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 years ended December 31, 2014 and 2013 and should be read together with ShawCor's audited consolidated financial statements and accompanying notes for the same periods. 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 audited 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 13 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 December 31, 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 91% of consolidated revenue for the year ended December 31, 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 9% of consolidated revenue for the year ended December 31, 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.

1.2 Vision and Objectives

ShawCor's vision and business strategy is to be the market leader and technology innovator with a primary focus on the global pipeline industry and to use this base as a platform to build an international energy services company while achieving the following key performance objectives:

- generate a Return on Invested Capital ("ROIC") of 15% over the full business cycle;
- generate average annual net income growth of 15% over the full business cycle;
- continuously improve health, safety and environmental ("HSE") performance as measured by recordable injuries per million person hours worked to support the Company's commitment to an Incident and Injury Free ("IIF") workplace;

1.3 Key Performance Drivers

The Company believes the following key performance drivers are critical to the success of its businesses:

- demand for the Company's products and services that is primarily determined by investment in new energy infrastructure necessary to supply global energy needs;
- current and forecasted oil and gas commodity prices and availability of capital to enable customers to finance energy infrastructure investment;
- the Company's competitive position globally and its ability to maintain operations in each of the major oil and gas producing regions;
- the Company's technology and its ability to research and commercialize innovative products that provide added value to customers and provide competitive differentiation;
- the Company's operational effectiveness and its ability to maintain efficient utilization of productive capacity at each geographic location;
- access to capital and maintenance of sufficient available liquidity to support continuing operations and finance growth activities;
- the ability to identify and execute successful business acquisitions that result in strategic global growth; and
- the ability to attract and retain key personnel.

1.4 Key Performance Indicators

Several of the drivers identified above are beyond the Company's control; however there are certain key performance indicators that the Company utilizes to monitor its progress in achieving its vision and performance objectives. These indicators are detailed below.

Certain of the following key performance indicators used by ShawCor are not measurements in accordance with GAAP, should not be considered as an alternative to net income or any other measure of performance under GAAP and may not necessarily be comparable to similarly titled measures of other entities. Refer to *Section 12 – Reconciliation of Non-GAAP* Measures, for additional information with respect to Non-GAAP measures used by the Company.

Net Income Growth

As part of its performance objectives, the Company has set a goal for average annual net income growth of 15% over the full business cycle, as described in *Section 1.2 – Vision and Objectives*. Net income (attributable to shareholders of the Company) decreased by $125.0 million, or 57%, from $219.9 million for the year ended December 31, 2013 to $94.9 million for the year ended December 31, 2014. The decrease was mainly due to the impairment charges of $120.4 million recorded in the third and fourth quarters of 2014, lower Adjusted Operating Income (a non-GAAP measure defined as Operating Income excluding impairment charges), as explained in section 4.1 below, the increase in loss from investment in joint ventures of $18.5 million, driven mainly by the Venezuela impairment, and a net increase in finance cost of $3.5 million. This was partially offset by lower income tax expense of $57.4 million, higher net gain on assets held for sales of $10.1 million and the impact of changes in non controlling interest of $3.4 million.

Return on Invested Capital ("ROIC")

ROIC, a non-GAAP measure, is defined as net income for the year adjusted for after tax interest expense divided by average invested capital for the most recently completed year. ROIC is used by the Company to assess the efficiency of generating profits from each unit of invested capital. As part of its performance objectives, the Company has set an ROIC target of 15%, as described in *Section 1.2 – Vision and Objectives.* The Company's ROIC for the years ended December 31, 2014 and 2013 was 8.5% and 23.5%, respectively. The decrease of 15 percentage points was primarily due to a decrease of $122.7 million in net income for the year, adjusted for after-tax interest expense combined with an increase in average invested capital of $289.9 million.

Safety and Environmental Stewardship

The Company maintains a comprehensive HSE management system in place within each of its nine operating divisions and is committed to being an IIF workplace with no damage to the environment. For the years ended December 31, 2014 and December 31, 2013, the Company had recordable injuries per million person hours worked of 7.0 and 5.9, respectively. During 2014, the Company completed 20 HSE audits at manufacturing and service locations across all nine divisions and developed action plans to correct any deficiencies identified in the audits.

1.5 Capability to Deliver Results

Capital Resources

The Company operates in the global energy industry and, as a result, the operations of the Company tend to be cyclical. In addition, the Company can undertake major pipe coating projects anywhere in the world as part of its normal operations. These factors, as well as the Company's growth initiatives, can result in variations in the amount of investment in property, plant and equipment, working capital and project guarantees required to support the Company's businesses. The Company's policy is to manage its financial resources, including debt facilities, so as to maintain sufficient financial capacity to fund these investment requirements.

Capital expenditures increased by $0.9 million from $76.7 million for the year ended December 31, 2013 to $77.6 million for the year ended December 31, 2014. The Company believes it has sufficient available resources and capacity to meet the market demand for its products and services in the markets where the Company operates. The Company may, however, incur new capital expenditures to facilitate growth in new markets.

The current level of working capital investment is expected to be sufficient to support the level of business activity projected in 2015; however, unexpected increases in business activity or specific pipe coating project requirements may result in higher working capital requirements. Any such increase in requirements will be financed from the Company's cash balances and available committed credit facilities. The Company had cash and cash equivalents and short term investments of $117.1 million and $86.0 million as at December 31, 2014 and 2013, respectively, and had unutilized lines of credit available of $381.0 million and $209.5 million, as at December 31, 2014 and 2013, respectively.

The current financial position of the Company is strong and the Company does not foresee any difficulties in maintaining a sufficient level of financial capacity to execute the Company's growth strategy.

Please refer to *Section 5 – Liquidity and Capitalization*, for additional information with respect to the Company's liquidity and financial position.

Non-Capital Resources

The Company considers its people as the most significant non-capital resource required in order to achieve the vision and objectives identified above. The Company's executives are comprised of senior business leaders who bring a broad range of experience and skill sets in the oil and gas industry, finance, tax, law and corporate governance. The leadership team's experience combined with the employees' knowledge and dedication to excellence has resulted in a long history of proven financial success and stability, with the resulting creation of value for the Company's stakeholders.

On an ongoing basis, the Company monitors its succession planning program in order to mitigate the impact of planned or unplanned departures of key personnel. As at December 31, 2014, the Company believes it has sufficient human resources to operate its businesses at an optimal level and execute its strategic plan.

Systems and Processes

Management regularly reviews the Company's operational systems and processes and develops new ones as required. Key operational programs utilized by the Company during the year ended December 31, 2014 included systems and controls over project bidding, capital expenditures, internal controls over financial reporting, product development, HSE management and human resource development. In addition, the ShawCor Manufacturing System ("SMS") program has been implemented to increase operating efficiency and achieve significant cost savings in each of the Company's nine divisions.

