements):

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*
- *Annual Improvements (2012–2014 Cycle)*
- *Disclosure Initiative (Amendments to IAS 1)*

Adopting these amendments had no impact on our financial position or performance.

FUTURE ADOPTIONS

Standards, amendments, and interpretations that we reasonably expect to be applicable at a future date and intend to adopt when they become effective are described in note 4 of our September 30, 2016, unaudited interim consolidated financial statements (incorporated here by reference).

Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our CEO and CFO evaluated our disclosure controls and procedures (defined in the US Securities Exchange Act Rules 13a–15(e) and 15d–15(e)) as of the end of the period covered by this quarterly report. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of such date.

Changes in Internal Controls over Financial Reporting. There has been no change in our internal control over financial reporting during the last fiscal quarter covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our expenditures or cause them to otherwise reduce their spending on services. This could result in diminished revenue and margins for our business. As well, adverse economic conditions could alter the overall mix of services that clients

Failure to maintain effective operational management practices may adversely affect Stantec's financial condition and results of operations.

Our clients depend on us to deliver projects on time, on budget, and at acceptable quality levels. For us to succeed, our internal processes must support effective professional practice standards, including having strong project managers and project management tools, an appropriate insurance program, and a simple, effective way to bill and collect from clients. If we do not manage projects effectively, we may incur additional costs. In turn, this may result in projects that are not as profitable as expected. Projects that are not completed on schedule may further reduce profitability and lead to client dissatisfaction.

Delays in payments by clients may adversely affect Stantec's financial condition and results of operations.

Because of the nature of Stantec's contracts, we sometimes commit resources to projects before receiving payments from our clients in amounts sufficient to cover our expenditures as they are incurred. In certain cases, clients are project-specific entities that do not have significant assets other than their interests in the project. From time to time, payments owed by these clients may be difficult to collect. If our clients fail to pay invoices on time or default in making payments on projects for which Stantec has devoted significant resources, there could be a material adverse effect on our liquidity or results of operations. In our experience, clients who withhold payment are more likely to be dissatisfied with services and are more likely to bring claims against Stantec.

Stantec's backlog of uncompleted projects is subject to unexpected adjustments and cancellations and therefore may not accurately reflect future revenue.

We cannot guarantee that the revenues projected in our backlog will be realized or, if realized, will result in profit. Projects may remain in backlog for an extended time. Also, project delays, suspensions, terminations, cancellations, reductions in scope, or other adjustments do occur from time to time in our industry due to factors beyond our Proji to deploy. Failure to do so could cause system interruptions and loss of critical data, could delay or prevent operations, and could adversely affect our operating results, liquidity, or financial position. In addition, Stantec's computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications

- Engineering design changes
- Accuracy in the estimates' scope and number of unit items included in the price
- Unanticipated technical problems
- Changes in the costs of components, materials, or labor
- Difficulties in obtaining required governmental permits or approvals
- Changes in local laws and regulations
- Changes in local labor conditions
- Project modifications that create unanticipated costs
- Delays caused by local weather conditions
- Stantec's project owners', suppliers', or subcontractors' failure to perform

These risks may be exacerbated by the length of time between signing a contract and completing the project because many fixed-price projects are long term and are often subject us to penalties if portions of the project are not completed within agreed-to time limits. Therefore, significant losses can result from performing large, long-term projects for a

Stantec operates in many different jurisdictions, and we could be adversely affected by violations of the U.S.

impact on results. We engage in engineering and construction activities for large, complex, and sometimes iconic facilities where design, construction, or systems failures can result in substantial injury or damage to clients or third parties or can significantly harm Stantec's reputation. For example, a design or construction failure in a dam could result in a substantial loss of life, significant economic costs, and property and environmental damage for which Stantec may be subject to claims and lawsuits.

Water and wastewater operations are subject to extensive laws and regulations that govern the protection of the health, safety, security and environment; the quality of the water; water allocation rights; and the manner in which we collect, treat, and discharge wastewater. Given the nature of our business, which in part involves providing services to clients to allow them to supply water for human consumption, Stantec could be held liable for environmental damage as well as damages arising from toxic tort or other lawsuits or criminal enforcement actions or other consequences arising out of

Subsequent Events

On November 9, 2016, we declared a cash dividend of $0.1125 per share payable on January 12, 2017, to shareholders of record on December 30, 2016.

