

ShawCor Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of ShawCor Ltd. ("ShawCor" or "the Company") for the three and nine months ended September 30, 2014 and 2013 and should be read together with ShawCor's interim unaudited consolidated financial statements and accompanying notes for the same periods and the MD&A included in the Company's 2013 Annual Report. All dollar amounts in this MD&A are in thousands of Canadian dollars except per share amounts or unless otherwise stated.

This MD&A and the interim unaudited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to section 12 hereof.

1.0 Executive Overview

ShawCor is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. With the completion of the Desert NDT acquisition on July 8, 2014, the Company now operates nine divisions with over ninety manufacturing, sales and service facilities located around the world. The Company is publicly-traded on the Toronto Stock Exchange.

1.1 Core Businesses

ShawCor provides a broad range of products and services, which include high quality pipe coating services, flexible composite pipe, onshore and offshore pipeline corrosion and thermal protection, state-of-the-art ultrasonic and radiographic inspection services, tubular management services, heat-shrinkable polymer tubing and control and instrumentation wire and cable.

The Company and its predecessors have designed, engineered, marketed and sold these products and services worldwide for over 50 years. ShawCor has made substantial investments in research and development initiatives and earned strong customer loyalty based on a history of project execution success.

The Company operates in a highly competitive international business environment with its success attributed to its strategic global locations, its extensive portfolio of proprietary technologies and its commitment to the use of industry-leading business processes and programs. ShawCor is the world's largest applicator of pipeline coatings for the oil and gas industry for both onshore and offshore pipelines.

The primary driver of demand for the Company's products and services is the level of energy industry investment in pipeline infrastructure for hydrocarbon development and transportation around the globe. This investment, in turn, is driven by global levels of economic activity and the resulting growth in hydrocarbon demand, the impact of resource depletion on the supply of hydrocarbons and the financial position of the major energy companies. The relationship between global hydrocarbon demand and supply and the level of energy industry investment in infrastructure tends to be cyclical.

As at September 30, 2014, the Company operated its nine divisions through two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 90% of consolidated revenue for the quarter ended September 30, 2014. This segment includes the Bredero Shaw, Canusa-CPS, Shaw Pipeline Services, Flexpipe Systems, Guardian, Socotherm and Desert NDT divisions.

- Bredero Shaw's product offerings include specialized internal anticorrosion and flow efficiency pipe coating systems, insulation coating systems, weight coating systems and custom coating and field joint application services for onshore and offshore pipelines.
- Canusa-CPS manufactures heat-shrinkable sleeves, adhesives, sealants and liquid coatings for corrosion protection on onshore and offshore pipelines.
- Shaw Pipeline Services provides ultrasonic and radiographic pipeline girth weld inspection services to pipeline operators and construction contractors worldwide for both onshore and offshore pipelines.
- Flexpipe Systems manufactures spoolable composite pipe systems used for oil and gas gathering, water disposal, carbon dioxide injection pipelines and other applications requiring corrosion resistance and high pressure capabilities.
- Guardian provides a complete range of tubular management services including inventory management systems, mobile inspection, in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing.
- Socotherm provides specialized thermal insulation coatings, anticorrosion coatings, internal coatings, and concrete weight coatings for onshore and offshore pipelines.
- Desert NDT provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which includes the DSG-Canusa and ShawFlex divisions, accounted for 10% of consolidated revenue for the quarter ended September 30, 2014. Operations within this segment utilize polymer and adhesive technologies that were developed for the Pipeline and Pipe Services segment and are now being applied to applications in Petrochemical and Industrial markets.

- DSG-Canusa is a global manufacturer of heat-shrinkable products including thin, medium and heavy-walled tubing, sleeves and molded products as well as heat-shrink accessories and equipment.
- ShawFlex is a manufacturer of wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenue	\$ 469,597	\$ 525,848	\$ 1,390,065	\$ 1,437,790
Cost of Goods Sold and Services Rendered	300,680	296,777	843,594	811,832
Gross Profit	168,917	229,071	546,471	625,958
Selling, general and administrative expenses	96,498	96,252	274,825	279,740
Research and development expenses	2,293	4,246	11,603	12,297
Foreign exchange (gains) losses	(1,295)	1,713	(3,297)	1,380
Amortization of property, plant and equipment	13,709	18,028	41,445	49,857
Amortization of intangible assets	5,401	2,686	10,972	7,585
Impairment ^(a)	41,379	–	41,379	–
Income from Operations	10,932	106,146	169,544	275,099
Gain (loss) on assets held for sale	4,495	(1,269)	7,020	(2,561)
Income on investment in associate	444	–	409	–
(Loss) income on investment in joint ventures	(580)	1,420	(3,427)	1,543
Finance costs, net	(6,245)	(4,527)	(14,588)	(9,525)
Income before Income Taxes	9,046	101,770	158,958	264,556
Income taxes	2,701	29,386	43,263	68,124
Non-controlling interest	728	(572)	182	(1,033)
Net Income for the Period^(b)	\$ 5,617	\$ 72,956	\$ 115,513	\$ 197,465
Net Income for the Period^(b)	\$ 5,617	\$ 72,956	\$ 115,513	\$ 197,465
Add:				
Income taxes	2,701	29,386	43,263	68,124
Finance costs, net	6,245	4,527	14,588	9,525
Amortization of property, plant, equipment and intangible assets	19,110	20,714	52,417	57,442
Impairment ^(a)	41,379	–	41,379	–
EBITDA^(c)	75,052	127,583	267,160	332,556
Non-controlling interest	728	(572)	182	(1,033)
(Gain) loss on assets held for sale	(4,495)	1,269	(7,020)	2,561
ADJUSTED EBITDA^(c)	\$ 71,285	\$ 128,280	\$ 260,322	\$ 334,084
Per Share Information:				
Net Income				
Basic	\$ 0.09	\$ 1.22	\$ 1.91	\$ 3.15
Diluted	\$ 0.09	\$ 1.21	\$ 1.90	\$ 3.11
Cash Dividend per Share:				
Common Shares	\$ 0.150	\$ 0.125	\$ 0.425	\$ 1.250
Class A	–	–	–	0.100
Class B	\$ –	\$ –	\$ –	\$ 0.091

(a) Relates mainly to the Thermotite do Brasil Ltda impairment; refer to section 3.0 for additional details.

(b) Attributable to Shareholders of the Company.

(c) Earnings before interest, income taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA are non-GAAP measures and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP measures do not have standardized meanings under IFRS. The Company's method of calculating these measures may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. Refer to section 10 – *Reconciliation of non-GAAP Measures*, for additional information with respect to other non-GAAP measures used by the Company.

(in thousands of Canadian dollars)	September 30, 2014	December 31, 2013
Total Assets	\$ 2,014,048	\$ 1,651,928
Total Non-current Liabilities	\$ 551,121	\$ 542,278

Revenue

Consolidated revenue decreased by \$56.3 million, or 11%, from \$525.8 million during the third quarter of 2013, to \$469.6 million during the third quarter of 2014, due to a decrease of \$58.5 million in the Pipeline and Pipe Services segment, partially offset by an increase of \$3.1 million in the Petrochemical and Industrial segment.

Consolidated revenue decreased by \$47.7 million, or 3%, from \$1,437.8 million for the nine month period ended September 30, 2013 to \$1,390.1 million for the nine month period ended September 30, 2014, due to a decrease of \$59.1 million, or 4%, in the Pipeline and Pipe Services segment, partially offset by an increase of \$12.3 million in the Petrochemical and Industrial segment.

Income from Operations

Operating Income decreased by \$95.2 million, from \$106.2 million in the third quarter of 2013 to \$10.9 million during the third quarter of 2014. Operating Income was impacted by a decrease in gross profit of \$60.2 million and impairment charges of \$41.4 million, as explained in section 1.0 above. This was partially offset by a decrease in amortization of property, plant, equipment and intangible assets of \$1.6 million, lower research and development expenses of \$2.0 million and an increase in net foreign exchange gains of \$3.0 million.

The decrease in gross profit resulted from a 7.5 percentage point decrease in gross margin, attributable to changes in product and project mix, compared to the third quarter of 2013, particularly in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from high gross margins on several large concrete weight coating projects in 2013.

SG&A expenses marginally increased by \$0.2 million and were impacted by \$4.8 million from the Desert NDT acquisition and higher restructuring costs in Asia Pacific of \$1.5 million. These amounts were offset by lower management incentive compensation expenses of \$2.7 million and the favourable settlement of deferred consideration of \$0.8 million. In addition, in the third quarter of 2013, the Company had recorded higher bad debt and warranty expenses of \$1.5 million.

Operating Income decreased by \$105.6 million from the nine month period ended September 30, 2013 to \$169.5 million in the nine month period ended September 30, 2014. Operating Income was impacted by a year over year decrease in gross profit of \$79.5 million and impairment charges of \$41.4 million, as explained in section 1.0 above. This was partially offset by decreases in SG&A expenses of \$4.9 million, research and development expenses of \$0.7 million and amortization of property, plant, equipment and intangible assets of \$5.0 million and an increase in net foreign exchange gains of \$4.7 million.