As at December 31, 2014, the Company believes it has sufficient systems and processes in place to operate its businesses at an optimal level and execute its strategic plan.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars)	Twelve Months Ended December 31,		
	2014	2013	2012
			(restated)
Revenue	**$ 1,890,029**	$ 1,847,549	$ 1,469,187
Cost of Goods Sold and Services Rendered	**1,166,319**	1,058,946	895,004
Gross Profit	**723,710**	788,603	574,183
Selling, general and administrative expenses	**375,153**	382,755	306,108
Research and development expenses	**13,053**	15,687	12,242
Foreign exchange gains	**(3,747)**	(4,936)	(109)
Amortization of property, plant and equipment	**55,219**	66,484	44,985
Amortization of intangible assets	**15,587**	10,312	7,319
Gain on sale of land	**(609)**	(5,156)	(12,101)
Impairment[a]	**120,378**	–	4,686
Income from Operations	**148,676**	323,457	211,053
Accounting gain on acquisition	–	–	413
Gain (loss) on assets held for sale	**6,427**	(3,683)	–
Income on investment in associate	**877**	–	8,694
(Loss) income on investment in joint ventures	**(22,375)**	(3,874)	618
Finance (costs) income, net	**(18,401)**	(14,912)	1,360
Income before Income Taxes	**115,204**	300,988	222,138
Income taxes	**21,010**	78,402	43,783
Non-controlling interest	**(667)**	2,724	45
Net Income (attributable to shareholders of the Company)	**$ 94,861**	$ 219,862	$ 178,310
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Add:			
Income taxes	**21,010**	78,402	43,783
Accounting gain on acquisition	–	–	(413)
Finance costs, net	**18,401**	14,912	(1,360)
Amortization of property, plant, equipment and intangible assets	**70,806**	76,796	52,304
Gain on sale of land and others	**(609)**	(5,156)	(12,101)
Impairment[a]	**120,378**	–	4,686
Impairment of investments in joint ventures	**18,948**	–	–
EBITDA[b]	**$ 343,795**	$ 384,816	$ 265,209
Non-controlling interest	**(667)**	2,724	45
(Gain) loss on assets held for sale	**(6,427)**	3,683	–
ADJUSTED EBITDA[b]	**$ 336,701**	$ 391,223	$ 265,254
Per Share Information:			
Net Income			
Basic	**$ 1.55**	$ 3.55	$ 2.53
Diluted	**$ 1.53**	$ 3.51	$ 2.50
Cash Dividend per Share:			
Common Shares	**$ 0.575**	$ 1.375	$ –
Class A	**–**	0.100	0.380
Class B	**$ –**	$ 0.091	$ 0.345

(a) Relates mainly to the Bredero Shaw Brasil, Socotherm Gulf of Mexico and Bridgen plant impairments; refer to section 3.0 for additional details.

(b) 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 12.0 – Reconciliation of non-GAAP Measures*, for additional information with respect to other non-GAAP measures used by the Company.

(in thousands of Canadian dollars)		**December 31, 2014**		December 31, 2013
Total Assets	**$**	**1,939,970**	$	1,651,928
Total Non-current Liabilities	**$**	**524,462**	$	542,278

Revenue

Consolidated revenue increased by $42.4 million, or 2%, from $1,847.6 million for the year ended December 31, 2013, to $1,890.0 million for the year ended December 31, 2014, due to an increase of $29.0 million in the Pipeline and Pipe Services segment and an increase of $14.6 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 below.

Consolidated revenue increased by 26%, or $378.4 million, from $1,469.2 million for the year ended December 31, 2012 to $1,847.6 million for the year ended December 31, 2013, due to increases of $363.5 million in the Pipeline and Pipe Services segment and $15.4 million in the Petrochemical and Industrial segment.

Income from Operations

During 2014, the Company recorded impairment charges of $120.4 million. Excluding these charges, Adjusted Operating Income (refer to *Section 12.0 – Reconciliation of non-GAAP measures*) decreased by $54.4 million, from the year ended December 31, 2013 to $269.1 million during the comparable period in 2014. Adjusted Operating Income was impacted by a year over year decrease in gross profit of $64.9 million, a decrease in net foreign exchange gains of $1.2 million and a lower gain on sale of land of $4.5 million. These reductions were partially offset by decreases in SG&A expenses of $7.6 million, in research and development expenses of $2.6 million and in amortization of property, plant, equipment and intangible assets of $6.0 million.

Income from operations increased by $112.4 million from the year ended December 31, 2012 to $323.5 million during the comparable period in 2013. Operating Income benefited from a year over year increase in gross profit of $214.4 million, an increase in net foreign exchange gain of $4.8 million and an impairment charge of $4.7 million incurred in 2012. This was partially offset by increases in SG&A expenses of $76.6 million, research and development expenses of $3.4 million, amortization of property, plant, equipment and intangible assets of $24.5 million and a lower gain on sale of land of $6.9 million.

Net Income (attributable to shareholders of the Company)

Net income decreased by $125.0 million, from $219.9 million during the twelve-month ended December 31, 2013 to $94.9 million during the twelve-month period ended December 31, 2014. This decrease was mainly due to the impairment charges of $120.4 million recorded in the third and fourth quarters of 2014, lower Adjusted Operating Income, as explained above, the increase in loss from investment in joint ventures of $18.5 million, driven mainly by the Venezuela impairment, and a net increase in finance cost of $3.5 million. This was partially offset by lower income tax expense of $57.4 million, higher net gain on assets held for sale of $10.1 million and the impact of changes in non controlling interest of $3.4 million.

Net income increased by $41.6 million, from $178.3 million during the twelve-month ended December 31, 2012 to $219.9 million during the twelve-month period ended December 31, 2013, mainly due to higher Operating Income of $112.4 million in 2013 as explained above. This was partially offset by increases in net finance costs of $16.3 million, income tax expense of $34.6 million and income on investment in associate of $8.7 million recorded in 2012.

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:

	Year Ended December 31	
	2014	2013
US Dollar	**1.1064**	1.0324
Euro	**1.4638**	1.3734
British Pound	**1.8178**	1.6204

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)		Year Ended December 31, 2014
Revenue	**$**	**50,166**
Income from operations		**12,349**
Net income (attributable to shareholders of the Company)		**14,623**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $3.7 million in 2014, compared to a gain of $4.9 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

Equity investment in ZEDI Inc.

On February 20, 2014, ShawCor completed an equity investment in Zedi Inc. ("Zedi"), a Calgary, Alberta based company engaged in end-to-end solutions for production operations management in the oil and gas industry. Zedi has successfully developed and deployed remote field monitoring and related data management solutions for the optimization of oil and gas well production. Zedi also completed a management led buyout through an Alberta court and shareholder approved plan of arrangement. ShawCor's equity investment in Zedi consists of an approximately 25% common share interest plus convertible preferred shares for a total investment of approximately $24 million, which was accounted for using the equity method of accounting.

