Stantec

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Report to Shareholders

Third Quarter 2018 Results

As I review our third quarter results for Consulting Services, I can see that the heavy lifting we've done so far this year is paying off. We

Management's Discussion and Analysis

November 7, 2018

This discussion and analysis of Stantec Inc.'s (Stantec or the Company) operations, financial position, and cash flows for the quarter ended September 30, 2018, dated November 7, 2018, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter ended September 30, 2018; the Management's Discussion and Analysis and audited consolidated financial statements and related notes included in our 2017 Annual Report (filed on February 22, 2018); and the Report to Shareholders contained in our 2018 Third Quarter Report.

Our unaudited interim consolidated financial statements and related notes for the quarter ended September 30, 2018, are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). We continue to use the same accounting policies and methods as those used in 2017, except for the adoption of IFRS 15 Revenue from Contracts with Customers (IFRS 15) and IFRS 9 Financial Instruments (IFRS 9). A description of these new standards and their impact on our financial position and results of operations is described in note 4 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2018 (incorporated here by reference) and in the Critical Accounting Estimates, Developments, and Measures section of this report (herein referred to as the "Definition section").

All amounts shown in this report are in Canadian dollars, unless otherwise indicated. Additional information regarding our Company, including our Annual Information Form, is available on SEDAR at sedar.com and on EDGAR at sec.gov. Such additional information is not incorporated here by reference, unless otherwise specified, and should not be deemed to be part of this Management's Discussion and Analysis.

Core Business and Strategy

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Consulting Services

Gross and net revenue. In Consulting Services, gross revenue was up 8.6% to $1,086.6 million and net revenue was up 7.6% to $847.5 million in Q3 18 compared to Q3 17. Organic net revenue growth occurred in all geographies and in our Energy & Resources, Environmental Services, and Water business operating units. Energy & Resources continued to show double-digit growth with strong growth in all sectors.

In Consulting Services – Canada, we had organic gross revenue growth of 1.9% and organic net revenue growth of 1.7% in Q3 18 compared to Q3 17. We had organic revenue growth in all business operating units and sectors, except Buildings. Our Buildings business operating unit was impacted by a number of major projects nearing completion.

In Consulting Services – United States, we had organic gross revenue growth of 4.0% and organic net revenue growth of 1.8% in Q3 18 compared to Q3 17. We had organic growth in all business operating units and sectors, particularly driven by our Buildings and Environmental Services business operating units and Mining sector.

In Consulting Services – Global, we had organic gross revenue growth of 4.4% and organic net revenue growth of 6.1% in Q3 18 compared to Q3 17. Organic revenue growth was driven by our Buildings business operating unit and Mining and WaterPower & Dams sectors. New projectganic(ul)26 (ar)1745 WGlobal, watims1% (ow)-3e an316 (dr)17ddl(t)2 (he Eur)17 (w)-33

As at September 30, 2018, all the held-for-sale criteria were not met. We subsequently entered into a binding agreement to sell Construction Services on October 18, 2018, which was completed on November 2, 2018. In Q4 18, we will present the operations of Construction Services as discontinued operations and disclose the assets and liabilities in the disposal group.

Income Taxes

Our year-to-date income tax rate of 50.2% reflects a deferred tax charge of $8.7 million on the divestiture of Construction Services and a goodwill impairment charge of $53.0 million. Excluding these adjustments, our income tax rate would be 29.5%. Our effective annual income tax rate increased from 27% in Q1 18 to 29% in Q2 18 and 29.5% in Q3 18. Our Q3 18 rate was impacted by additional losses incurred in the l914 (r [(8)-)-43 (27%)13 -18 (3 f)2 (f) (3 f)2 (f) (3 f)

Highlights – Three Quarters Ended Q3 18 Results

Consulting Services

Consulting Services achieved year

Financial Performance

The following table summarizes key operating results as a percentage of net revenue and the percentage increase or decrease in the dollar amount for each key operating result:

(In millions of Canadian dollars, except percentages)	Quarter Ended Sept 30			Three Quarters Ended Sept 30		
			% Increase (Decrease)*			% Increase (Decrease)*
	2018	2017	2018 vs. 2017	2018	2017	2018 vs. 2017
Gross revenue	151.3%	152.3%	5.0%	149.1%	149.1%	2.8%
Net revenue	100.0%	100.0%	5.7%	100.0%	100.0%	2.8%
Direct payroll costs	49.0%	46.3%	11.7%	48.5%	46.3%	7.7%
Gross margin	51.0%	53.7%	0.5%	51.5%	53.7%	(1.4
Administrative and marketing expenses	40.1%	41.2%	2.8%	40.9%	42.2%	(0.4
Depreciation of property and equipment	1.5%	1.6%	(3.6%)	1.4%	1.6%	(5.8%
Amortization of intangible assets	1.8%	2.3%	(17.6%)	2.0%	2.4%	(10.6%
Impairment of goodwill	5.9%	0.0%	100.0%	2.0%	0.0%	100.0
Net interest expense	0.8%	0.8%	15.6%	0.7%	0.8%	(2.5%
Other net finance expense	0.2%	0.4%	(46.7%)	0.1%	0.3%	(45.5%
Share of income from joint ventures and associates	(0.1%)	(0.1%)	37.5%	0.0%	(0.1%)	57.1
Foreign exchange loss (gain)	0.0%	0.0%	125.0%	0.1%	0.0%	800.0
Gain on disposition of subsidiary	0.0%	0.0%	n/m	0.0%	(2.1%)	100.0
Other (income) expense	(0.3%)	(0.4%)	36.0%	(0.1%)	(0.3%)	15.4
Income before income taxes	1.1%	7.9%	(85.6%)	4.4%	8.9%	(49.4%
Income taxes	3.1%	2.5%	30.7%	2.2%	5.6%	(59.7%
Net (loss) income	(2.0%)	5.4%	(139.0%)	2.2%	3.3%	(31.9%

n/m = not meaningful

* Percentage increase (decrease) calculated based on the dollar change from the comparable period.

The following sections outline specific factors that affected the results of our operations in the third quarter of 2018 and should be read in conjunction with our unaudited interim consolidated financial statements for the quarter ended September 30, 2018.

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. Therefore, we also report net revenue (gross revenue less subconsultant, subcontractor, and other direct expenses) and analyze the 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 consulting-related projects since our Construction Services business incurs proportionately higher direct costs. For construction projects, subcontractors provide specialized building services such as earthwork, HVAC, electrical, piping, local craft labor, and design- and engineering-related services. Direct costs for Construction Services include expenditures for insurance, travel, meals, and purchases of materials and equipment (such as membranes, pumps, steel, concrete, aggregate, pipe, and electrical components) to install into facilities.

For this analysis and the tables that follow, revenue earned by acquired or divested companies in the first 12 months is initially reported as revenue from acquisitions or divestitures and thereafter reported as organic revenue.

Consulting Services generates approximately 70% of gross revenue in foreign currencies, primarily in US dollars. Construction Services generates gross revenue primarily in British pound sterling and US dollars. Fluctuations in these currencies had a $36.1 million positive impact on our gross revenue results in Q3 18 compared to Q3 17 and a $17.7 million negative impact year to date in 2018 compared to the same period in

Revenue by Reportable Segment

The following charts and tables summarize gross and net revenue as well as gross and net revenue growth in our two service offerings and four reportable segments:

(In millions of Canadian dollars, except percentages)	Three Quarters Ended Sept 30 2018	Three Quarters Ended Sept 30 2017	Total Change	Change Du to Ne Acquisitions (Divestitures	Change Due to Foreign Exchange	Change Du to Organic Growth (Retraction	% of Organic Growth (Retraction
Consulting Services							
Canada	956.6	891.7	64.9	10.8	n/a	54.1	6.1%
United States	1,762.6	1,704.3	58.3	30.4	(25.9)	53.8	3.2%
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(In millions of Canadian dollars, except percentages)	Three Quarters Ended Sept 30 2018	Three Quarters Ended Sept 30 2017	Total Change	Change Du to Ne Acquisitions (Divestitures	Change Due tc Foreign

Total gross and net revenue was positively impacted by the acquisitions completed in 2017 and 2018 and organic revenue growth. Consulting Services had positive organic net revenue growth in all geographies year to date in 2018 compared to the same period in 2017; Construction Services organic net revenue retracted in the quarter and year to date. Year-to-date revenue growth was partly offset by the stronger Canadian dollar in 2018 compared to the same period in 2017.