The decrease in gross profit resulted from a 4.2 percentage point decrease in gross margin, attributable to changes in product and project mix compared to the prior year, particularly in the Pipeline and Pipe Services segment's Asia Pacific and Latin America regions which had benefitted from high gross margins on several large concrete weight coating projects in 2013. This was also impacted by the lower revenue in the first nine months of 2014, as explained above.

SG&A expenses decreased by \$4.9 million in 2014 compared to 2013, as a result of one time costs of \$7.6 million incurred to complete the Company's Plan of Arrangement on March 20, 2013 and related expenses associated with amended executive retirement arrangements of \$ 5.0 million incurred in the first quarter of 2013, higher bad debts and warranty provisions recorded in 2013 of \$4.2 million, combined with lower management incentive compensation expenses of \$10.4 million in 2014. These reductions in SG&A expenses were partially offset by

increases over the prior year by \$4.8 million from the acquisition of Desert NDT, personnel related costs of \$14.2 million, legal and professional consulting fees of \$2.3 million and rental and building costs primarily associated with pipe storage and increased activity in EMAR of \$3.3 million.

Net Income (attributable to shareholders of the Company)

Net income decreased by \$67.3 million, from \$73.0 million during the third quarter of 2013 to \$5.6 million during the third quarter of 2014, mainly due to the \$95.2 million decline in Operating Income, as explained above, a higher loss on investment in joint ventures of \$2.0 million and higher net finance costs of \$1.7 million. This was partially offset by lower income tax expense of \$26.7 million and a higher gain on assets held for sale of \$5.8 million.

Net income decreased by \$82.0 million, from \$197.5 million during the nine-month period ended September 30, 2013 to \$115.5 million during the nine-month period ended September 30, 2014, mainly due to the \$105.6 million lower Operating Income as explained above, a higher loss on investment in joint ventures of \$5.0 million and higher finance costs of \$5.1 million. This was partially offset by lower income tax expense of \$24.9 million and a higher gain on assets held for sale of \$9.6 million.

2.2 Foreign Exchange Impact

The following table sets forth the significant currencies in which the Company operates and the average foreign exchange rates for these currencies versus Canadian dollars, for the following periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
U.S. dollar	1.0890	1.0389	1.0949	1.0246
Euro	1.4403	1.3790	1.4781	1.3504
British Pounds	1.8182	1.6168	1.8245	1.5893

The following table sets forth the impact on revenue, Operating Income and net income, compared with the prior year period, as a result of foreign exchange fluctuations on the translation of foreign currency operations.

(in thousands of Canadian dollars)	Q3-2014 Versus Q2-2014	Q3-2014 versus Q2-2013	Q3-2014 YTD versus Q3-2013 YTD
Revenue	\$ (2,898)	\$ 8,673	\$ 40,984
Operating Income	160	2,073	12,393
Net income	175	(449)	12,483

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of \$1.3 million in the third quarter of 2014, compared to a loss of \$1.7 million for the comparable period in the prior year, as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities.

3.0 Business Developments for the Quarter

Acquisition of Desert NDT LLC

On July 8, 2014, the Company completed the acquisition of all of the outstanding shares of Desert NDT LLC ("Desert"), first announced on May 8, 2014, for a total consideration of US\$264.4 million. Desert is a Houston-based provider of non-destructive testing ("NDT") services for new oil and gas gathering pipelines and infrastructure integrity management services. Desert operates through 18 branches located in major U.S. oil and gas basins.

The acquisition was funded with cash and through available revolving credit facilities. The transaction is expected to be accretive to ShawCor's earnings per share within the next 12 months.

Completion of Sale of Brazilian Joint Venture Interest

On September 4, 2014 the Company completed the sale of its Socotherm division's joint venture interest in Socotherm Brasil, first announced in December 2013, to its joint venture partner, Tenaris. Socotherm Brasil operates a pipe coating facility which is managed by Tenaris and which is located at the Confab welded pipe mill in Pindamonhangaba, Brazil.

From the sale, ShawCor realized net proceeds of US\$28.5 million, with a further payment of approximately US\$1.2 million to be received later this year.

The sale of Socotherm's joint venture interest in Socotherm Brasil is consistent with ShawCor's strategy to focus its pipe coating investments on operations it manages and controls. Following the sale, ShawCor will continue to serve Tenaris' global pipe coating needs and the Brazilian pipe coating market from its global pipe coating plant network.

Impairment of Thermotite do Brasil Ltda Net Assets

In Brazil, ShawCor will continue to supply its deep water pipeline insulation coating products through its wholly-owned subsidiary Thermotite do Brasil Ltda. This Bredero Shaw company is currently completing the insulation coating of subsea flowlines and risers for the Petrobras Sapinhoa North field.

Although the Company is committed to continuing to serve the Brazil market for deep water pipe coatings, as a result of anticipated changes in Petrobras' development plans for the pre-salt Santos basin, the Company incurred a net impairment charge of \$28.5 million (net of tax of \$12.0 million) in the third quarter of 2014, relating primarily to goodwill and intangible assets that arose from the 2010 purchase of the Company's joint venture partners in Thermotite do Brasil Ltda. The write-down has been calculated based on a variety of factors, including currently anticipated Brazilian market developments, and represents a non-cash charge that will not impact the Company's ability to generate revenue or income from its operations in Brazil.

\$200 Million Offering of Common Shares

On September 10, 2014 the Company agreed to sell, on a bought deal basis, 3,650,000 common shares at a price of \$54.85 per common share (the "Issue Price") for gross proceeds of \$200,202,500 (the "Offering"). On September 19, 2014 the Company closed its bought public offering of 3,650,000 common shares (the "Shares") at a price of \$54.85 per Share (the "Offering") for gross proceeds of \$200,202,500.

The bought public offering was underwritten by a syndicate led by TD Securities Inc. and included Cormark Securities Inc., RBC Dominion Securities Inc., AltaCorp Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and Scotia Capital Inc. (collectively, the "Underwriters").

In addition, ShawCor granted the Underwriters an option to purchase, in whole or part, up to an additional 547,500 common shares at the Issue Price to cover over-allotments for a period of 30 days following the closing of the Offering. On October 3, 2014 the Underwriters exercised in full the over-allotment option and purchased an

additional 547,500 common shares of the Company at a price of \$54.85 per common share. The closing of the over-allotment option increases the total gross proceeds of the Offering to \$230,232,875.

The Company will use the net proceeds from the Offering for general corporate purposes, including to repay a portion of its outstanding revolving debt in the normal course in order to create debt availability to fund future corporate investments, which may potentially include future acquisitions.

Significant Business Contracts

On July 3, 2014, the Company's field-applied pipeline coatings and services division, Canusa-CPS, received a contract with a value of approximately \$30 million from Saipem SpA to provide field joint coating services for Line 1 of the South Stream Offshore Pipeline.

This contract involves the manufacture of 3-layer polypropylene heat shrink sleeves, and their application on each pipe weld of the 900 km 32" offshore pipeline utilizing the Canusa-CPS patented IntelliCOAT™ automated system. Contract execution is expected to commence in 2014.

On September 26, 2014 the Company's Bredero Shaw pipe coating division received contracts with a value of approximately US\$200 million from BP Exploration (Shah Deniz) Limited for pipeline coating and other services in connection with the Shah Deniz Stage 2 development project. The contracts are scheduled to be executed from plants within Bredero Shaw's Europe, Middle East, Africa, Russia ("EMAR") region.

The contracts awarded involve the application of a full suite of coatings, including "Thermotite" multilayer polypropylene insulation, anti-corrosion and concrete weight coatings. Coating will commence in late 2014 and continue through the 2015 to 2018 period.