Moho Nord Subsea Project in Congo

On February 25, 2014, ShawCor, through its Socotherm pipe coating division, received a contract with a value in excess of US$40 million from Tenaris S.A. to provide pipeline coatings for the Moho Nord Oil Pipeline project. The Moho Nord project is located in water depths of 650 to 1,150 metres approximately 75 kilometers off the Congo coast in West Africa. The contract was executed primarily at the Socotherm pipe coating facility in Pozzallo, Italy with additional work completed at Socotherm's facilities in Adria, Italy and Escobar, Argentina.

South Stream Offshore Pipeline Project

On February 26, 2014, ShawCor, through its Bredero Shaw pipe coating division, received a contract with a value of approximately US$50 million from EUROPIPE GmbH for the concrete weight coating of Line 1 of the South Stream Offshore Pipeline. The South Stream Offshore Pipeline system is comprised of 4 pipelines that will cross the Black Sea and transport gas from Russia to Bulgaria and on to Central and Southern Europe. The contract will be executed at the Bredero Shaw pipe coating facility in Leith, Scotland. This contract involves coating approximately 148km of 32" pipe with concrete weight coating.

On June 30, 2014, the Company announced its Bredero Shaw pipe coating division, had received a contract with a value of approximately US$50 million from Marubeni Sumitomo Consortium for coating services for Line 2 of the South Stream Offshore Pipeline. The contract will be executed at a pipe coating facility in Bredero Shaw's Europe, Middle East, Africa and Russia (“EMAR”) region. This contract involves coating approximately 342 km of 32" pipe with 3-Layer Polypropylene and internal flow coating.

On July 3, 2014, the Company announced that its field-applied pipeline coatings and services division, Canusa-CPS, had received a contract with a value of approximately Cdn $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.

On December 18, 2014, the Company announced the majority of the work associated with its South Stream contracts had been suspended pursuant to suspension notices received from each customer. The suspensions received are applicable for a limited period of time and none of these contracts has been terminated to date. At this time, there can be no assurance as to whether these projects will be reactivated or subsequently terminated.

Shah Deniz Project in Azerbaijan

On May 22, 2014, the Company announced its Bredero Shaw pipe coating division, had received a contract with a value of approximately US$70 million from BP Exploration (Shah Deniz) Ltd. for and on behalf of the South Caucasus Pipeline Company Ltd. for coating services for the South Caucasus Pipeline Expansion (“SCPX”) project. The objective of the SCPX Project is to expand the capacity of the existing South Caucasus Pipeline system to accommodate additional gas throughput from the Shah Deniz Stage 2 development in the Azerbaijan sector of the Caspian Sea.

This contract involves coating approximately 491 km of predominately 48" pipe with 3-Layer Polyethylene and internal flow coating. Coating commenced in 2014 and is expected to be completed in late 2015.

On November 18, 2014, the Company announced that its Bredero Shaw pipe coating division had received a second contract with a value of approximately US$200 million from BP Exploration (Shah Deniz) Limited for pipeline coating for the Shah Deniz Stage 2 development project. The contract is scheduled to be executed at the Caspian Pipe Coatings (CPC) plant in Baku, Azerbaijan.

The contract awarded involves the application of anti-corrosion and concrete weight coatings and upgrades to the CPC plant in Baku to enable the facility to meet the project's requirements for anti-corrosion and concrete weight coating.

Coating is expected to commence in 2015 with completion planned for October 2015.

Together with the previously awarded contracts relating to the Shah Deniz Stage 2 and the related South Caucasus Pipeline projects, Bredero Shaw has now secured contracts totaling over US$500 million on these projects.

Retirement of Bill Buckley and Appointment of Steve Orr as CEO

On May 1, 2014, Bill Buckley retired as Chief Executive Officer of ShawCor at the Company's Annual Meeting, where he was also re-elected as a director of the Company. Steve Orr, the President of ShawCor at that time, succeeded him as CEO on that date and was also elected as a director at the meeting.

Acquisition of Scotia Automated Inspection Service

On April 23, 2014, the Company acquired the assets and business of Scotia Automated Inspection Service ("SAIS"), a provider of Non Destructive Testing ("NDT") services based in the North of Scotland (Inverness). SAIS currently markets its services into the North Sea region - UK, Norway and Netherlands.

SAIS' current offerings include traditional NDT services such as film radiography, manual ultrasonic, magnetic particle and liquid penetrate inspections. The acquisition of the SAIS business will allow the Company's Shaw Pipeline Services ("SPS") division to expand its global offshore pipeline inspection market position by providing SAIS with advanced NDT technologies that further enhance SAIS' relationships with current and new customers.

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"), for a total consideration of US$263.9 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.

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 approximately US$29.7 million.

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.

Completion of approximately $230 million bought public 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 "Issue Price") for gross proceeds of $200.2 million (the “Offering”).

The 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").

On October 3, 2014, the Underwriters exercised in full an 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 increased the total gross proceeds of the Offering to $230.2 million.

The Company used 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.

Impairment Charges

The Company incurred an impairment charge of $41.4 million ($29.4 million net of tax) 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 was calculated based on a variety of factors, including 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. The Company is committed to continuing to serve the Brazil market for deep water pipe coatings.

On December 22, 2014, the Company announced that it expected to incur an after tax impairment charge of up to approximately $80 million. The final amount of the impairment charges of $97.9 million ($70.0 million net of tax) was recorded by the Company in the fourth quarter of 2014. The impairment charges recorded related to goodwill and intangible assets of the Socotherm Gulf of Mexico coating facility in Channelview, Texas, property, plant and equipment of other company assets in the Gulf of Mexico, and the carrying value of Socotherm's 50% joint venture interest in Venezuela. The charge results from recently conducted annual impairment testing under IFRS of the carrying value of ShawCor's long lived assets.

The write-down of goodwill and intangible assets associated with the Socotherm Gulf of Mexico facility was based primarily on two factors: (i) anticipated market developments in the Gulf of Mexico including the likelihood of project delays as a result of the recent global decline in oil prices, and (ii) the Company's intention to shift non-Gulf of Mexico production from the Channelview, Texas operations to Pozzallo, Italy following the successful launch of production at the Pozzallo facility which is better positioned logistically to service project activity in Europe, the Middle East and Africa. The write down of the joint venture interest in Venezuela was primarily the result of the accelerating devaluation of the local currency in Venezuela.

The write-down is a non-cash charge that will not impact the Company's ability to generate revenue from its operations in the Gulf of Mexico or Venezuela.

Acquisition of Dhatec B.V.

On January 5, 2015, the Company announced that it had completed the acquisition of Dhatec B.V. ("Dhatec"). Dhatec is a Netherlands based company which designs, assembles and markets engineered pipe logistics products and services which mitigate damage and enhance safety and efficiency in the manufacturing, coating, handling, transportation, preservation and storage of pipe. Dhatec's revenue in 2014 was approximately US$25 million.