Year to date, the gross to net revenue ratio for Consulting Services was 1.27, falling within our targeted range of 1.25 to 1.30. The ratio for Construction Services was 4.83 and our consolidated gross to net revenue ratio was 1.49.

Consulting Services – Canada

In our Consulting Services – Canada operations, gross revenue increased 4.5% and net revenue increased 4.8% in Q3 18 compared to Q3 17. Gross revenue increased 7.3% and net revenue increased 5.7% year to date in 2018 compared to year to date in 2017. Increases during the quarter resulted from organic revenue and acquisition growth. We saw organic revenue growth or stability in all business operating units and sectors, except Buildings. Environmental Services improved over the first two quarters of 2018 because commodity prices improved in the oil and gas sector and some projects started operations again. Our Buildings business operating unit was impacted by a number of major projects nearing completion.

In the private sector, year-to-date organic growth continued in our Energy & Resources business operating unit and Community Development sector. Growth in our Oil & Gas sector was caused primarily by an increased demand in midstream work. Year-to-date growth in our Power sector was partly offset by impacts from work on several large manufacturing projects nearing completion. In our Community Development sector, increased urban development was partly offset by impacts from a softening housing market in Alberta.

In the public sector, year-to-date growth in the Water business operating unit was mainly caused by a dam and reservoir project in Alberta and projects in British Columbia. A decrease in spending in several municipalities and projects nearing completion impacted our public-sector results for our Buildings business operating unit and our Power and Transportation sectors. However, our Transportation sector was partly offset by continued work in transit and rail projects.

date growth in our WaterPower & Dams sector from new projects was partly offset by the winding down of certain large WaterPower & Dams projects in our export group. Our export business encompasses projects that are located outside of North America but managed and contracted from North America.

Construction Services

In our Construction Services operations, gross revenue decreased 6.8% and net revenue decreased 17.2% in Q3 18 compared to Q3 17. Gross revenue decreased 4.5% and net revenue decreased 11.5% year to date in 2018 compared to year to date in 2017. Organic gross revenue and net revenue retracted in Q3 18 compared to Q3 17 and year to date in 2018 compared to 2017. A number of c 0 Tw ( )Tj 0.004 Tc -0.002 Tw 45.52 0 Td [(a)40 (c)-16 (o)-16 (9)08P2 (c 0 (a)40 (ub(o)4

Gross Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except percentages)	Quarter Ended Sept 30 2018	Quarter Ended Sept 30 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	233.1	219.0	14.1	5.4	5.8	2.9	1.3%
Energy & Resources	151.1	119.5	31.6	7.4	1.9	22.3	18.7%
Environmental Services	174.1	173.5	0.6	4.6	4.5	(8.5)	(4.9%)
Infrastructure	294.0	274.8	19.2	7.9	7.1	4.2	1.5%
Water	234.3	214.1	20.2	2.0	5.0	13.2	6.2%
Total Consulting Services	1,086.6	1,000.9	85.7	27.3	24.3	34.1	
Percentage growth (retraction)			8.6%	2.7%	2.5%	3.4%	

note: Comparative figures have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current period. Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

(In millions of Canadian dollars, except percentages)	Three Quarters Ended Sept 30 2018	Three Quarters Ended Sept 30 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							

Infrastructure

In our Infrastructure business operating unit, organic gross revenue increased 1.5% in Q3 18 and 2.9% year to date compared to the same periods in 2017. Organic net revenue retracted 1.4% in Q3 18 and was flat year to date compared to the same periods in 2017. During the quarter, organic net revenue retraction in our Transportation sector was partly offset by growth in our Community Development sector. Our work on several new projects resulted in higher subconsultant costs, contributing to growth in gross revenue and retraction in net revenue.

