



Tony Franceschini, P.Eng.
President & CEO

MESSAGE TO SHAREHOLDERS

2005 was a year of transformation for our Company—a year full of activities and events that took us to the next phase of our evolution. In 2005 we completed the largest acquisition in our history—The Keith Companies—integrating over 800 employees and expanding to 12 locations principally in the western United States. In 2005 we added a listing on the New York Stock Exchange to complement our Toronto Stock Exchange listing, executing our first US trade under the symbol SXC. In 2005 we continued to streamline our operations and strengthen our practice areas, particularly in buildings architecture and engineering services in Canada and in urban development services in the US West. And in 2005 we continued to enhance the capabilities of our enterprise management system, making it more robust in order to provide better and more timely business information and intelligence. Most importantly, we continued to execute the fundamentals of our business model by delivering quality projects to our clients. Together, these activities and events positioned our Company for future growth and established Stantec as a truly North American firm.

We moved to this next stage of development while maintaining our long-standing record of strong performance in 2005 and thereby achieving our 52nd year of uninterrupted profitability. Our gross revenue increased to \$618.0 million, up 18.6% from 2004; our net revenue increased to \$524.6 million, up 16.8%; our net income increased to \$40.6 million, up 34.6%; and our basic earnings per share increased to \$2.04, up 25.2%. This consistent performance contributed to a 50% increase in share price during the year.

At Stantec we recognize the importance of sustainability in everything we do across our Company. Accordingly, in this annual report we have chosen to highlight some of the ways in which we provide sustainable solutions. For our Company, sustainability means having a business strategy that focuses on long-term growth while mitigating risk for our shareholders. It means offering services to our clients that contribute to ensuring a viable, healthy future for our world. And it means serving as a caring, stable force behind worthwhile endeavors throughout our communities.

Our approach to maintaining continued growth and profitability while mitigating risk is our three-dimensional business model. Focused on the infrastructure and facilities professional services sector, the model is based on diversifying our operations across different geographic regions, specializing in distinct but complementary practice areas, and providing professional services in all phases of the infrastructure and facilities project life cycle. Growth is achieved by strengthening or adding to our geographic locations, practice areas, or services in different life cycle phases. In 2005 we strengthened our Company through organic growth as well as the acquisition and integration of three firms. The addition of CPV Group Architects & Engineers in August expanded our Architecture & Interior Design group, further positioning it as the largest and most geographically diverse architecture and interior design practice in Canada. This acquisition was followed in September by our merger with The Keith Companies, which, along with being our largest addition to date, strengthened our Urban Land, Transportation, and Environment areas; created a new region in southern California; and established a new presence in Michigan. And the integration of Keen Engineering in October enhanced our capabilities in “green” building systems design, giving us one of North America’s largest integrated sustainable design teams. In sum, these acquisitions combined with internal growth added approximately 1,160 employees to our operations, which increased our total staff number to about 5,500 at year-end.

Stantec’s current vision—which we established in 1998—is to become a top 10 global design firm by the year 2008. Being a top 10 firm means working on the best projects for the best clients and attracting and retaining the best employees. To achieve this objective, we will continue to pursue excellence in design and project delivery and to follow an orderly growth plan. Our strategy is to increase our geographic reach in North America and selected international markets, where we see the potential to grow new regions and develop new markets for our services.

As we grow and evolve, we are confident that we can continue to provide sustainable solutions for our shareholders because our financial condition remains healthy and liquid and because we have a strong balance sheet with a sustainable level of debt. In 2005 we replaced our existing credit facility with a three-year revolving facility that provides a \$160 million line of credit for our Company. This financial strength gives us the flexibility to continue to pursue appropriate investments in our future. What is more, we are committed to maintaining a strong corporate governance structure with clearly defined roles and responsibilities for our board of directors and management. Our board of directors is dedicated to the ideals of good governance, transparent accounting, and the delivery of long-term value to our shareholders.

As much as we are committed to being a sustainable enterprise for our shareholders, we are committed to providing our clients with high-quality services that have a positive impact on our

world. We are providing sustainable solutions for both public and private sector clients in several of our specialist practice areas. For example, in 2005, as part of a design team, we helped Frito-Lay develop a state-of-the-art, environmentally friendly design for its new distribution center in Rochester, New York. The new facility—one of only two buildings in New York State that have been awarded Leadership in Energy and Environmental Design (LEED®) Gold certifications—is a model of resource conservation, showcasing the use of renewable energy, alternate lighting, and other green innovations. In Vancouver, British Columbia, we provided integrated design services for the development of a water treatment plant that was a much-needed solution for cleaning up acid mine drainage resulting from the former operations of the Britannia copper mine, the largest copper mine in the British Empire in the 1930s. In addition to discharging clean water into Howe Sound, the water treatment plant employs a microhydroturbine power generation system to produce green power from the mine water for its operations. Our skills were also used in the planning and implementation of initiatives designed to protect and enhance the natural features of Lake Margaret Estates, a 500-unit residential community created within a sanctuary for wildlife and native flora in St. Thomas, Ontario. And we provided a range of services for a series of environmental improvement program projects—in particular, projects related to water and air quality—aimed at preserving, restoring, and enhancing the natural and human environment of the Lake Tahoe Basin in El Dorado County, California.

Our commitment to sustainability is also reflected through the work we do in support of communities across North America and elsewhere. In 2005 we were proud to present the first scholarships in the Stantec Scholarship Program in partnership with major universities throughout Canada and the United States. And looking ahead to 2006, we will be donating professional engineering services to assist the United Nations Development Programme in rebuilding infrastructure in the Indonesian province of Aceh in response to the devastation caused by the 2004 tsunami.

In closing, I would like to take this opportunity to pay tribute to Neilson A. “Dutch” Bertholf, Jr., an enthusiastic and knowledgeable board member who retired from our board of directors September 1, 2005, following seven years of dedicated service. I am grateful for the wise counsel and business experience he contributed to the success of our Company. At the same time, I look forward to working with Aram Keith, former chairman and chief executive officer of The Keith Companies, who joined our board November 3. His background makes him well suited to guiding our Company toward its goals.

Finally, I wish to extend my sincere appreciation to our employees for their contributions to Stantec’s transformation in 2005. Without their passion, commitment, and drive for excellence, we could not have moved to the next phase of our evolution. And to our board of directors, clients, and shareholders, thank you as always for your confidence and support.



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