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)		**2014**		2013		Change
Pipeline and Pipe Services	$	**1,716,789**	$	1,687,768	$	29,021
Petrochemical and Industrial		**177,033**		162,449		14,584
Elimination		**(3,793)**		(2,668)		(1,125)
Consolidated	$	**1,890,029**	$	1,847,549	$	42,480

Consolidated revenue increased by $42.4 million, or 2%, from $1,847.6 million for the year ended December 31, 2013 to $1,890.0 million for the year ended December 31, 2014, due to an increase of $29.0 million in the Pipeline and Pipe Services segment and an increase of $14.6 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above.

Revenue for the Pipeline and Pipe Services segment in 2014 was $1,716.8 million, or $29.0 million higher than in 2013, primarily due to higher activity levels in North America, Latin America and EMAR, partially offset by decreased revenue 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.

Revenue for the Petrochemical and Industrial segment increased by $14.6 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)		2014		2013		Change
Income from operations	**$**	**148,676**	$	323,457	$	(174,781)
Adjusted Operating Income[(a)]		**269,054**		323,457		(54,403)
Adjusted Operating Margin[(b)]		**14.2%**		17.5%		(3.3%)

(a) Adjusted Operating Income is Operating Income excluding impairment charges and is a non-GAAP measure. Please refer to Section 12.0 for a reconciliation of non-GAAP measures to GAAP measures.
(b) Adjusted Operating Margin is defined as Adjusted Operating Income divided by revenue and is a non-GAAP measure.

Adjusted Operating Income decreased by $54.4 million from the year ended December 31, 2013 to $269.1 million in the year ended December 31, 2014. Adjusted Operating Income was impacted by a year over year decrease in gross profit of $64.9 million, a decrease in net foreign exchange gains of $1.2 million and a lower gain on sale of land of $4.5 million. These reductions were partially offset by decreases in SG&A expenses of $7.6 million, in research and development expenses of $2.6 million and in amortization of property, plant, equipment and intangible assets of $6.0 million.

The decrease in gross profit resulted from a 4.4 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 partially offset by the higher revenue in 2014, as explained above.

SG&A expenses decreased by $7.6 million in 2014 compared to 2013. The reduction in SG&A expenses was the 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 and higher bad debts and warranty provisions recorded in 2013 of $6.4 million, combined with lower management incentive compensation expenses of $24.3 million in 2014. These reductions in SG&A expenses were partially offset by increases over the prior year of $18.7 million in personnel related costs, $9.5 million from the acquisition of Desert NDT and $9.0 million of rental and building costs primarily associated with pipe storage and increased activity in EMAR.

Finance Costs, Net

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

(in thousands of Canadian dollars)		2014		2013		Change
Interest income on short-term deposits	**$**	**(1,229)**	$	(1,156)	$	(73)
Interest expense, other		**6,210**		5,949		261
Interest expense on long-term debt		**13,420**		10,119		3,301
Finance costs – net	**$**	**18,401**	$	14,912	$	3,489

In 2014, net finance cost was $18.4 million, compared to a net finance cost of $14.9 million in 2013. The increase in net finance cost was primarily a result of higher interest on long-term debt that was issued on March 20, 2013.

Income Taxes

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

(in thousands of Canadian dollars)		**2014**		2013		Change
Income tax expense	$	**21,010**	$	78,402	$	(57,392)

The Company recorded an income tax expense of $21.0 million in 2014 compared to an income tax expense of $78.4 million in 2013. Excluding the impact of impairment charges ($139.3 million, deferred tax of $39.9 million), the Company recorded an income tax expense of $60.9 million (24% of income before income taxes) in 2014 compared to an income tax expense of $78.4 million (26% of income before income taxes) in 2013. The Company's tax rate for the twelve month period ended December 30, 2014 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, Adjusted Operating Income and Adjusted Operating Margin for the Pipeline and Pipe Services segment for the following periods:

(in thousands of Canadian dollars, except Adjusted Operating Margin)		**2014**		2013		Change
North America	**$**	**787,809**	$	671,317	$	116,492
Latin America		**185,057**		161,627		23,430
EMAR		**400,480**		191,814		208,666
Asia Pacific		**343,443**		663,010		(319,567)
Total Revenue	**$**	**1,716,789**	$	1,687,768	$	29,021
Adjusted Operating Income[(a)]	**$**	**279,859**	$	368,805	$	(88,946)
Adjusted Operating Margin[(b)]		**16.3%**		21.9%		(5.6%)

(a) Adjusted Operating Income is Operating Income excluding impairment charges and is a non-GAAP measure. Please refer to Section 12.0 for a reconciliation of non-GAAP measures to GAAP measures.
(b) Adjusted Operating Margin is defined as Adjusted Operating Income divided by revenue and is a non-GAAP measure

Revenue in the Pipeline and Pipe Services segment for the year ended December 31, 2014 was $1,716.8 million, an increase of $29.0 million, from $1,687.8 million for the year ended December 31, 2013. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above, combined with higher revenue in North America, EMAR and Latin America, offset by lower activity levels in Asia Pacific:

- In North America, revenue increased by $116.5 million, or 17%, primarily due to the addition of approximately $61.0 million in revenue from the acquisition of Desert NDT in the third quarter of 2014, increased flexible composite pipe volume in the US, higher revenues from tubular management services and higher volumes at the Socotherm Gulf of Mexico facility. This was partially offset by lower activity levels in small diameter pipe coatings in the US.
- Latin America revenue was higher by $23.4 million, or 14%, due to increased large project activity in Mexico at both the Veracruz and Coatzacoalcos facilities and higher activity levels in Brazil for the Sapinhoa project. This was partially offset by lower revenue on the Technip project in Trinidad, which was completed in 2013.
- EMAR revenue increased by $208.6 million, or 109%, due to higher activity levels at the Socotherm

facilities in Italy, increased pipe coating activity levels at the Leith, Scotland and RAK facilities and the Shah Deniz II project in the Caspian, and higher revenue from pipe weld inspection services due to the acquisition of SAIS in the first quarter of 2014.

- Revenue in Asia Pacific decreased by $319.6 million, or 48%, 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.

Adjusted Operating Income for the year ended December 31, 2014 was $279.9 million compared to $368.8 million for the year ended December 31, 2013, a decrease of $88.9 million, or 24% due to the following factors:

- Lower gross profit of $66.9 million driven by a 4.6 percentage point decrease in gross margin due to less favourable project mix, 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, partially offset by higher revenue of $29.0 million, as explained above.
- Higher SG&A expenses, primarily due to the due to the inclusion of $9.5 million of SG&A expenses from the newly acquired Desert NDT business and higher rental and building costs, mainly due to higher activity in the EMAR region.
- A $5.2 million gain on sale of land recorded in the fourth quarter of 2013.