Year to date, we saw organic net revenue growth in our Community Development sector. Organic growth in Canada was fueled by an increase in urban development, particularly in northern Alberta. This growth was partly offset by a softening in the western Canadian housing market and increasing competition in Q3 18. In our US operations, year-to-date organic net revenue remained consistent because growth in the Southeast and Northeast regions was offset by competitive fee pressures in other regions and work on several new projects have specific mandates to use certain subconsultants or that required specialized external consultants which contributed to higher subconsultant costs.

In our Transportation sector, year-to-date organic net revenue retracted. Large project work wrapped up in late 2017 in Colorado and Texas, and weather conditions last winter and spring caused delays in field work in some North America markets. In western Canada, work slowed down, and in Texas, the Harbor Bridge project is winding down. Other US regions slowed down due to uncertainties with federal funding and projects with state and local funding are becoming more competitive. Our Transit & Rail sector saw significant growth in the northeastern United States from work starting this year on the Long Island Rail Road Project.

Highlights of projects won in the quarter include providing architecture; civil, structural, mechanical, electrical, and

Highlights of projects won in the quarter include a contract with the City of Pearland (Texas) to provide detailed design and construction phase services for the expansion of the Barry Rose Water Reclamation Facility (WRF) and the decommissioning of the Longwood WRF. The new Barry Rose facility will help the City of Pearland become more resilient by reducing flood risks to its wastewater system and complying with current and future regulatory requirements. We were selected by the City of New Orleans to provide planning, design, engineering, and community engagement for an innovative resilience project in the city's Gentilly Resilience District. The project will transform major boulevards into a network of blue and green corridors to reduce flood risk and subsidence. Our team will design canals, stormwater storage and infiltration systems, green infrastructure, linear parks, complete streets, road diets, and other innovative solutions to manage stormwater. In Canada, we were selected by Metro Vancouver to complete design, construction management and commissioning consulting engineering services for the Central Section of the Coquitlam

staffing levels with workloads, our utilization improved

income earned in jurisdictions with higher tax rates and the impact of losses incurred in jurisdictions with lower tax rates. The transactions affecting our 2017 tax rate that we eliminated to arrive at 24.0% were the following: a $94.5 million net tax expense related to the Innovyze sale, a net $18.6 million US tax reform adjustment, and a $3.2 million corporate reorganization tax charge.

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

Quarterly Unaudited Financial Information

(In millions of Canadian dollars, except per share amounts)	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Gross revenue	1,364.6	1,358.2	1,281.7	1,246.0	1,299.2	1,318.6	1,276.3	1,240.8
Net revenue	901.8	907.8	876.6	805.0	853.0	888.4	870.8	820.2
Net (loss) income	(18.0)	39.6	36.8	11.2	46.2	97.6	(58.0)	29.4
Adjusted net income (note)	50.7	46.5	47.8	37.2	61.1	57.9	45.8	40.4
Earnings (loss) per share - basic	(0.16)	0.35	0.32	0.10	0.41	0.86	(0.51)	0.26
Earnings (loss) per share - diluted	(0.16)	0.35	0.32	0.10	0.40	0.85	(0.51)	0.26
Adjusted EPS - basic (note)	0.44	0.41	0.42	0.33	0.54	0.51	0.40	0.35
Adjusted EPS - diluted (note)	0.44	0.41	0.42	0.32	0.54	0.51	0.40	0.35
Dividends declared per common share	0.1375	0.1375	0.1375	0.1250	0.1250	0.1250	0.1250	0.1125

Quarterly earnings per share (EPS) and basic and diluted adjusted EPS are not additive and may not equal the annual EPS reported. This is a result of the effect of shares issued on the weighted average number of shares. Quarterly and annual diluted EPS and diluted adjusted EPS are also affected by the change in the market price of our shares since we do not include in dilution options when the exercise price of the option is not in the money. Gross and net revenue in 2018 were accounted for using IFRS 15 and IAS 11 prior to 2018.

note: Adjusted net income and adjusted basic and diluted EPS are non-IFRS measures and are further discussed in the Definition section of our 2017 Annual Report and this report.