Bredero Shaw is currently bidding on other contracts relating to the Shah Deniz Stage 2 project.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

The following table sets forth revenue by reportable operating segment for the following periods:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Pipeline and Pipe Services	\$ 424,660	\$ 396,771	\$ 483,174	\$ 1,258,230	\$ 1,317,291
Petrochemical and Industrial	46,207	45,209	43,117	134,344	122,040
Elimination	(1,270)	(594)	(443)	(2,509)	(1,541)
	\$ 469,597	\$ 441,386	\$ 525,848	\$ 1,390,065	\$ 1,437,790

Third Quarter 2014 versus Second Quarter 2014

Consolidated revenue increased 6%, or \$28.2 million, from \$441.4 million during the second quarter of 2014 to \$469.6 million during the third quarter of 2014, due to increases of \$27.9 million in the Pipeline and Pipe Services segment and of \$1.0 million in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue increased 7%, or \$27.9 million, from \$396.8 million in the second quarter of 2014 to \$424.7 million in the third quarter of 2014 due to higher activity levels in the North America, Latin America and EMAR regions, partially offset by decreased activity in Asia Pacific. See section

4.2.1 – *Pipeline and Pipe Services segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was higher by \$1.0 million, or 2%, in the third quarter of 2014, compared to the second quarter of 2014, mainly due to an increase in revenue of \$1.9 million, or 7%, in North America, partially offset by lower activity in the EMAR region. See section 4.2.2 – *Petrochemical and Industrial segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Third Quarter 2014 versus Third Quarter 2013

Consolidated revenue decreased by \$56.3 million, or 11%, from \$525.8 million during the third quarter of 2013, to \$469.6 million during the third quarter of 2014, due to a decrease of \$58.5 million in the Pipeline and Pipe Services segment, partially offset by an increase of \$3.1 million in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the third quarter of 2014 was \$424.6 million, or 12% lower than in the third quarter of 2013, due to decreased activity in Asia Pacific, partially offset by higher revenue in EMAR, North America and Latin America. See section 4.2.1 – *Pipeline and Pipe Services segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue increased by \$3.1 million, or 7%, during the third quarter of 2014 compared to the third quarter of 2013, due to higher activity levels in all three regions. See section 4.2.2 – *Petrochemical and Industrial segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Nine Months ended September 30, 2014 versus Nine Months ended September 30, 2013

Consolidated revenue decreased by \$47.7 million, or 3%, from \$1,437.8 million for the nine month period ended September 30, 2013 to \$1,390.1 million for the nine month period ended September 30, 2014, due to a decrease of \$59.1 million, or 4%, in the Pipeline and Pipe Services segment, partially offset by an increase of \$12.3 million in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment in 2014 was \$1,258.2 million, or \$59.1 million lower than in 2013, primarily due to lower activity levels in Asia Pacific, partially offset by increased revenue in North America, Latin America and EMAR. See section 4.2.1 – *Pipeline and Pipe Services segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased by \$12.3 million in 2014 compared to 2013, primarily due to higher activity levels in all three regions. See section 4.2.2 – *Petrochemical and Industrial segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Income from Operations

The following table sets forth Operating Income and Operating Margin for the following periods:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Operating Income	\$ 10,932	\$ 69,262	\$ 106,146	\$ 169,544	\$ 275,099
Operating Margin ^(a)	2.3%	15.7%	20.2%	12.2%	19.1%

(a) Operating Margin is defined as Operating Income divided by revenue.

Third Quarter 2014 versus Second Quarter 2014

Operating Income decreased by \$58.3 million, from \$69.3 million during the second quarter of 2014 to \$10.9 million in the third quarter of 2014. Operating Income was impacted by a decrease in gross profit of \$10.4 million, an increase in SG&A expenses of \$7.6 million, higher amortization of property, plant, equipment and intangible assets of \$4.0 million and impairment charges of \$41.4 million, as explained in section 3.0 above. This was partially offset by a decrease in research and development expenses of \$2.8 million and an increase in net foreign exchange gains of \$2.3 million.

The decrease in gross profit resulted from a 4.6 percentage point decrease in the gross margin from the second quarter of 2014 partially offset by the higher revenue, as explained above. The decrease in the gross margin percentage was primarily due to unfavourable product and project mix and lower facility utilization and absorption of overheads, particularly in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from higher gross margins on large projects in the second quarter.

SG&A expenses increased by \$7.6 million, from \$88.9 million in the second quarter of 2014 to \$96.5 million in the third quarter of 2014, primarily due to \$4.8 million from the acquisition of Desert NDT, increase in management incentive compensation expenses of \$1.6 million and higher restructuring costs in Asia Pacific of \$1.5 million.

Third Quarter 2014 versus Third Quarter 2013

Operating Income decreased by \$95.2 million, from \$106.2 million in the third quarter of 2013 to \$10.9 million during the third quarter of 2014. Operating Income was impacted by a decrease in gross profit of \$60.2 million and impairment charges of \$41.4 million, as explained in section 1.0 above. This was partially offset by a decrease in amortization of property, plant, equipment and intangible assets of \$1.6 million, lower research and development expenses of \$2.0 million and an increase in net foreign exchange gains of \$3.0 million.

The decrease in gross profit resulted from a 7.5 percentage point decrease in gross margin, attributable to changes in product and project mix, compared to the third quarter of 2013, particularly in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from high gross margins on several large concrete weight coating projects in 2013.

SG&A expenses marginally increased by \$0.2 million and were impacted by \$4.8 million from the Desert NDT acquisition and higher restructuring costs in Asia Pacific of \$1.5 million. These amounts were offset by lower management incentive compensation expenses of \$2.7 million and the favourable settlement of deferred consideration of \$0.8 million. In addition, in the third quarter of 2013, the Company had recorded higher bad debt and warranty expenses of \$1.5 million.

Nine Months ended September 30, 2014 versus Nine Months ended September 30, 2013

Operating Income decreased by \$105.6 million from the nine month period ended September 30, 2013 to \$169.5 million in the nine month period ended September 30, 2014. Operating Income was impacted by a year over year decrease in gross profit of \$79.5 million and impairment charges of \$41.4 million, as explained in section 1.0 above. This was partially offset by decreases in SG&A expenses of \$4.9 million, research and development expenses of \$0.7 million and amortization of property, plant, equipment and intangible assets of \$5.0 million and an increase in net foreign exchange gains of \$4.7 million.

The decrease in gross profit resulted from a 4.2 percentage point decrease in gross margin, attributable to changes in product and project mix compared to the prior year, particularly in the Pipeline and Pipe Services segment's Asia Pacific and Latin America regions which had benefitted from high gross margins on several large concrete weight coating projects in 2013. This was also impacted by the lower revenue in the first nine months of 2014, as explained above.

SG&A expenses decreased by \$4.9 million in 2014 compared to 2013, as a result of one time costs of \$7.6 million incurred to complete the Company's Plan of Arrangement on March 20, 2013 and related expenses associated with amended executive retirement arrangements of \$ 5.0 million incurred in the first quarter of 2013, higher bad debts and warranty provisions recorded in 2013 of \$4.2 million, combined with lower management incentive compensation expenses of \$10.4 million in 2014. These reductions in SG&A expenses were partially offset by increases over the prior year in personnel related costs of \$14.2 million, \$4.8 million from the acquisition of Desert NDT, legal and professional consulting fees of \$2.3 million and rental and building costs primarily associated with pipe storage and increased activity in EMAR of \$3.3 million.

Finance Costs, net

The following table sets forth the components of finance costs, net for the following periods:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Interest income	\$ (262)	\$ (75)	\$ –	\$ (675)	\$ (704)
Interest expense, other	3,049	1,412	1,252	5,290	3,390
Interest expense on long-term debt	3,458	3,279	3,275	9,973	6,839
Finance costs, net	\$ 6,245	\$ 4,616	\$ 4,527	\$ 14,588	\$ 9,525

Third Quarter 2014 versus Second Quarter 2014

In the third quarter of 2014, net finance cost was \$6.2 million, compared to a net finance cost of \$4.6 million during the second quarter of 2014. The increase in net finance cost was primarily a result of higher interest expenses on bank loans and overdrafts, primarily to fund the Desert NDT acquisition, and lower interest income on short term deposits.

Third Quarter 2014 versus Third Quarter 2013

In the third quarter of 2014, net finance cost was \$6.2 million, compared to a net finance cost of \$4.5 million during the third quarter of 2013. The increase in net finance cost was primarily as a result of higher interest expenses on bank loans and overdrafts, primarily to fund the Desert NDT acquisition, and lower interest income on short term deposits.

Nine Months ended September 30, 2014 versus Nine Months ended September 30, 2013

For the nine months ended September 30, 2014, net finance cost was \$14.6 million, compared to a net finance cost of \$9.5 million for the comparable period in the prior year. The increase in net finance cost was primarily a result of higher interest on long-term debt that was issued on March 20, 2013 and higher interest expenses on bank loans and overdrafts, primarily to fund the Desert NDT acquisition.

Income Taxes

The following table sets forth the income tax expenses for the following periods:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Income tax expense	\$ 2,701	\$ 17,991	\$ 29,386	\$ 43,263	\$ 68,124

Third Quarter 2014 versus Second Quarter 2014

The Company recorded an income tax expense of \$2.7 million (30% of income before income taxes) in the third quarter of 2014, compared to an income tax expense of \$18.0 million (27% of income before income taxes) in the second quarter of 2014. The effective tax rate in the third quarter of 2014 was higher than the Company's expected effective income tax rate of 27%, primarily due to the tax rate associated with the impairment charges recorded in the quarter.

Third Quarter 2014 versus Third Quarter 2013

The Company recorded an income tax expense of \$2.7 million (30% of income before income taxes) in the third quarter of 2014, compared to an income tax expense of \$29.4 million (29% of income before income taxes) in the third quarter of 2013. The Company's tax rate in the third quarter of 2013 was higher than the expected rate of 27% primarily due to the incurrence of tax losses in jurisdictions where the Company was unable to record a tax benefit in the quarter. The effective tax rate in the third quarter of 2014 was higher than the Company's expected effective income tax rate of 27%, primarily due to the tax rate associated with the impairment charges recorded in the quarter.