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, except Operating Margin)		**2014**		2013		Change
North America	**$**	**107,338**	$	101,117	$	6,221
EMAR		**62,629**		55,457		7,172
Asia Pacific		**7,066**		5,875		1,191
Total Revenue	**$**	**177,033**	$	162,449	$	14,584
Operating Income	**$**	**26,750**	$	20,576	$	6,174
Operating Margin		**15.1%**		12.7%		2.4%

In the year ended December 31, 2014, revenue increased by $14.6 million, or 9%, to $177.0 million compared to the year ended December 31, 2013, due to increased shipments of wire and cable products to 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 year ended December 31, 2014 was $26.8 million compared to $20.6 million for the year ended December 31, 2013, an increase of $6.2 million, or 30%. The increase was primarily due to lower SG&A expenses of $4.1 million in 2014 compared to 2013, primarily due to restructuring charges of $3.2 million recorded in the fourth quarter of 2013. In addition, gross profit was higher by $2.0 million as a result of the increase in revenue of $14.6 million, as explained above, partially offset by a 1.0 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)		**2014**		2013		Change
Financial and corporate expenses	**$**	**(41,302)**	$	(70,860)	$	(29,558)

Financial and corporate costs decreased by $29.6 million from the twelve month period ended December 31, 2013 to $41.3 million for the twelve month period ended December 31, 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, management incentive compensation expenses were lower by $16.0 million and restructuring costs reduced by $2.6 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)		**2014**		2013
Net Income	**$**	**94,194**	$	222,586
Non-cash items		**194,540**		115,603
Settlement of decommissioning obligations		**(215)**		(817)
Settlement of other provisions		**(16,824)**		(19,449)
Net change in non-current deferred revenue		–		(64,392)
Net change in employee future benefits		**33**		(20,994)
Net change in non-cash working capital and foreign exchange		**(83,743)**		(200,273)
Cash provided by operating activities		**187,985**		32,264
Cash used in investing activities		**(347,806)**		(38,066)
Cash provided by (used in) financing activities		**190,463**		(215,734)
Foreign exchange impact on cash and cash equivalents		**6,519**		15,950
Net Change in Cash and Cash Equivalents		**37,161**		(205,586)
Cash and cash equivalents at beginning of Year		**79,395**		284,981
Cash and Cash Equivalents at End of Year	**$**	**116,556**	$	79,395

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

Cash provided by operating activities was $188.0 million in 2014, an improvement of $155.7 million compared to 2013. The improvement was due to a change in the movement of non-cash working capital and foreign exchange of $116.5 million, an increase in non-cash items of $78.9 million and a net reduction in the movement of non-current deferred revenue of $64.4 million in 2014 compared to the prior year. This was partially offset by a decrease in net income of $128.4 million. The change in the movement of non-cash working capital and foreign exchange reflected a net decrease in the current portion of deferred revenue of $310.3 million in 2014 compared to 2013. This was partially offset by net increases in accounts receivable of $88.0 million and in income tax payable, inventories and prepaid expenses totaling $110.1 million in 2014 compared to 2013. Net income decreased due to the reasons as discussed in Section 2.1.

5.2 Cash Used in Investing Activities

Cash used in investing activities increased by $309.7 million from $38.1 million during 2013 to $347.8 million during 2014. The increase was due to an increase in the business acquisition activities of $250.8 million, primarily due to the Desert NDT acquisition, a net decrease of $65.3 million in the redemption of short term investments, an increase in investment in associate of $18.0 million, and an increase in other assets of $10.0 million both relating to investments made in Zedi Inc., and the payment of deferred purchase consideration of $18.8 million in 2014. This was partially offset by the proceeds from assets held for sale of $46.4 million during 2014.

5.3 Cash Provided by (Used in) Financing Activities

Cash provided by financing activities was $190.5 million for 2014 compared to cash used in financing activities of $215.7 million for 2013, a net change of $406.2 million. This was partially due to the increase in the issue of new shares of $208.1 million. 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 $53.2 million in 2013 compared to 2014 as a result of the 2013 special dividend. These 2013 uses of cash were partially offset by the proceeds from the issuance of long term debt 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 December 31:

(in thousands of Canadian dollars, except DSO)		**2014**		2013		Change
Average trade accounts receivable	**$**	**341,218**	$	248,944	$	92,274
DSO[(a)]		**61**		55		6

(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 12 – Reconciliation of non-GAAP measures* for additional information with respect to DSO.

Average trade accounts receivables increased by $92.3 million from $248.9 million as at December 31, 2013 to $341.2 million as at December 31, 2014 as a result of increased revenue in the fourth quarter of 2014 compared with the fourth quarter a year ago. DSO increased by 6 days from 55 during the fourth quarter of 2013 to 61 during the fourth quarter of 2014, primarily due to the timing of sales and collection of receivables in the fourth quarter of 2014 compared to the fourth quarter of 2013 and due to the larger drawdown in deferred revenue in the fourth quarter of 2013.

Inventories

The following table sets forth the Company's inventories balance as at December 31:

(in thousands of Canadian dollars)		**2014**		2013		Change
Inventories	**$**	**194,732**	$	180,876	$	13,856

Inventories increased by $13.8 million from $180.9 million as at December 31, 2013 to $194.7 million as at December 31, 2014, as a reduction in raw materials of $7.5 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)		**2014**		2013		Change
Average accounts payable and accrued liabilities	**$**	**261,088**	$	240,639	$	20,449
DPO[(a)]		**73**		88		(15)

(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 12 – Reconciliation of non-GAAP measures*, for additional information with respect to DPO.

Average accounts payable and accrued liabilities increased by $20.5 million from $240.6 million as at December 31, 2013, to $261.1 million as at December 31, 2014. DPO decreased by 15 days from 2013 levels, due to changes in the timing of purchases in the fourth quarter of 2014 compared with the prior year.

5.5 Unsecured Credit Facilities

(in thousands of Canadian dollars)		**2014**		2013
Bank indebtedness	**$**	**4,685**	$	5,229
Standard letters of credit for performance, bid and surety bonds		**137,667**		106,206
Total utilized credit facilities		**142,352**		111,435
Total available credit facilities[(a)]		**523,305**		320,910
Unutilized credit facilities	**$**	**380,953**	$	209,475

a) 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 US$100 million from US$150 million to US$250 million, with an option to increase the credit limit to US$400 million with the consent of lenders. On June 16, 2014, the option to increase the credit limit to US$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to US $550 million with the consent of the lenders was added. 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 is US$50 million.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of its 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 December 31, 2014 and December 31, 2013.

The Company was in compliance with these covenants as at December 31, 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 12 – Reconciliation of non-GAAP measures*, for additional information with respect to these debt covenants.

5.6 Long-Term Debt

In March 2013, the Company issued Senior Notes for gross proceeds of US$350 million, bearing interest at rates between 2.98% and 4.07% and having maturities ranging from 7 to 15 years. The total long-term debt balance as at December 31, 2014 is $406.9 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 section 5.8 below.

Financial Ratios

The Company has undertaken to maintain certain covenants in respect of the long-term debt that are consistent with the debt covenants described for the Company’s Credit Facility above.