(In millions of Canadian dollars)	Q3 18 vs. Q3 17	Q2 18 vs. Q2 17	Q1 18 vs. Q1 17	Q4 17 vs Q4 16
Increase (decrease) in gross revenue due to				
Net acquisition growth	27.3	22.2	7.7	2.2
Organic growth	2.0	47.1	21.8	50.9

In Q1 17, our results were impacted by a deferred tax charge of $90.4 million related to the potential sale of Innovyze; excluding this impact, our net income for Q1 17 would have been $32.4 million. In Q2 17, our results were impacted by the completion of the Innovyze sale; excluding this impact, our net income for Q2 17 would have been $47.1 million. In Q4 17, our results were impacted by net tax expenses of $18.6 million from the US tax reform; excluding this impact, our net income for Q4 17 would have been $29.8 million.

We experience variability in our results of operations from quarter to quarter due to the seasonal nature of the industries and geographic locations we operate in. In the first and fourth quarters, we see seasonal slowdowns related to winter weather conditions and holiday schedules. (See additional information about operating results in our Management's Discussion and Analysis for each respective quarter.)

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The long-term portion of income taxes payable, which related to the federal portion of the US transition tax, decreased as a result of a tax recovery of approximately $10 million recognized based on proposed regulations released in the quarter (see the Income Taxes section of this report). Total current and long-term provisions increased $12.4 million due in part to expected project losses recorded on UK waste-to-energy projects in Q3 18. The net employee defined benefit liability increased because we acquired a $16.5 million net defined benefit liability from PBA.

Our shareholders’ equity increased $6.0 million. Opening shareholders’ equity was adjusted downward by $24.7 million: $23.9 million related to the adoption of IFRS 15 and $0.8 million related to the adoption of IFRS 9 (detailed in the Definition section of this report). The increase in shareholders’ equity was mainly due to net income earned in the first three quarters of $58.4 million and other comprehensive income of $25.1 million; this increase is due primarily to exchange differences on translation of our foreign subsidiaries. In addition, we had $6.0 million in share options exercised for cash and a $4.2 million share-based compensation expense. These increases were partly offset by $47.0 million in dividends declared and $16.0 million in shares repurchased under our Normal Course Issuer Bid.

Goodwill

In accordance with our accounting policies (described in note 4 of our audited consolio onju1(r)17 (i)26n23.9 (a4 (l) Tw 2.2 0D)6 (ef0 (o)-
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Cash Flows

Our cash flows from and used in operating, investing, and financing activities are reflected in the consolidated statements of cash flows and are summarized below:

On June 27, 2018, Stantec amended its syndicated credit facilities (Credit Facility) which, subsequent to the amendment, consists of a senior revolving credit facility of a maximum of $800 million and senior term loans of $310 million in two tranches. Before the amendment, a third tranche (Tranche A) was drawn in Canadian funds of $150 million and was repaid on May 6, 2018.

The amendment changed certain terms and conditions, including making all the facilities unsecured and extending the maturity date of its revolving credit facility by five years and Tranches B and C of its term loans by four years and five years respectively. Additional funds can be accessed subject to approval and under the same terms and conditions. The amendment increased access to these additional funds from $200 million to $400 million.

The revolving credit facility expires on June 27, 2023, may be repaid from time to time at our option, and is available for future acquisitions, working capital needs, and general corporate purposes. Tranches B and C of the term loan were drawn in Canadian funds of $150 million (due June 27, 2022) and $160 million (due June 27, 2023) respectively.