Nine Months ended September 30, 2014 versus Nine Months ended September 30, 2013

The Company recorded an income tax expense of \$43.3 million (27% of income before income taxes) during the nine-month period ended September 30, 2014, compared to an income tax expense of \$68.1 million (26% of income before income taxes) during the nine-month period ended September 30, 2013. The Company's tax rate for the nine month period ended September 30, 2013 was lower than expected income tax rate of 27% due to a portion of the Company's taxable income being earned in the Trinidad Free Zone, Asia Pacific, the Middle East and other jurisdictions where the tax rate is 25% or less.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

The following table sets forth the revenue by geographic location, Operating Income and Operating Margin for the Pipeline and Pipe Services segment for the following periods:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
North America	\$ 210,050	\$ 169,870	\$ 187,686	\$ 574,295	\$ 495,192
Latin America	53,313	40,342	36,169	136,722	132,209
EMAR	107,079	73,500	53,924	249,326	141,258
Asia Pacific	49,218	113,059	205,395	297,887	548,632
Total Revenue	\$ 424,660	\$ 396,771	\$ 483,174	\$ 1,258,230	\$ 1,317,291
Operating Income	\$ 13,343	\$ 74,771	\$ 113,069	\$ 180,229	\$ 309,532
Operating Margin	3.1%	18.8%	23.4%	14.3%	23.5%

Third Quarter 2014 versus Second Quarter 2014

In the third quarter, revenue increased by \$27.9 million to \$424.7 million, from \$396.8 million in the second quarter of 2014. Activity levels were higher in all regions except for Asia Pacific:

- In North America, revenue increased by \$45.2 million, or 27%, as a result of the addition of approximately \$30 million in revenue from the acquisition of Desert NDT in the third quarter of 2014, an increase in flexible composite pipe volumes, higher small diameter pipe coating in Canada and increased pipe weld inspection service revenue in the USA. This was partially offset by lower revenue from Socotherm's Gulf of Mexico operation and lower activity levels for large diameter pipe coating in Canada.

- Latin America revenue increased by \$13.0 million, or 32%, primarily as a result of higher activity levels at the thermal insulation coating facilities in Veracruz, Mexico and Brazil and at Socotherm's Argentina facility.
- In EMAR, revenue increased by \$33.6 million, or 46%, primarily due to higher volumes at Ras Al Khaimah, UAE ("RAK") from the launch of the South Caucasus project and at the Socotherm Pozzallo facility. In addition, revenue was higher from pipe weld inspection services due to the acquisition of SAIS by Shaw Pipeline Services in the UK, completed in April 2014, and an increase in field joint coating revenue in the region.
- In Asia Pacific, revenue decreased by \$63.8 million, or 56%, mainly due to lower activity levels on large pipe coating projects at both the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the third quarter of 2014, Operating Income was \$13.3 million compared to \$74.8 million in the second quarter of 2014, a decrease of \$61.4 million, or 82%, as a result of the following factors:

- An impairment charge of \$41.4 million (\$29.4 million net of taxes) in the third quarter mainly related to the Bredero Shaw facility in Brazil.
- Lower gross profit of \$8.4 million, primarily due to a 4.6 percentage point decrease in the gross margin due to less favourable product and project mix, particularly in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from higher gross margins on large projects in the second quarter.
- Higher SG&A expenses, primarily due to the inclusion of \$4.8 million of SG&A expenses from the newly acquired Desert NDT business.

Third Quarter 2014 versus Third Quarter 2013

Revenue was \$424.6 million in the third quarter of 2014, a decrease of \$58.5 million, or 12%, from \$483.2 million in the comparable period of 2013. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.5 above, combined with higher revenue in North America, Latin America and EMAR, offset by lower activity levels in Asia Pacific:

- In North America, revenue increased by \$27.4 million, or 15%, due to the addition of approximately \$30 million in revenue from the acquisition of Desert NDT in the third quarter of 2014, higher activity levels from Socotherm Gulf of Mexico operations, increased revenue from flexible composite pipe volumes, increased tubular management services revenue in Canada and the USA. This was partially offset by lower land based pipe weld inspection services revenue in the USA and lower activity in large diameter pipe coatings in Canada and the USA.
- In Latin America, revenue increased by \$17.1 million, or 47%, primarily due to increased activity at the thermal insulation coating facilities in Veracruz, Mexico and Brazil, partially offset by the reduction in revenue from the Technip project in Trinidad, which was completed in 2013.
- EMAR revenue increased by \$53.2 million, or 99%, primarily due to higher activity levels at the Company's pipe coating facilities in RAK and from Socotherm's Italian facilities, and higher revenue from pipe weld inspection services due to the acquisition of SAIS in the UK.
- Asia Pacific revenue decreased by \$156.2 million, or 76%, primarily due to the lower volumes associated with the completion of large projects like Inpex Ichthys, Chevron Wheatstone and Apache Julimar at both Kabil, Indonesia and Kuantan, Malaysia.

In the third quarter of 2014, Operating Income was \$13.3 million compared to \$113.1 million in the third quarter of 2013, a decrease of \$99.7 million, or 88%, due to the following factors:

- A reduction in gross profit of \$57.9 million as a result of the decrease in revenue of \$58.5 million, as explained above, and a 7.4 percentage point decrease in gross margin due to unfavourable project mix, particularly in the Asia Pacific region.
- An impairment charge of \$41.4 million (\$29.4 million net of taxes) in the third quarter mainly related to the Bredero Shaw facility in Brazil.
- Higher SG&A expenses, primarily due to the due to the inclusion of \$4.8 million of SG&A expenses from the newly acquired Desert NDT business.
- These reductions in Operating Income were partially offset by the decrease in amortization of property, plant, equipment and intangible assets as explained in section 4.1 above.

Nine Months ended September 30, 2014 versus Nine Months ended September 30, 2013

Revenue in the Pipeline and Pipe Services segment for the nine month period ended September 30, 2014 was \$1,258.2 million, a decrease of \$59.1 million, from \$1,317.3 million in the comparable period in the prior year. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.5 above, combined with higher revenue in North America, EMAR and Latin America, offset by lower activity levels in Asia Pacific:

- Revenue in North America increased by \$79.1 million, or 16%, primarily due to increased flexible composite pipe volume in the USA, higher revenues from tubular management services, increased volumes at the Socotherm Gulf of Mexico facility and the addition of approximately \$30 million in revenue from the acquisition of Desert NDT in the third quarter of 2014. This was partially offset by lower activity levels in pipe weld inspection services and in large and small diameter pipe coatings in the USA.
- In Latin America, revenue was higher by \$4.5 million, or 3%, due to higher activity levels in Brazil for the Sapinhoa project and increased large project activity in Mexico at both the Veracruz and Coatzacoalcos facilities. This was partially offset by lower activity levels on the Technip project in Trinidad, which was completed in 2013.
- In EMAR, revenue increased by \$108.1 million, or 77%, due to increased pipe coating activity levels in RAK, increased volumes at the Leith, Scotland facility on the Edvard Greig and South Stream projects, higher activity levels at the Socotherm facilities in Italy and higher revenue from pipe weld inspection services due to the acquisition of SAIS.
- Revenue in Asia Pacific decreased by \$250.7 million, or 46%, primarily due to the lower volumes associated with the completion of large projects like Inpex Ichthys, Chevron Wheatstone and Apache Julimar at both Kabil, Indonesia and Kuantan, Malaysia.

Operating Income for the nine month period ended September 30, 2014 was \$180.2 million compared to \$309.5 million for the nine month period ended September 30, 2013, a decrease of \$129.3 million, or 42% due to the following factors:

- Lower gross profit of \$80.3 million driven by lower revenue of \$59.1 million, as explained above and a 4.3 percentage point decrease in gross margin due to less favourable project mix, lower facilities' utilization and the absorption of overheads, particularly in the Asia Pacific and Latin America regions which had benefitted from high gross margins on several large concrete weight coating projects in 2013.

- An impairment charge of \$41.4 million (\$29.4 million net of taxes) in the third quarter 2014, mainly related to the Bredero Shaw facility in Brazil.
- These reductions in Operating Income were partially offset by the decrease in amortization of property, plant, equipment and intangible assets as explained in section 4.1 above.

4.2.2 Petrochemical and Industrial Segment

The following table sets forth the revenue by geographic location, Operating Income and Operating Margin for the Petrochemical and Industrial segment for the following periods:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
North America	\$ 29,245	\$ 27,286	\$ 27,927	\$ 80,562	\$ 78,887
EMAR	15,174	16,278	13,742	48,769	41,835
Asia Pacific	\$ 1,788	\$ 1,645	\$ 1,448	\$ 5,013	\$ 4,318
Total Revenue	46,207	45,209	43,117	134,344	122,040
Operating Income	\$ 6,977	\$ 7,918	\$ 7,890	\$ 20,958	\$ 17,963
Operating Margin	15.1%	17.5%	18.3%	15.6%	14.7%

Third Quarter 2014 versus Second Quarter 2014

In the third quarter of 2014, revenue increased by \$1.0 million, or 2%, to \$46.2 million, compared to the second quarter of 2014, primarily due to higher shipments of wire and cable products to North American electrical utilities.