The Company was in compliance with these covenants as at December 31, 2014 and December 31, 2013.

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)	2015	2016	2017	2018	2019	After 2019	Total
Purchase commitments	$71,363	$ –	$ –	$ –	$ –	$ –	$71,363
Bank indebtedness	4,685	–	–	–	–	–	4,685
Loan payable	58	63	–	–	–	–	121
Accounts payable	89,077	–	–	–	–	–	89,077
Deferred purchase consideration	4,873	–	–	–	–	–	4,873
Long-term debt	–	–	–	–	–	406,926	406,926
Finance costs on long-term debt	13,835	13,835	13,835	13,835	13,835	72,076	141,251
Obligations under finance leases	1,891	1,378	1,357	1,336	1,336	11,640	18,938
Operating leases	20,711	15,423	8,917	6,077	4,710	9,969	65,807
Total contractual obligations	$206,493	$30,699	$24,109	$21,248	$19,881	$500,611	$803,041

The following table sets forth the Company's future minimum finance lease payments:

(in thousands of Canadian dollars)		**2014**
Total future minimum lease payments	**$**	18,938
Less: imputed interest		(5,443)
Balance of obligations under finance leases		13,495
Less: current portion		(1,222)
Non – current obligations under finance leases	**$**	12,273

As at December 31, 2014, the Company has not entered into any material commitments for capital expenditures.

<u>Legal Claims</u>

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.

<u>Performance, Bid and Surety Bonds</u>

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 $142.4 million as at December 31, 2014 (December 31, 2013 – $111.4 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 as at December 31, 2014:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 116,556	$ 116,556	$ –	$ –
Short-term investments	550	550	–	–
Derivative financial instruments	5,578	–	5,578	–
Convertible preferred shares	10,000	–	–	10,000
Deposit guarantee	893	–	893	–
	$ 133,577	**$ 117,106**	**$ 6,471**	**$ 10,000**
Liabilities				
Bank indebtedness	$ 4,685	$ 4,685	$ –	$ –
Deferred purchase consideration	4,873	–	4,873	–
Long-term debt	406,926	–	406,926	–
Derivative financial instruments	794	–	794	–
	$ 417,278	**$ 4,685**	**$ 412,593**	**$ –**

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.

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 December 31, 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 year then ended by approximately $61.7 million, $8.6 million and $6.8 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 $76.3 million, $20.0 million and $56.3 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.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. 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 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 December 31, 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	1.13
U.S. dollars sold for Canadian dollars	
Less than one year	US$ 13,200
Weighted average rate	1.11
U.S. dollars sold for Malaysian Ringgits	
Less than one year	US$ 2,800
Weighted average rate	3.50
Euros sold for U.S. dollars	
Less than one year	€ 44,020
Weighted average rate	1.31
British pounds sold for U.S. dollars	
Less than one year	£3,430
Weighted average rate	1.57
Norwegian Kroners sold for U.S. dollars	
Less than one year	NOK 112,697
Weighted average rate	0.13
Australian dollars sold for U.S. dollars	
Less than one year	AUD$ 1,554
Weighted average rate	0.85
Malaysian Ringgits sold for U.S. dollars	
Less than one year	MYR 32,500
Weighted average rate	0.28

The Company does not apply hedge accounting to account for its foreign exchange forward contracts. As at December 31, 2014, the Company had notional amounts of $130.9 million of forward contracts outstanding (2013 – $115.2 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totalling $4.7 million (2013 – $1.0 million net benefit).

Net Investment Hedge

The Company’s long-term debt (Senior Notes) 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 year ended December 31, 2014, a loss of $32.5 million on the translation of the Senior Notes was transferred to other comprehensive income to offset the losses on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2014.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2014:

(in thousands of Canadian dollars)		Non-Interest Bearing		Floating Rate		Fixed Interest Rate		Total
Financial assets								
Cash equivalents	$	–	$	–	$	4,104	$	4,104
Short-term investments		550		–		–		550
Loans receivable		215		4,434		2,372		7,021
Convertible preferred shares		10,000		–		–		10,000
	$	**10,765**	**$**	**4,434**	**$**	**6,476**	**$**	**21,675**
Financial liabilities								
Bank indebtedness	$	–	$	4,685	$	–	$	4,685
Loans payable		121		–		–		121
Long-term debt		–		–		406,926		406,926
	$	**121**	**$**	**4,685**	**$**	**406,926**	**$**	**411,732**

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.

The objective of managing counter-party credit risk is to prevent losses in financial assets. The Company is subject to considerable concentration of credit risk since the majority of its customers operate within the global energy industry and are therefore affected to a large extent by the same macroeconomic conditions and risks. The Company manages this credit risk by assessing the credit quality of all counter parties, taking into account their financial position, past experience and other factors. Management also establishes and regularly reviews credit limits of counter parties and monitors utilization of those credit limits on an ongoing basis.

For the year ended December 31, 2014, the Company had no customer who generated revenue greater than 10% of total consolidated revenue.

For the year ended December 31, 2013, there was one customer who generated approximately 22% of total consolidated revenue. This revenue resulted primarily from a single contract for which a substantial upfront payment was received in 2012 and which was recorded as deferred revenue at that time.

The carrying value of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statements of income with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses. As at December 31, 2014, $28.1 million, or 8.3% of trade accounts receivable, were more than 90 days overdue, which is consistent with prior period aging analyses. The Company expects to receive full payment on all accounts receivable that are neither past due nor impaired.

The following is an analysis of the change in the allowance for doubtful accounts for the year ended December 31:

(in thousands of Canadian dollars)		**December 31, 2014**		December 31, 2013
Balance - Beginning of year	**$**	**11,732**	$	9,409
Bad debt expense		**748**		3,016
Acquisition		**693**		–
Recovery of previously written-off bad debts		**(156)**		(24)
Impact of change in foreign exchange rates		**(501)**		(669)
Balance - End of year	**$**	**12,516**	$	11,732

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 December 31, 2014, the Company had cash and cash equivalents totalling $116.6 million (December 31, 2013 – $79.4 million) and had unutilized lines of credit available to use of $381.0 million (December 31, 2013 - $209.5 million).

5.9 Outstanding Share Capital

As at February 27, 2015, the Company had 64,497,369 common shares outstanding. In addition, as at February 27, 2015, the Company had stock options and share units outstanding to purchase up to 1,430,558 common shares.

5.10 Transactions with Related Parties

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

During 2013, 11,716,235 Class B multiple voting shares of the Company's controlling shareholder were acquired by the Company for cash and shares pursuant to the Arrangement which became effective on March 20, 2013. Refer to Note 29 of the audited financial statements for the year ended December 31, 2014, for additional information regarding this transaction. In connection with the closing of the Arrangement, the employment terms of the Company's Chair of the Board of Directors (V. Shaw) and indirect controlling shareholder, and of the Company's Vice Chair of the Board of Directors (L. Hutchinson), were amended to provide that their employment with a Company's subsidiary would terminate and they would receive severance and other benefits of approximately $3.4 million and $3.7 million, respectively.