The credit facilities may be drawn in Canadian dollars as either a prime rate loan or a bankers' acceptance; US dollars as either a US base rate or a LIBOR advance; or, in the case of the revolving credit facility, in sterling or euros as a LIBOR advance; and by way of letters of credit. Depending on the form under which the credit facilities are accessed, rates of interest vary between Canadian prime, US base rate, and LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points vary—depending on our leverage ratio (a non-IFRS measure).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to the facility agreement. At September 30, 2018, $195.0 million was available in our revolving credit facility for future activities.

We are subject to financial and operating covenants related to our credit facilities. Failure to meet the terms of one or more of these covenants constitutes a default, potentially resulting in accelerated repayment of our debt obligation. We were in compliance with all of these covenants as at and throughout the period ended September 30, 2018

Shareholders' Equity

Share options exercised generated $6.0 million in cash during the first three quarters of 2018 compared to $5.8 million in cash generated during the first three quarters of 2017. Our Normal Course Issuer Bid on the TSX was renewed in 2017 and allows us to repurchase up to 2,278,747 of our common shares during the period November 14, 2017, to November 13, 2018. We believe that from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, repurchasing outstanding common shares are an appropriate use of available Company funds. We repurchased 493,591 common shares at an average price of $32.38 per share for an aggregated price of $16.0 million during the first three quarters of 2018 compared to 465,713 common shares repurchased in the first three quarters of 2017 at an aggregated price of $14.3 million.

Other

Outstanding Share Data

At September 30, 2018, 113,781,070 common shares and 5,144,365 share options were outstanding. From October 1, 2018, to November 7, 2018, 20,170 share options were exercised and 40,185 share options were forfeited. From October 1, 2018, to November 7, 2018, pursuant to our Normal Course Issuer Bid, we purchased and cancelled 98,562 common shares. At November 7, 2018, 113,702,678 common shares and 5,084,010 share options were outstanding.

Contractual Obligations

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes tontractng t43 (ar)0.8 17 (a)-40 (r)17 (r14 (z)24duepar)17 (n)-40 (of)2 (ou)-40 (t)240 (of (o l)-14 (ong)]w 24

Related -Party Transactions

We have subsidiaries that are 100% owned and structured entities that are consolidated in our financial statements. From time to time, we enter into transactions with associated companies, joint ventures, and joint operations. These transactions involve providing or receiving services and are entered into in the normal course of business. Key management personnel—including the chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), chief practice and project officer (CPO), chief business officer (CBO), and executive vice presidents—have the authority and responsibility for planning, directing, and controlling the activities of the Company. We pay compensation to key management personnel and directors in the normal course of business.

From time to time, we guarantee the obligation of a subsidiary or structured entity regarding lease agreements. Also, from time to time, we guarantee a subsidiary or structured entity's obligations to a third party pursuant to an acquisition agreement. Transactions with subsidiaries, structured entities, associated companies, joint ventures, and key management personnel are further described in note 26 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2018, and notes 14 and 35 of our audited consolidated financial statements for the year ended December 31, 2017 (included in our 2017 Annual Report and incorporated here by reference).

Outlook

The outlook for fiscal 2018 is based on our expectations described in our 2017 Annual Report in the Outlook section (incorporated here by reference). An update on our outlook targets described on pages

(In millions of Canadian dollars, except per share amounts)	Consulting Services	Construction Services	Sale of Construction Services	Total	Consulting Services	Construction Services	Total
Net (loss) income for the period	62.9	(19.2)	(61.7)	(18.0)	42.6	3.6	46.2
Add back:							
Income taxes	14.9	4.1	8.7	27.7	19.9	1.3	21.2
Net interest expense	7.0	0.4	-	7.4	5.9	0.5	6.4
Depreciation and amortization	27.2	1.9	-	29.1	30.7	2.3	33.0