Operating Income of \$7.0 million in the third quarter of 2014 was \$1.0 million, or 12%, lower than in the second quarter of 2014. The decrease in Operating Income was due to lower gross profit of \$2.0 million as a result of a 5.0 percentage point decrease in the gross margin due to unfavourable product mix, partially offset by a reduction in SG&A expenses of \$1.0 million.

Third Quarter 2014 versus Third Quarter 2013

Third quarter 2014 revenue totaled \$46.2 million compared to \$43.1 million in the third quarter of 2013, an increase of \$3.1 million, or 7%. The increase was driven by higher heat shrink tubing product volumes, particularly in the automotive sector, combined with higher shipments of wire and cable products to the North American electrical utilities and the impact of foreign exchange on revenue, as noted in section 2.2 above.

Operating Income in the third quarter of 2014 was \$7.0 million compared to \$7.9 million in the third quarter of 2013, a decrease of \$0.9 million, or 11%. The decrease in Operating Income was due to lower gross profit of \$2.2 million as a result of a 6.9 percentage point decrease in gross margin, primarily due to more unfavourable product mix, partially offset by a reduction in SG&A expenses of \$1.2 million and the increase in revenue, as explained above.

Nine Months ended September 30, 2014 versus Nine Months ended September 30, 2013

In the nine months ended September 30, 2014 revenue increased by \$12.3 million, or 10%, to \$134.3 million compared to the comparable period in 2013, due to increased shipments of wire and cable products to the North American electrical utilities, combined with increased heat shrinkable product shipments in all three regions and the impact of foreign exchange on revenue, as noted in section 2.2 above.

Operating Income for the nine months ended September 30, 2014 was \$21.0 million compared to \$18.0 million for the nine months ended September 30, 2013, an increase of \$3.0 million, or 17%. The increase was primarily

due to SG&A expenses were lower by \$2.1 million in 2014 compared to 2013, gross profit was higher \$1.0 million as a result of the increase in revenue of \$12.3 million, as explained above, partially offset by a 2.1 percentage point decrease in the gross margin due to unfavourable product mix.

4.2.3 Financial and Corporate

Financial and corporate costs include corporate expenses not allocated to the operating segments and other non-operating items, including foreign exchange gains and losses on foreign currency denominated cash and working capital balances. The corporate division of the Company only earns revenue that is considered incidental to the activities of the Company. As a result, it does not meet the definition of a reportable operating segment as defined under IFRS.

The following table sets forth the Company's unallocated financial and corporate expenses, before foreign exchange gains and losses, for the following period:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Financial and corporate expenses	\$ (10,683)	\$ (12,398)	\$ (13,100)	\$ (39,940)	\$ (51,016)

Third Quarter 2014 versus Second Quarter 2014

Financial and corporate costs decreased by \$1.7 million from \$12.4 million during the second quarter of 2014 to \$10.7 million in the third quarter of 2014, primarily due to lower long term management compensation incentive expenses of \$2.5 million. This was partially offset by an increase in short term management compensation incentive expenses of \$1.4 million.

Third Quarter 2014 versus Third Quarter 2013

Financial and corporate costs decreased by \$2.4 million from the third quarter of 2013 to \$10.7 million in the third quarter of 2014, primarily as a result of lower short term management compensation incentive expenses of \$1.1 million, lower expenses for recruitment and employee benefits of \$0.9 million and lower building and maintenance costs of \$0.3 million.

Nine Months ended September 30, 2014 versus Nine Months ended September 30, 2013

Financial and corporate costs decreased by \$16.1 million from the nine month period ended September 30, 2013 to \$34.9 million for the nine month period ended September 30, 2014, primarily as a result of higher one time costs of \$7.6 million incurred to complete the Company's Plan of Arrangement on March 20, 2013 and related expenses associated with amended executive retirement arrangements of \$5.0 million incurred in the first quarter of 2013. In addition, personnel related expenses were lower by \$1.4 million in 2014 compared to 2013.

5.0 Liquidity and Capitalization

The following table sets forth the Company's cash flows by activity and cash balances for the following periods:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Income for the Period	\$ 6,345	\$ 72,384	\$ 115,695	\$ 196,432
Non-cash items	53,313	31,472	98,518	91,448
Settlement of decommissioning obligations	(88)	(58)	(169)	(667)
Settlement of other provisions	(1,724)	(4,256)	(9,414)	(15,956)
Net change in non-current deferred revenue	–	(478)	–	(64,392)
Net change in employee future benefits	879	1,239	1,591	(4,452)
Net change in non-cash working capital and foreign exchange	7,631	(94,829)	(109,161)	(195,100)
Cash provided by operating activities	66,356	5,474	97,060	7,313
Cash used in investing activities	(277,495)	(13,993)	(333,540)	(23,791)
Cash provided by (used in) financing activities	259,271	27,584	254,381	(172,563)
Foreign exchange impact on cash and cash equivalents	(33)	178	298	7,175
Net Change in Cash and Cash Equivalents	48,099	19,243	18,199	(181,866)
Cash and cash equivalents at beginning of period	49,495	83,872	79,395	284,981
Cash and Cash Equivalents at End of Period	\$ 97,594	\$ 103,115	\$ 97,594	\$ 103,115

The Company expects to generate sufficient cash flows and have continued access to its credit facilities to meet contractual obligations and planned development and growth initiatives as and when they are required. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures as noted in section 5.4. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

5.1 Cash Provided by Operating Activities

Third Quarter 2014 versus Third Quarter 2013

Cash provided by operating activities was \$66.4 million in the third quarter of 2014, an improvement of \$60.9 million compared the third quarter of 2013. The improvement was due to a change in the movement of non-cash working capital and foreign exchange of \$102.5 million and an increase in non-cash items of \$21.8 million. This was partially offset by a reduction in net income for the period of \$66.0 million. The change in the movement of non-cash working capital and foreign exchange of \$102.5 million reflected a decrease in non-cash working capital in the third quarter of 2014 of \$7.6 million compared to an increase in the third quarter of 2013 of \$94.8 million, as a result of changes in the movement of the current portion of deferred revenue of \$120.8 million and the net change in accounts receivable of \$35.7 million. This was partially offset by the change in movement of inventory of \$46.6 million and a net change in the movement of income taxes payable of \$34.8 million.

Nine Months Ended September 30, 2014 versus Nine Months Ended September 30, 2013

Cash provided by operating activities increased by \$89.7 million from \$7.3 million during the nine month period ended September 30, 2013 to \$97.1 million during the nine month period ended September 30, 2014. This increase was mainly due to the use of cash from the net reduction in non-current deferred revenue of \$64.4 million that had occurred in 2013 and a net decrease in cash used by non-cash working capital and foreign exchange of \$85.9 million, partially offset by reductions in net income of \$80.7 million. The reduction in the cash used by non-cash working capital and foreign exchange was primarily due to the change in the movement of the current portion of deferred revenue of \$239.3 million, partially offset by the change in movement of accounts receivable of \$64.1 million, prepaid expenses of \$30.9 million and income tax payable of \$43.7 million.

5.2 Cash Used in Investing Activities

Third Quarter 2014 versus Third Quarter 2013

Cash used in investing activities increased by \$263.5 million from \$14.0 million during the third quarter of 2013 to \$277.5 million during the third quarter of 2014. The increase was due to the acquisition of Desert NDT for \$279.8 million and a net change of \$10.8 million in the purchase of short term investments. This was offset by proceeds from sale of assets held for sale of \$32.3 million received in the third quarter of 2014.

Nine Months Ended September 30, 2014 versus Nine Months Ended September 30, 2013

Cash used in investing activities increased by \$309.7 million, from \$23.8 million for the nine month period ended September 30, 2013 to \$333.5 million for the nine month period ended September 30, 2014. The increase was due to an increase in the business acquisition activities of \$251.3 million, a net decrease of \$69.4 million in the redemption of short term investments, an increase in investment in associate of \$16.5 million, an increase in other assets of \$10.0 million for investments made in Zedi Inc., and the payment of deferred purchase consideration of \$18.8 million during the nine month period ended September 30, 2014. This was partially offset by the proceeds from assets held for sale of \$45.1 million during the same period.

5.3 Cash Provided by (Used in) Financing Activities

Third Quarter 2014 versus Third Quarter 2013

Cash provided by financing activities increased by \$231.7 million from \$27.6 million during the third quarter of 2013 to \$259.3 million during the third quarter of 2014. The increase was primarily due to issue of new shares of \$191.7 million and an increase in bank indebtedness of \$44.9 million in the third quarter of 2014 compared to 2013.