For additional information regarding these transactions, refer to the section entitled Termination & Change of Control Benefits in the Company's Management Proxy Circular dated March 25, 2013, which is filed on SEDAR at www.sedar.com

6.0 Quarterly Selected Financial Information

The following tables set forth the Company's summary of selected financial information for the four quarters of 2014 and 2013:

(in thousands of Canadian dollars except per share amounts)	Q1-2014	Q2-2014	Q3-2014	**Q4-2014**
Operating Results				
Revenue	$ 479,082	$ 441,386	$ 469,597	**$ 499,964**
Income (loss) from operations	89,419	69,193	10,932	**(20,868)**
Net income (loss) (attributable to shareholders of the Company)	61,947	47,949	5,617	**(20,652)**
Net income(loss) per share				
Basic	$ 1.03	$ 0.80	$ 0.09	**$ (0.32)**
Diluted	1.03	0.79	0.09	**(0.32)**

(in thousands of Canadian dollars except per share amounts)	Q1-2013	Q2-2013	Q3-2013	Q4-2013
Operating Results				
Revenue	$ 454,681	$ 457,261	$ 525,848	$ 409,759
Income from operations	88,622	80,331	106,146	48,358
Net income (attributable to shareholders of the Company)	70,595	53,914	72,956	22,397
Net income per share				
Basic	$ 1.02	$ 0.91	$ 1.22	$ 0.37
Diluted	1.01	0.90	1.21	0.37

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

- The Company's operations in the Pipeline and Pipe Services segment, representing 91% of the Company's consolidated revenue in 2014, 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 segment.
- Over 83% of the Company's revenue in 2014 was transacted in currencies other than Canadian dollars, with a majority transacted in US 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. See *Section 2.2 - Foreign Exchange Impact*, for additional information with respect to the effects of foreign exchange fluctuations on the results of the Company.

6.1 Fourth Quarter Highlights

Highlights of the Company's 2014 fourth quarter include:

FOURTH QUARTER 2014 VERSUS FOURTH QUARTER 2013

- **Revenue:** Consolidated revenue increased by $90.2 million, or 22%, from $409.8 million during the fourth quarter of 2013, to $500.0 million during the fourth quarter of 2014, due to an increase of $88.1 million in the Pipeline and Pipe Services segment and an increase of $2.3 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in Section 2.2 above. Pipeline and Pipe Services segment revenue in the fourth quarter of 2014 was $458.6 million, or 24% higher than in the fourth quarter of 2013, due to increased activity in North America, Latin America and EMAR, partially offset by lower revenue 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.

  Petrochemical and Industrial segment revenue increased by $2.3 million, or 6%, during the fourth quarter of 2014 compared to the fourth 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.

- **Operating Income:** During the third and fourth quarters of 2014, the Company recorded impairment charges of $41.4 million and $79.0 million, respectively. Excluding these charges, Adjusted Operating Income increased by $9.8 million, from $48.4 million in the fourth quarter of 2013 to $58.1 million during the fourth quarter of 2014. Adjusted Operating Income benefitted from an increase in gross profit of $14.6 million, a decrease in SG&A expenses of $2.7 million, lower amortization of property, plant, equipment and intangible assets of $1.0 million and a decrease in research and development expenses of $1.9 million. These gains were partially offset by a decrease in net foreign exchange gains of $5.9 million and lower gain on sale of land of $4.5 million. The increase in gross profit resulted from the increase in revenue of $90.2 million, as explained above, partially offset by a 4.2 percentage point decrease in gross margin, attributable to lower gross margin in the Pipeline and Pipe Services segment's EMAR region as noted above and changes in product and project mix in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from high gross margins on the Inpex Ichthys projects in 2013. SG&A expenses decreased by $2.7 million in the fourth quarter of 2014 compared to the fourth quarter of 2013. The reduction in SG&A expenses was due to the inclusion in the fourth quarter of 2013 of restructuring costs and amended executive retirement arrangements of $10.7 million and, due to a year over year reduction in management incentive compensation of $13.9 million. This was partially offset by increases of $4.7 million from the Desert NDT acquisition, restructuring costs related to personnel reductions and facility closures of $3.5 million, higher personnel related costs of $5.1 million, higher rental and building costs primarily associated with the increased activity in EMAR of $4.4 million and higher legal, professional consulting and licensing fees of $2.4 million.

- **Finance costs:** In the fourth quarter of 2014, net finance cost was $3.8 million, compared to a net finance cost of $5.4 million during the fourth quarter of 2013. The decrease in net finance cost was primarily a result of lower interest expenses on bank loans and overdrafts, due to the repayment of bank loans and overdrafts from the proceeds of common shares issued in September and October of 2014, partially offset by higher interest on long term debt due to the strengthening of the US dollar.

- **Income taxes**: The Company recorded an income tax recovery of $22.3 million in the fourth quarter of 2014 compared to an income tax expense of $10.3 million in the fourth quarter of 2013. Excluding the impact of impairment charges ($97.9 million, deferred tax of $27.9 million), the Company recorded an income tax expense of $5.7 million (11% of income before income taxes) in the fourth quarter of 2014 compared to an income tax expense of $10.3 million (28% of income before income taxes) in the fourth quarter of 2013. This effective tax rate in the fourth quarter of 2014 was lower than the Company's expected effective income tax rate of 27%, primarily due to a portion of the Company’s taxable income being earned in the Middle East and other jurisdictions where the tax rate is 25% or less combined with tax losses in certain jurisdictions where the tax rate is higher than 35%.

- **Net Income:** Net income decreased by $43.0 million, from $22.4 million during the fourth quarter of 2013 to a net loss of $20.7 million during the fourth quarter of 2014. This decrease was mainly due to the impairment charges recorded in the fourth quarter of 2014 of $79.0 million and the increase in loss from investment in joint ventures of $13.5 million, driven mainly by the Venezuela impairment. This was partially offset by the higher Adjusted Operating Income in the fourth quarter of 2014, as explained in section 4.1 above, lower net finance costs of $1.6 million, lower income tax expense of $32.5 million and the impact of changes in non controlling interest of $4.6 million.

FOURTH QUARTER 2014 VERSUS THIRD QUARTER 2014

- **Revenue:** Consolidated revenue increased 6%, or $30.4 million, from $469.6 million during the third quarter of 2014 to $500.0 million during the fourth quarter of 2014, due to increases of $33.9 million in the Pipeline and Pipe Services segment, partially offset by a decrease of $3.5 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above. Pipeline and Pipe Services segment revenue increased by 8%, or $33.9 million, from $424.7 million in the third quarter of 2014 to $458.6 million in the fourth quarter of 2014, due to higher activity levels in EMAR, partially offset by decreased activity in Asia Pacific, 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. Petrochemical and Industrial segment revenue was lower by $3.5 million, or 8%, in the fourth quarter of 2014, compared to the third quarter of 2014, mainly due to lower revenues of $2.5 million in North America and $1.3 million in EMAR, partially offset by higher activity in the Asia Pacific 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.