(In millions of Canadian dollars, except per share amounts)	Consulting Services	Constructior Services	Sale o Constructior Services	Total	Consulting Services	Constructior Services	Total
Net income (loss) for the period	162.7	(42.6)	(61.7)	58.4	86.5	(0.7)	85.8
Add back:							
Income taxes (recovery) (note 6)	52.8	(2.6)	8.7	58.9	146.3	(0.3)	146.0
Net interest expense	18.5	1.2		19.7	18.7	1.5	20.2
Depreciation and amortization	87.0	6.8		93.8	96.0	6.7	102.7
Impairment of goodwill (note 5)	-	-	53.0	53.0	-	-	-
EBITDA	321.0	(37.2)	-	283.8	347.5	7.2	354.7
Acquisition-related costs	0.5	-	-	0.5	0.4	-	0.4
Gain on sale of property and equipment	0.4	-	-	0.4	(0.2)	-	(0.2)
Gain on disposition of a subsidiary	-	-	-	-	(54.6)	-	(54.6)
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Recent Accounting Pronouncements

Effective January 1, 2018, we adopted the following standards and amendments (further described in note 6 of our December 31, 2017, annual consolidated financial statements and note 4 of our September 30, 2018, unaudited interim consolidated financial statements):

- IFRS 15 Revenue from Contracts with Customers (IFRS 15)
- IFRS 9 Financial Instruments (IFRS 9)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (IFRS 2)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (IFRIC 22)
- Annual Improvements (2014-2016 Cycle) related to IAS 28 Investments in Associates and Joint Ventures

The adoption of these new standards, amendments, interpretations and improvements did not have an impact on our disclosure controls and procedures, or our business activities, including debt covenants, key performance indicators and compensation plans. IFRS 15 and IFRS 9 resulted in updates to certain internal controls over financial reporting.

Adopting the amendments to IFRS 2 and IFRIC 22 and to Annual Improvements (2014-2016 Cycle) did not have an impact on our financial position or performance.

IFRS 15 Revenue from Contracts with Customers

The adoption of IFRS 15 resulted in a change in accounting policies. We selected the modified retrospective approach, which resulted in the after-tax cumulative effect of adoption being recognized as an adjustment to opening retained earnings at January 1, 2018, the date of initial application. Comparative information was not restated and continues to be reported under IAS 18 Revenue and IAS 11 Construction Contracts. We also elected to apply IFRS 15 only to contracts not completed at January 1, 2018, and to aggregate the effect of all contract modifications that occurred before January 1, 2018.

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obligation because the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and therefore is not distinct. In some cases, accounting for multiple goods and services as a single performance obligation impacts the timing and pattern of revenue recognition.

Change orders and claims

Change orders and claims against the customer were included in our revenue estimates when it was probable the customer would approve or accept the amount and it could be reliably measured. Under IFRS 15, change orders and claims against the customer are included in estimated revenue when we have an enforceable right to the change order or claim, the amount can be estimated reliably, and realization is highly probable. To evaluate these criteria, we consider the cause of any additional costs incurred, the contractual or legal basis for additional revenue, and the history of favorable negotiations for similar amounts.

Liquidated damages

Previously, liquidated damages were included in estimated contract costs when it was probable the penalties would be incurred and paid. Under IFRS 15, the estimated amount of revenue in exchange for providing goods or services includes reductions in revenue for penalties such as liquidated damages. When uncertainties exist, estimated revenue is recognized to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. In estimating variable consideration related to liquidated damages, a probability weighting of the range of probable outcomes is used.

Significant financing component

Holdbacks on long-term contracts were previously recognized at their discounted present value. Under IFRS 15, holdbacks do not typically result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all of its obligations under the contract. As a result, holdbacks on long-term contracts are no longer discounted.

Deferred contract costs

Certain contract fulfilment and mobilization costs were previously expensed as they were incurred. Under IFRS 15, these costs are deferred and capitalized in other assets when they relate directly to the contract or an anticipated contract and when they generate or enhance resources that will be used to satisfy performance obligations in the future. Deferred contract costs are typically amortized over the period of expected benefit using the percentage of completion applied to estimated revenue. The deferral of contract costs also impacts the timing and pattern of revenue recognition.

b) Impact s in Statement Presentation and Disclosure

Impacts on our financial statements

The following table summarizes the impacts of adopting IFRS 15 on the Company's interim financial statements for the quarter ended September 30, 2018:

(In millions of Canadian dollars, except per share amounts)	As Reported	Increase: (Decreases	Before IFRS 1!
Net income and other comprehensive income			
Net income	58.4	(18.5)	39.9
Other comprehensive income	25.1	0.5	

Presentation of contract balances

Certain balances in the consolidated statements of financial position were reclassified to comply with IFRS 15. Receivables related to contractual milestones or achievement of performance-based targets were included previously in unbilled receivables and now in contract assets. In addition, contract asset and contract liability balances (deferred revenue) are now presented on a net basis for each contract. This reclassification had no impact on opening retained earnings at January 1, 2018, the date of initial application.