Nine Months Ended September 30, 2014 versus Nine Months Ended September 30, 2013

Cash provided by financing activities was \$254.4 million for the nine month period ended September 30, 2014 compared to cash used in financing activities of \$172.6 million for the nine month period ended September 30, 2013, a net increase of \$426.9 million. This was partially due to issue of new shares of \$191.7 million and a net increase of \$46.3 million in bank indebtedness in 2014. In addition in 2013, the Company purchased the Class B shares under the Company's Plan of Arrangement in the amount of \$503.1 million in the second quarter of 2013, and paid a higher dividend of \$55.4 million in 2013 compared to 2014 as a result of the 2013 special dividend. This was partially offset by the proceeds of the long term debt net of deferred financing expenses of \$356.3 million during the second quarter of 2013.

5.4 Liquidity and Capital Resource Measures

Accounts Receivables

The following table sets forth the Company's average trade accounts receivable – net balance and days sales outstanding in trade accounts receivables ("DSO") as at:

(in thousands of Canadian dollars, except DSO)	September 30, 2014	December 31, 2013	Change
Average trade accounts receivable	\$ 285,142	\$ 248,944	\$ 36,198
DSO ^(a)	55	55	-

(a) DSO, a non-GAAP measure, is the average number of days that trade accounts receivables-net (which excludes unbilled and other receivables) are outstanding based on a 90 day cycle. The Company's method of calculating this measure may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. See section 10 – Reconciliation of non-GAAP measures for additional information with respect to DSO.

Average trade accounts receivables increased by \$36.2 million from \$248.9 million as at December 31, 2013 to \$285.1 million as at September 30, 2014 as a result higher balances in the Company's pipe coating divisions. DSO remained constant at 55 during the third quarter of 2014, as the high accounts receivable balances were offset by higher levels of revenue.

Inventories

The following table sets forth the Company's inventories balance as at:

(in thousands of Canadian dollars)	September 30, 2014	December 31, 2013	Change
Inventories	\$ 188,959	\$ 180,876	\$ 8,083

Inventories increased by \$8.1 million from \$180.9 million as at December 31, 2013 to \$189.0 million as at September 30, 2014, as a reduction in raw materials of \$4.2 million was more than offset by increases in work-in-process and finished goods inventory.

Accounts Payable

The following table sets forth the Company's average accounts payable balance and days of purchases outstanding in accounts payable and accrued liabilities ("DPO") as at:

(in thousands of Canadian dollars, except DPO)	September 30, 2014	December 31, 2013	Change
Average accounts payable and accrued liabilities	\$ 240,112	\$ 240,639	\$ (528)
DPO ^(a)	72	88	(16)

(a) DPO, a non-GAAP measure, is the number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90 day cycle. The Company's method of calculating this measure may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. See section 10 – Reconciliation of non-GAAP measures, for additional information with respect to DPO.

Average accounts payable and accrued liabilities decreased by \$0.5 million from \$240.6 million for the quarter ended December 31, 2013, to \$240.1 million for the quarter ended September 30, 2014. DPO decreased by 16 days from the fourth quarter of 2013 to the third quarter of 2014, due to an increase in cost of goods sold of \$53.6 million.

5.5 Unsecured Credit Facilities

(in thousands of Canadian dollars)	September 30, 2014	December 31, 2013
Bank indebtedness	\$ 87,488	\$ 5,290
Defeased banker's acceptances	175,000	–
Standard letters of credit for performance, bid and surety bonds (note 12)	132,150	106,206
Total utilized credit facilities	394,638	111,496
Total available credit facilities ^(a)	502,155	320,910
Unutilized credit facilities	\$ 107,517	\$ 209,414

a) Excludes the banking facilities of the Company's equity accounted investments.

b) The Company guarantees the bank credit facilities of its subsidiaries.

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by U.S.\$100 million from U.S.\$150 million to U.S.\$250 million, with an option to increase the credit limit to U.S.\$400 million with the consent of lenders. On June 16, 2014, the option to increase the credit limit to U.S.\$400 million was exercised with the consent of the lenders. The Company pays a floating

interest rate on this credit facility that is a function of the Company's total debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility has been reduced from U.S.\$100 million to U.S.\$50 million.

Defeased Banker's Acceptances

On July 4, 2014, the Company obtained advances through its Credit Facility in the form of banker's acceptances ("Acceptances") in the aggregate face amount of \$175.0 million, maturing on October 3, 2014 ("Maturity Date"). On September 30, 2014, the Company fully defeased these Acceptances by paying \$175.0 million under a separate legally binding Defeasement Agreement, which would release the funds to the syndicate of lenders under the Credit Facility on the Maturity Date. As part of the Defeasance agreement, the Company's credit facilities were reduced by the amount of the defeased Acceptances from September 30, 2014 to the Maturity Date. Following the maturity of the defeased Acceptances on October 3, 2014 the unutilized credit facilities available to the Company will increase by \$175.0 million.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of its Unsecured Committed Bank Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.5 to 1 and a debt to total EBITDA ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at September 30, 2014 and December 31, 2013.

The Company was in compliance with these covenants as at September 30, 2014 and December 31, 2013. These debt covenants are non-GAAP measures and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP measures do not have standardized meanings prescribed by IFRS and are not necessarily comparable to similarly titled measures of other entities. See *section 10 – Reconciliation of non-GAAP measures*, for additional information with respect to these debt covenants.

5.6 Long-Term Debt

The total long-term debt balance as at September 30, 2014 is \$390.5 million (U.S. \$350.0 million) {December 31, 2013 - \$374.4 million (U.S. \$350.0 million)}. The long-term debt has been designated as a hedge of the Company's net investment in a U.S. dollar functional currency subsidiary as described in note 13 of the interim unaudited consolidated financial statements for the quarter ended September 30, 2014.

Financial Ratios

The Company has undertaken to maintain certain covenants in respect of the Long-Term Debt. These are similar to the debt covenants described in section 5.5 above for the Company's Unsecured Committed Bank Credit Facility.

The Company was in compliance with all of the financial covenants for the long-term debt as at September 30, 2014.

5.7 Contingencies and Off Balance Sheet Arrangements

Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes these future payments required in respect of the Company's contractual obligations:

(in thousands of Canadian dollars)	2014	2015	2016	2017	2018	After 2018	Total
	\$	\$	\$	\$	\$	\$	\$
Purchase commitments	72,457	–	–	–	–	–	72,457
Operating leases	5,209	13,898	9,739	6,826	5,698	11,216	52,586
Bank indebtedness	87,488	–	–	–	–	–	87,488
Accounts payable	118,745	–	–	–	–	–	118,745
Decommissioning liabilities	449	3,578	5,789	–	995	26,084	36,895
Deferred purchase consideration	3,905	–	–	–	–	–	3,905
Obligations under finance leases	957	2,738	1,996	1,388	1,045	10,368	18,492
Long-term debt	–	–	–	–	–	390,495	390,495
Finance costs - long-term debt	–	13,691	13,691	13,691	13,691	71,327	126,091
Total contractual obligations	289,210	33,905	31,215	21,905	21,429	509,490	907,154

Legal Claims

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

Performance, Bid and Surety Bonds

The Company provides standby letters of credit for performance, bid and surety bonds through financial intermediaries to various customers in support of project contracts for the successful execution of these contracts. If the Company fails to perform under the terms of the contract, the customer has the ability to draw upon all or a portion of the bond as compensation for the Company's failure to perform. The contracts which these performance bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of bonds.

The Company's utilizes its credit facilities to support the Company's bonds. The Company had utilized credit facilities of \$132.2 million as at September 30, 2014 (December 31, 2013 – \$106.2 million) for support of its bonds.

5.8 Financial Instruments and Other Instruments

Fair Value

IFRS 13, Fair Value Measurement, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflects the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

- Level 1 Quoted prices in active markets for identical instruments that are observable.
- Level 2 Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

The following table presents the fair value hierarchy levels for the financial assets and liabilities that are measured at fair value on a recurring basis as at September 30, 2014 and for financial assets and liabilities where fair values are disclosed as at September 30, 2014:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	\$ 97,594	\$ 97,594	\$ –	\$ –
Short-term investments	6,375	6,375	–	–
Loans receivable	8,481	–	8,481	–
Trade accounts receivable	318,703	–	318,703	–
Other receivables	144,639	–	144,639	–
Derivative financial instruments	3,314	–	3,314	–
	\$ 579,106	\$ 103,969	\$ 475,137	\$ –
Liabilities				
Bank indebtedness	\$ 87,488	\$ 87,488	\$ –	\$ –
Loans payable	142	–	142	–
Accounts payable	119,549	–	119,549	–
Deferred purchase consideration	3,905	–	3,905	–
Long-term debt	390,495	–	390,495	–
Derivative financial instruments	1,282	–	1,282	–
	\$ 602,861	\$ 87,488	\$ 515,373	\$ –

The current derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates at the time the derivatives are acquired to the period-end rates quoted in the market. The fair values of the Company's remaining financial instruments are not materially different from their carrying values.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at September 30, 2014:

(in thousands, except weighted average rate amounts)			
Canadian dollars sold for U.S. dollars			
Less than one year		CAD\$	14,025
Weighted average rate			0.89
U.S. dollars sold for Euros			
Less than one year		US\$	470
Weighted average rate			0.76
U.S. dollars sold for Canadian dollars			
Less than one year		US\$	13,800
Weighted average rate			1.09

(in thousands, except weighted average rate amounts)

U.S. dollars sold for Malaysian Ringgits		
Less than one year	US\$	18,747
Weighted average rate		3.22
Malaysian Ringgits sold for U.S. dollars		
Less than one year	MYR	76,500
Weighted average rate		0.31
Australian dollars sold for U.S. dollars		
Less than one year	AUD	\$3,554
Weighted average rate		0.88
British pounds sold for Euros		
Less than one year	£	2,349
Weighted average rate		1.23
British pounds sold for U.S. dollars		
Less than one year	£	3,316
Weighted average rate		1.63
Euros sold for U.S. dollars		
Less than one year	€	29,791
Weighted average rate		1.35
Norwegian Kroners sold for U.S. dollars		
Less than one year	NOK	65,274
Weighted average rate		0.15

As at September 30, 2014, the Company had notional amounts of \$144.1 million of forward contracts outstanding (December 31, 2013 - \$115.2 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totalling \$2.0 million (December 31, 2013 - \$1.0 million net loss).