On November 9, 2016, we received approval from the Toronto Stock Exchange respecting the renewal of our Normal Course Issuer Bid, which enables us to purchase up to 3,418,357 common shares during the period of November 14, 2016, to November 13, 2017.

Effective November 9, 2016, Marie-Lucie Morin was appointed to Stantec's board of directors. Ms. Morin brings to the role 30 years' experience in Canadian federal public service. She was previously appointed National Security Advisor to the Prime Minister and Associate Secretary to the Cabinet and has served as Deputy Minister for International Trade and as Associate Deputy Minister of Foreign Affairs. Ms. Morin also has a wealth of experience serving on corporate and not-for-profit boards. She is a lawyer and a graduate of the Université de Sherbrooke in Quebec, Canada.

Caution Regarding Forward-Looking Statements

Our public communications often include written or verbal forward-looking statements within the meaning of the US Private Securities Litigation Reform Act and Canadian securities laws. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions or courses of action and include financial outlook or future-oriented financial information. Any financial outlook or future-oriented financial information in this Management's Discussion and Analysis has been approved by management of Stantec. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future.

Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2016 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations. Statements of this type may be contained in filings with securities regulators or in other communications and are contained in this report. Forward-looking statements in this report include but are not limited to the following:

- *The discussion of our goals in the Core Business and Strategy section, including but not limited to our plan to achieve a compound average growth rate of 15% through a combination of organic and acquisition growth*
- *Our short-term, annual, and long-term targets and expectations for our regional and business operating units in the Outlook – Business Operating Unit Outlook and Results – Gross and Net Revenue sections*
- *Our annual overall outlook under the Outlook – Overall Outlook section*
- *Our expectation on the timing for the completion of the MWH integration and the expected synergies and efficiencies of the combined business in the Outlook – Overall Outlook section*
- *Our expectations regarding economic trends, industry trends, and commodity prices in the sectors and regions in which we operate*
- *Our expectations regarding our sources of cash and ability to meet our normal operating and capital expenditures in the Liquidity and Capital Resources section*
- *Our statements about our expectation and abilities to build on the construction capabilities of MWH and expand our current North American acquisition strategy into global markets, and our expectations for revenue breakdown geographically in the Core Business and Strategy section*

- *With respect to management's intent to leverage the brand equity of MWH and the ability to cross-sell, management has assumed that it will be able to deploy the capabilities of MWH to Stantec's existing clients and cross-sell Stantec's services across the global network of MWH consistent with management's expectations.*
- *With respect to synergies, management has assumed the ability to integrate the business of MWH in a timely manner and that the combined Company will be able to achieve synergies consistent with management's current expectations. Risk factors include the ability of the Company to successfully leverage the Company's back-office functions, optimize its operational footprint, and realize expected revenue opportunities consistent with management's current expectations.*
- *With respect to enhanced efficiency of the combined Company, management has assumed that it will be able to implement its best practices in the combined Company.*
- *With respect to the combined Company's ability to grow in a manner consistent with Stantec's historical growth, management has assumed that the combined Company can achieve organic and acquisition growth consistent with recent past performance.*

With regards to these assumptions relating to statements throughout this report regarding the ability of the Company to gain synergies and build on MWH's capabilities, the risk factors include those risk factors referred to under the Risk Factors section of this report.

The preceding list of assumptions is not exhaustive. Investors and the public should carefully consider these factors,

Consolidated Statements of Financial Position

(I	September 30 2016 $	e m D

Consolidated Statements of Income

	e e e e	e eer e er re	r r
3	e e e m 3	be e e m r	b

Consolidated Statements of Comprehensive Income

	3	e e e e e e e m 3	e ee r e e r e r b e e e m r
		2016	2016
(	e	$	

Index to the Notes to the Unaudited Interim Condensed Consolidated Financial Statements

e e

1

Acquisitions in 2016

Consideration for assets acquired and liabilities assumed

e e De ec e e r e er re e r eb e eb e c
e c r

For acquisitions completed year to date

	September 30, 2016		
(I	MWH acquisition $	Other acquisitons $	Total $
e	999,385	114,222	1,113,607
e	-		

Other information

Consideration paid and outstanding

	For the quarter ended September 30 2016 $	For the three quarters ended September 30 2016 $
	13,877	1,015,769
	9,422	47,490
Total net cash paid	23,299	1,063,259