IFRS 9 Financial Instruments

The adoption of IFRS 9 resulted in a change in accounting policies. We selected the modified retrospective approach, which resulted in the cumulative effect of adoption being recognized as an adjustment to opening retained earnings at January 1, 2018, the date of initial application. Comparative information was not restated and continues to be reported under IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

a) Change in Accounting Policy and Impact on Financial Results

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities, including derecognition. The new standard includes a single expected credit loss (ECL) impairment model and a reformed approach to hedge accounting. Adopting IFRS 9 did not have a significant effect on our measurement of financial assets and liabilities, except for the treatment of modifications on long-term debt. IFRS 9 replaces IAS 39 and significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

The impact on equity (after tax) on adoption of IFRS 9 follows:

Reclassifications of financial assets

For classifying and measuring financial assets, IFRS 9 criteria is different from IAS 39 criteria. In IFRS 9, financial instruments are classified based on two criteria: (1) a

We consider listed bonds as low credit risk because they have an investment grade credit rating with at least one major rating agency. As a result, the allowance is based on the 12-month expected loss, wh [illegible]

True Grit Engineering Limited (TGE)

On October 5, 2018, the Company acquired all the assets and liabilities of TGE, adding 55 staff to our Company. TGE is an infrastructure engineering, project management, and environmental services firm based in Thunder Bay, Ontario,
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- Our expectation that performance in our Buildings operations will improve over the remainder of 2018
- Our expectation that performance in our Environmental Services business will improve over the remainder of 2018
- Our expectation that margins will continue an upward trend during the upcoming construction inspection season in our Infrastructure business operating unit
- Our expectation that we will complete the consolidation of our Australian and New Zealand operations to our business financial systems within the first half of 2019 and the United Kingdom operations in the second half of 2019
- Our expectations regarding economic trends, industry trends, and commodity prices in the sectors and regions that we operate in
- Our expectations regarding our sources of cash and our ability to meet our normal operating and capital expenditures in the Liquidity and Capital Resources section, based in part on the design of our business model
- Our expectations on capital expenditures, software additions, amortization expenses for intangible assets, and effective tax rate for 2018

These describe the management expectations and targets by which we measure our success and assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, 17 (i)-14 (o)att

- In our 2017 Annual Report, the seasonally adjusted annual rate of total housing starts in the United States was expected to increase to 1,255,000 units in 2018 from the expected 1,191,000 units in 2017. This forecast has since been revised upwards to an expected 1,279,000 units in 2018 from an actual 1,208,000 units in 2017.
- As stated in our 2017 Annual Report, the US Energy Information Administration forecasted the price of WTI crude oil to average $52.77 in 2018 compared to an expected $50.56 in 2017 and US crude oil production to average 10.0 million barrels a day in 2018 compared to an expected 9.2 million barrels a day in 2017. These forecasts have since been revised to an expected average of $67.03 in 2018 compared to an actual $50.79 in 2017, and US crude oil production is expected to average 10.66 million barrels a day in 2018 compared to an actual 9.35 million barrels a day in 2017.

The preceding list of assumptions is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties, and potential events, as well as the inherent uncertainty of forward-looking statements, when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained here represent our expectations as of November 7, 2018, and, accordingly, are subject to change after that date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time. In the case of the ranges of expected performance for fiscal 2018, our current practice is to evaluate and, where we deem appropriate, to provide updates. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

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SHAREHOLDER INFORMATION

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