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of Company management. Material risks are monitored and are regularly reported to the Board of Directors.

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As at September 30, 2014, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the nine-month period ended September 30, 2014 by approximately \$45.8 million, \$8.4 million and \$6.4 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by \$66.9 million, \$22.0 million and \$44.9 million, respectively.

The objective of the Company's foreign exchange risk management activities is to minimize transaction

exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange contracts for speculative purposes. With the exception of the Company's U.S. dollar based operations, the Company does not hedge translation exposures.

Net Investment Hedge

The Company formally documents all relationships between hedging instruments and the hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Company's long-term debt has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the U.S. dollar as its functional currency. During the nine-month period ended September 30, 2014, a loss of \$16.2 million on the translation of this debt was transferred to other comprehensive income to offset the gains on translation of the net investment in the U.S. dollar functional subsidiaries. There was no ineffectiveness of this hedge for the quarter ended September 30, 2014.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at September 30, 2014:

(in thousands of Canadian dollars)	Non- Interest Bearing		Floating Rate		Fixed Interest Rate		Total
Financial assets							
Cash equivalents	\$	–	\$	–	\$	9	\$ 9
Loans receivable		–		4,221		4,260	8,481
	\$	–	\$	4,221	\$	4,269	\$ 8,490
Financial liabilities							
Bank indebtedness	\$	–	\$	9,590	\$	77,898	\$ 87,488
Loans payable		142		–		–	142
Long term debt		–		–		390,495	390,495
	\$	142	\$	9,590	\$	468,393	\$ 478,125

The Company's interest rate risk arises primarily from its floating rate bank indebtedness and long-term notes receivable and is not currently considered to be material.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, forward foreign exchange contracts, as well as credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments. For the quarter ended September 30, 2014 there was no customer that generated more than 10% of total consolidated revenue.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at September 30, 2014, the Company had cash and cash equivalents totalling \$97.6 million (December 31, 2013 – \$79.4 million) and had unutilized lines of credit available to use of \$107.5 million (December 31, 2013 - \$209.4 million).

5.9 Outstanding Share Capital

As at October 31, 2014, the Company had 64,488,649 common shares outstanding. In addition, as at October 31, 2014, the Company had stock options and share units outstanding to purchase up to 1,456,507 common shares.

5.10 Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5.11 Transactions with Related Parties

The Company had no material transactions with related parties in the third quarter of 2014. All related party transactions were in the normal course of business.

6.0 Critical Accounting Estimates and Accounting Policy Developments

6.1 Critical Accounting Estimates

The preparation of the interim unaudited consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets, liabilities and contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the period. These estimates and assumptions are made with management's best judgment given the information available at the time; however, actual results could differ from the estimates.

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

As at September 30, 2014, the Company had \$1,108.2 million of long-lived assets and goodwill. The Company evaluates the carrying values of the Cash Generating Units' ("CGU") goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions.

Employee Future Benefit Obligations

As at September 30, 2014, the Company had \$28.1 million of employee future benefit obligations. The Company provides future benefits to its employees under a number of defined benefit arrangements. The calculation of the accrued benefit obligations recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, long-term rates of return on pension plan assets, rates of employee compensation increases, rates of inflation, and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Provisions and Contingent Liabilities

As at September 30, 2014, the Company had \$47.7 million of provisions; of this amount \$13.7 million was included in current liabilities and \$34.0 million was included in non-current liabilities. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow

can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. The Company is required to determine whether a loss is probable based on judgment and interpretation of laws and regulations and whether the loss can be reliably measured. When a loss is determined it is charged to the consolidated statement of income. The Company must continually monitor known and potential contingent matters and make appropriate provisions by charges to income when warranted by circumstances.

Decommissioning Liabilities

As at September 30, 2014, the Company had decommissioning liabilities in the amount of \$22.5 million; of this amount \$4.0 million was included in the current provisions account and \$18.5 million was recorded in the non-current provisions account. Decommissioning liabilities include legal and constructive obligations related to owned and leased facilities. These have been recorded in the interim unaudited consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk free rate. A corresponding asset equal to the present value of the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in property, plant and equipment is depreciated on a straight line basis over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of income.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

Financial Instruments

The Company has determined the estimated fair values of its financial instruments not traded in an active market based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates, mainly based on market conditions existing at the end of each reporting period. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Income Taxes

The recording of income tax expense includes certain estimations related to the impact in the current year of future events. Differences between the estimated and actual impact of these events could impact tax expense, current taxes payable or deferred taxes. In particular, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in

interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the respective companies.

6.2 Accounting Standards Issued but not yet Applied

IFRS 9, Financial Instruments

IFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's ("IASB") work on the replacement of *IAS 39* and applies to classification and measurement of financial assets and financial liabilities as defined in *IAS 39*. The standard was initially effective for annual periods beginning on or after January 1, 2015; however, as a result of further amendments to *IFRS 9*, the standard will be effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15*, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. *IFRS 15* is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangibles

In May 2014, the IASB issued amendments to *IAS 16* and *IAS 38*, prohibiting the use of revenue based depreciation for property, plant and equipment and significantly limiting the use of revenue based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company is in the process of reviewing the amendments to determine the impact on the consolidated financial statements.

6.3 New Accounting Standards Adopted

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. *IFRIC 21* is effective for annual periods beginning on or after January 1, 2014. The Company's adoption of *IFRIC 21* did not have a material financial impact on the Company's interim unaudited consolidated financial statements.

7.0 Outlook

As a result of continuing growth in a number of its North American and EMAR business units and the contribution of revenue in the second half of this year from the recently acquired Desert NDT business, the Company expects that consolidated revenue in 2014, will exceed the level reported in 2013. However, the Company continues to expect that income from operations will lag the prior year as a result of lower margins on the products and services that are growing in volume in comparison with the revenue lost from the decline in large pipe coating project activity in Asia Pacific. The potential exists for an improvement in margins in 2015 over the second half 2014 levels as a result of the planned launch of production on a number of large pipe coating projects in the EMAR region. Barring a commodity price driven reduction in global oil and gas infrastructure investment, improved operating margins coupled with continued organic revenue growth would provide a basis for year over year growth in income from operations and net income in 2015. Further detail on the outlook for the Pipeline and Pipe Services segment by region and in the Petrochemical and Industrial segment is set out below:

Pipeline and Pipe Services Segment - North America

In 2014, ShawCor's North American Pipeline segment businesses are expected to generate solid revenue growth over 2013 levels and this expectation for growth has been evident throughout the first nine months of 2014. Revenue growth in 2014 is being led by increased pipe coating volumes from a full year of production at the Socotherm Gulf of Mexico plant, by increased activity in the US land market for Flexpipe composite pipe, Guardian OCTG pipe inspection and refurbishment, and Shaw Pipeline Services real-time radiography pipeline girth weld inspection. In the fourth quarter of 2014 and continuing in 2015, these sources of growth will be enhanced following the acquisition on July 8, 2014 of the Desert NDT business, which is currently operating at a full year revenue level of approximately \$120 million.

Pipeline and Pipe Services Segment - Latin America

The Company is projecting modest growth in 2014 over 2013 from Latin America as a result of increased offshore and large diameter gas transmission pipeline projects in Mexico, the increased downhole tubular and insulation coating production at the Socotherm Argentina facility, an increase in revenue in Brazil from the Sapinha deepwater insulation coating project, and increased shipments of Flexpipe composite pipe to Latin America. These sources of revenue growth will be partially offset by the fact that 2013 Latin America revenue had included approximately \$55 million from the now completed Technip project that was executed through the deployment of two portable concrete weight coating plants in Trinidad.