	Notes Payable
	122,714
	42,918
	3,296
	(47,490)
	1,124
	(6,066)
September 30, 2016	116,496

6. CASH AND CASH EQUIVALENTS

	September 30 2016 $	
	140,195	
	3,326	
	143,521	
	(20,434)	
Cash and cash equivalents	123,087	

Investments held for self-insured liabilities

	September 30 2016 $		
	89,729	88,587	
	43,329	37,679	
	1,494	1,494	
Total	**134,552**	**127,760**	

	September 30 2016 $	
	16,381	
	60,985	

3 e b e m D c bl 2 1 11 r 2 e el 2 2 m c rr
e b

Revolving credit facilities and term loan

e mel e e ee 2e m e r 1 e e b e e e 2 c c r
e e e c e ce e e e e c e c r mr m m mr
m m e e e e m ee e r e er r e r er e c r c r
e n e m b n e2 2me r e r m e e c e b

Senior secured notes

Surety facilities

Finance lease obligations

(I	September 30 2016 $	e m D
e e	13,863	
e e em e be r	8,871	
m mm e m	22,734	
e m mm e r m	22,554	

10. PROVISIONS

(I	September 30 2016 $	e m D
e e e r		

Provision for self-insured liabilities

	September 30 2016 $	e m D
(I		

e e œ e c cr e r e e b e e bm e e e r c c r cc r
e e e m D c b r 2 2

11. NET EMPLOYEE DEFINED BENEFIT LIABILITY

e e m c r e ml e e e m 2 b c e e e e e e r b r
e e e e c e e m c e e r e r e e m r r
e c
e

e e e e e r r c e r e r m b e e r m ce
e c r b r c e b c e eb c c cc r r
e e e e e m m r b r

12. OTHER LIABILITIES

(I e	**September 30 2016 $**	e m D
e D e e e	**1,254**	
e e m e	**44,201**	
e	**5,226**	
e e D e	**13,943**	
e e e ec e m r b	**6,112**	
e b c	**26,689**	
	97,425	
e	**21,654**	
e m r r	**75,771**	

13. DERIVATIVE FINANCIAL INSTRUMENTS

e ee D 3 e e e e e e r m r e r r b 3 m e l e e r 2 m e e r c c r
r

Common shares

Dividends

Date Declared	Record Date	Payment Date	Dividend per Share $	Paid

a) Share options

e m e e e e3r me rc e r ec e r m c r r
3 el e ee e e 2e re ce 3 b r 1 r c2 2 r

	For the three quarters ended September 30 2016	
	Shares	Weighted Average Exercise Price

16. FAIR VALUE MEASUREMENTS

	Carrying Amount $	Quoted Prices in Active Markets for Identical Items (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Assets				

e e mem e b m e e r e e c r e e r rb mr r
e e e e e b e ber r c er 3 e er e bn r rr b 1 r 2

	Fair Value
(*I* e	

e m e œ c e œc b e e b b

(I	Total $	Less than 1 Year $	1 to 3 Years $	After 3 Years $
3 e e e m D c bl 1 r 2 e e e e m e 3	3 3	3 3	2 2	r

19. EMPLOYEE COSTS

	e e e e		e ee r e erer	r r
3	e e e m 3		be e e m r	b
	2016		2016	1
(I e	$		$	
e e e	610,560[redacted]		1,628,638	
e c	14,944	3	43,219	1
e e e m b c r	[redacted] 2,256,[redacted]19			

21. CASH FLOWS FROM OPERATING ACTIVITIES

Name	Jurisdiction of Incorporation	

e

Name	Jurisdiction of Incorporation
e m ee r e m	
e m e e c r	
e e m	m
e e m	m
	e

Compensation of key management personnel and directors of the Company

	e e e e	e ee r e e rer r r
3	e e e m 3	b e e m r b
	2016	**2016**
(I e	**$**	**$**
e e e e m me me e r	**2,941**	**9,426**
ee D	**203**	**690**
e e m b	**677**	**379**
Total compensation		

Reportable segments

	e 3e e e e e e m r	2
	e e e m	

e ee 3e e e e e e m r r b 1 r 2

e e c r e m

c r

e e b

Gross revenue by services

	e e e e	e eer e rer e r r
3	e e e m 3	b e e e m r b
	2016	**2016**
(I	**$**	

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