Pipeline and Pipe Services Segment - EMAR

In the first nine months of 2014, the Company's EMAR region has reported solid revenue growth over 2013 levels and this is expected to continue in the fourth quarter. Primary drivers of growth will continue to be stronger project revenues from the insulation coating facility in Orkanger, Norway, production on the South Stream Line 1 project at Leith, Scotland and the South Stream Line 2 and SCPX projects at Ras Al Khaimah, UAE, and the ramp up of production at Socotherm's Pozzallo, Sicily pipe coating facility to execute the Moho Nord deepwater insulation project.

Pipeline and Pipe Services Segment - Asia Pacific

In 2013, the Company generated record revenues in the Asia Pacific region as a result of the execution of the Inpex Ichthys gas export pipeline, Chevron Wheatstone export pipeline and flowlines, and Apache Julimar flowlines projects. These projects produced over \$510 million in revenue in 2013 and contributed to a level of activity that will decline by at least 50% in 2014. This decline was very evident in the third quarter and the Company expects that Asia Pacific revenue and earnings in the fourth quarter of 2014 will be consistent with the third quarter level. Beyond 2014, the Company remains confident that the Asia Pacific region will continue to provide compelling opportunities, particularly with the emergence of deepwater oil and gas developments that create opportunities for the Company to utilize its operational capability and unique product technologies.

Petrochemical and Industrial Segment

ShawCor's Petrochemical and Industrial segment businesses are significantly exposed to demand in the North American and European automotive, industrial and nuclear refurbishment markets. The Company expects that demand in the global industrial markets served by the Petrochemical and Industrial segment businesses will enable the Company to achieve modest growth in revenue in 2014. Income from operations ("Operating income") growth should exceed revenue growth due to the one-time charges of \$3.2 million incurred in 2013 and as a result of improved operational efficiencies associated with the consolidation of production activities at DSG-Canusa's new EMAR facility in Rheinbach, Germany.

Order Backlog

The Company's order backlog consists of firm customer orders only and represents the revenue the Company expects to realize on booked orders over the succeeding twelve months. The Company reports the twelve month

billable backlog because it provides a leading indicator of significant changes in consolidated revenue. The order backlog at September 30, 2014 increased to \$739 million from \$684 million at June 30, 2014 and from \$617 million at the beginning of the year. The Company has also seen an increase in bidding activity with the value of outstanding firm bids now exceeding \$1 billion. The growth in backlog and bidding activity coupled with the acquisition of Desert NDT and increasing activity in a number of the Company's businesses that generate small order and recurring revenues that don't enter the backlog, support the Company's outlook for growth in revenue and earnings in 2015 and beyond.

8.0 Risks and Uncertainties

Operating in an international environment, servicing predominantly the oil and gas industry, ShawCor faces a number of business risks and uncertainties that could materially and adversely affect its projections, businesses, results of operations and financial condition. During the nine-month period ended September 30, 2014, ShawCor was awarded a contract in connection with the South Stream Offshore Pipeline Project. If the current unrest in the Ukraine escalates, it is possible that this project and other pipeline activity in the region could be delayed or otherwise impacted. In addition, the Company is exposed to risks relating to economic or political developments in Argentina, Venezuela, and other developing countries. There were no other material changes in the nature or magnitude of such business risks during the quarter. A more complete outline of the risks and uncertainties facing the Company is included in the annual MD&A contained in the Company's 2013 Annual Report.

9.0 Environmental Matters

As at September 30, 2014, the provisions on the interim consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were \$22.5 million. The Company believes these provisions to be sufficient to fully satisfy all liabilities related to known environmental matters.

10.0 Reconciliation of Non-GAAP Measures

The Company evaluates its performance using a number of different measures that are not in accordance with GAAP and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP measures do not have standardized meanings prescribed by IFRS. The Company's method of calculating these measures may differ from other entities and as a result may not necessarily be comparable to measures used by other entities.

EBITDA and ADJUSTED EBITDA

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA is also a non-GAAP measure defined as EBITDA adjusted for non-operational items and non-controlling interest. The Company believes that EBITDA and Adjusted EBITDA are useful supplemental measures that provide a meaningful indication of the Company's results from principal business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions. The Company presents Adjusted EBITDA as a measure of EBITDA that excludes the impact of transactions that are outside the Company's normal course of business and adjusted for non-controlling interest. Refer to *section 2.1 – Selected Financial Information* of this report for a reconciliation of the Company's EBITDA and Adjusted EBITDA to its net income in accordance with GAAP.

Days Sales Outstanding ("DSO")

DSO is defined as the number of days trade accounts receivable are outstanding based on a 90 day cycle and is calculated by dividing the average trade accounts receivable balance for the quarter by the revenue for that same quarter, and multiplying by 90 days. DSO approximates the measure of the average number of days from when

the Company recognizes revenue until the cash is collected from the customer. The following table sets forth the calculation for the Company's DSO as at:

(in thousands of Canadian dollars, except DSO)	September 30 2014	December 31, 2013
Revenue for the quarter	\$ 469,597	\$ 409,759
Average trade accounts receivable	\$ 285,142	\$ 248,944
DSO	55	55

Days Payables Outstanding ("DPO")

DPO is defined as the average number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90-day cycle and is calculated by dividing the average accounts payable and accrued liabilities for the quarter by the cost of goods sold for that same quarter, and multiplying by 90 days. The following table sets forth the calculation for the Company's DPO as at:

(in thousands of Canadian dollars, except DPO)	September 30 2014	December 31, 2013
Cost of goods sold for the fourth quarter	\$ 300,681	\$ 247,114
Average accounts payable and accrued liabilities	\$ 240,112	\$ 240,639
DPO	72	88

11.0 Summary of Quarterly Results

The following is a summary of selected financial information for the eleven most recently completed quarters:

(in thousands of Canadian dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue					
2014	479,081	441,386	469,597	–	–
2013	454,681	457,261	525,848	409,759	1,847,549
2012	312,268	326,923	390,497	439,499	1,469,187
Income from operations					
2014	89,419	69,262	10,932	–	–
2013	89,125	78,536	104,877	47,236	319,774
2012	30,554	23,232	64,305	92,962	211,053
Net income^(a)					
2014	61,947	47,949	5,617	–	–
2013	70,595	53,914	72,956	22,397	219,862
2012	23,247	21,377	53,411	80,275	178,310
Income from operations per share^(b)					
Basic					
2014	1.48	1.15	0.18	–	–
2013	1.29	1.32	1.76	0.79	5.16
2012	0.43	0.33	0.92	1.32	3.00
Diluted					
2014	1.48	1.14	0.18	–	–
2013	1.28	1.31	1.74	0.78	5.11
2012	0.43	0.33	0.91	1.30	2.97
Net income per share^(b)					
Basic					
2014	1.03	0.80	0.09	–	–
2013	1.02	0.91	1.22	0.37	3.55
2012	0.34	0.30	0.76	1.14	2.53
Diluted					
2014	1.03	0.79	0.09	–	–
2013	1.01	0.90	1.21	0.37	3.51
2012	0.33	0.30	0.75	1.13	2.50

(a) Represents the net income attributable to shareholders of the Company.

(b) Based on the Class A and Class B shares for periods up to March 20, 2013; based on the common shares thereafter.

The following are key factors affecting the comparability of quarterly financial results.

The Company's operations in the Pipeline and Pipe Services segment, representing approximately 90% of the Company's consolidated revenue, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily U.S. dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars.

12.0 Forward-Looking Information

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward looking information in the Outlook section and elsewhere in respect of, among other things, the timing of major project activity, the sufficiency of resources, capacity and capital to meet market demand, to meet contractual obligations and to execute the Company's development and growth strategy, the impact of the existing order backlog and other factors on the Company's revenue and Operating Income in 2014 and 2015, and in the longer term, the impact of global economic activity on the demand for the Company's products, the impact of oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of the SAIS acquisition on the market position of the SPS division, the impact of the Desert acquisition on future earnings per share, the impact of changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the impact of instability in the Ukraine, Argentina and Venezuela and the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation matters and other claims generally, the level of payments under the Company's performance bonds, the outlook for revenue and Operating Income and the expected development in the Company's order backlog.

Forward looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. We caution readers not to place undue reliance on forward looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward looking information. Significant risks facing the Company include, but are not limited to: changes in global or regional economic activity and changes in energy supply and demand, which impact on the level of drilling activity and pipeline construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; fluctuations in foreign exchange rates, as well as other risks and uncertainties, as more fully described under the heading "Risks and Uncertainties" and included in the Company's annual MD&A.

These statements of forward looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include those in respect of continued global economic recovery, increased investment in global energy infrastructure, the Company's ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations in major oil and gas producing regions and the ability of the Company to satisfy all covenants under its credit facilities and the Senior Notes. The Company believes that the expectations reflected in the forward looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward looking information included in this document and the Company can give no assurance that such expectations will be achieved.

When considering the forward looking information in making decisions with respect to the Company, readers should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not assume the obligation to revise or update forward looking information after the date of this document or to

revise it to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

To the extent any forward looking information in this document constitutes future oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future oriented financial information and financial outlooks, as with forward looking information generally, are based on the assumptions and subject to the risks noted above.

13.0 Additional Information

Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

November 6th, 2014