- **Operating Income:** During the third and fourth quarters of 2014, the Company recorded impairment charges of $41.4 million and $79.0 million, respectively. Excluding these charges, Adjusted Operating Income increased by $5.8 million, from $52.3 million during the third quarter of 2014 to $58.1 million in the fourth quarter of 2014. Adjusted Operating Income benefitted from an increase in gross profit of $8.3 million, a decrease in research and development expenses of $0.8 million, lower amortization of property, plant, equipment and intangible assets of $0.7 million and a gain on sale of land of $0.6 million, but was impacted by an increase in selling, general and administrative ("SG&A") expenses of $3.8 million and a decrease in net foreign exchange gains of $0.8 million. The increase in gross profit resulted from the increase in revenue of $30.4 million, as explained above, partially offset by a 0.5 percentage point decrease in the gross margin from the third quarter of 2014. The decrease in the gross margin percentage was primarily due to lower gross margin in the Pipeline and Pipe Services segment’s EMAR region as a result of project launch costs and revenue earned under a cost recovery contract from BP to upgrade a facility in Azerbaijan for the execution in 2015 of the $200 million Shah Deniz project described in *Section 3.0 – Business Developments*. SG&A expenses increased by $3.8 million, from $96.5 million in the third quarter of 2014 to $100.3 million in the fourth quarter of 2014, due in part to higher rental and building costs related to the new facilities in the Caspian of $2.2 million, an increase in legal, professional consulting, advertisement and communication expenses of $2.7 million and higher travel, inventory obsolescence, customs and other expenses of $4.2 million. In addition, in the third quarter of 2014, recoveries were recorded for deferred consideration, research tax credits and other items of $2.1 million. These sources of SG&A increase were partially offset by lower long term management incentive compensation of $7.0 million.

- **Finance costs:** In the fourth quarter of 2014, net finance cost was $3.8 million, compared to a net finance cost of $6.2 million during the third quarter of 2014. The decrease in net finance cost was primarily a result of lower interest expenses on bank loans and overdrafts, due to the repayment of bank loans and overdrafts from the proceeds of common shares issued in September and October of 2014 and higher interest income on short term deposits.

- **Income taxes**: The Company recorded an income tax recovery of $22.3 million in the fourth quarter of 2014 compared to an income tax expense of $2.7 million in the third quarter of 2014. Excluding the impact of impairment charges ($97.9 million, deferred tax of $27.9 million in the fourth quarter of 2014 compared to $41.4 million, deferred tax of $12.0 million in the third quarter of 2014), the Company recorded an income tax expense of $5.7 million (11% of income before income taxes) compared to an income tax expense of $14.7 million (29% of income before income taxes) in the third quarter of 2014. This effective tax rate in the fourth quarter of 2014 was lower than the Company's expected effective income tax rate of 27%, primarily due to a portion of the Company’s taxable income being earned in the Middle East and other jurisdictions where the tax rate is 25% or less combined with tax losses in certain jurisdictions where the tax rate is higher than 35%.

- **Net Income:** Net income decreased by $26.3 million, from $5.6 million during the third quarter of 2014 to a net loss of $20.7 million during the fourth quarter of 2014. This decrease was mainly due to the higher impairment charges recorded in the fourth quarter of $37.6 million, the increase in loss from investment in joint ventures pertaining to the Venezuela impairment of $18.9 million and the higher net loss on assets held for sale of $5.1 million. This was partially offset by the higher Adjusted Operating Income, as explained in section 4.1 above, lower net finance costs of $2.4 million and lower income tax expense of $25.0 million.

7.0 Disclosure Controls and Internal Controls over Financial Reporting

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with the management of the Company, have evaluated the effectiveness of the Company’s Disclosure Controls and Procedures (“DC&Ps”) (as defined in the rules of the Canadian Securities Administrators) and the effectiveness of Internal Controls over Financial Reporting (“ICFRs”). Based on that evaluation, they have concluded that the Company’s DC&Ps were effective as at December 31, 2014. Furthermore, they have concluded that the Company’s ICFRs were effective as at December 31, 2014. There were no material changes in either the Company’s DC&Ps or its ICFRs during 2014.

8.0 Critical Accounting Estimates and Accounting Policy Developments

8.1 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 December 31, 2014, the Company had $1,034 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 December 31, 2014, the Company had $26.0 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 December 31, 2014, the Company had $52.3 million of provisions; of this amount $15.0 million was included in current liabilities and $37.3 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 December 31, 2014, the Company had decommissioning liabilities in the amount of $24.1 million; of this amount $3.6 million was included in the current provisions account and $20.5 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 judgment 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.

8.2 Accounting Standards Issued but Not Yet Applied

IFRS 9, Financial Instruments

IFRS 9, as issued, by the International Accounting Standards Board ("IASB") replaces *IAS 39* regarding the recognition and measurement of financial assets and financial liabilities. The standard is 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.

8.3 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 consolidated financial statements.

9.0 Outlook

Following the record revenue achieved in 2014, the decline in global oil prices that started in the fourth quarter of 2014 will cause a decline in drilling and well completions in 2015 which will likely cause ShawCor's revenue to decline on a year over year basis. The impact of the downturn will be primarily focused on the Company's activity in North America as described more fully below. Outside of North America, the Company's performance will largely be determined by its execution of the projects that are in the order backlog. ShawCor enters 2015 with a very strong backlog at $766 million, which provides support for 2015 activity levels, particularly in the Company's EMAR region which accounts for over 60% of the current order backlog. The growth in revenue in this region will help reduce the impact on revenue of the North American oilfield downturn. However, on a year over year basis, there is risk that income from operations could decrease at a greater rate than revenue. Any decrease in North American small diameter pipe coating, composite pipe, or gathering line weld inspection revenue would be expected to have an overall dilutive effect on consolidated operating margins given prevailing margin levels in these businesses and due to the negative effects of facility and crew utilization on the absorption of fixed costs. To mitigate this effect as much as possible, the Company will monitor activity levels and undertake further measures to reduce its cost structure in these businesses as activity levels decline.

Beyond 2015, the Company continues to believe that global oil and gas infrastructure investment will increase to bridge the increasing gap between global energy supply and growing energy demand in developing economies. Further support for global energy infrastructure investment will emerge as existing infrastructure ages. Finally, the curtailment in investment as a result of the global oil price decline will reverse as the inevitable impact of hydrocarbon reservoir depletion reduces the current excess of global supply over demand. In this environment, the Company's businesses that are impacted by the downturn in 2015 should recover. This expected recovery, coupled with the continued flow of large pipe coating project activity and execution of the Company's strategy to expand its pipeline products and services offering, should create the conditions for the Company's long term growth in revenue and shareholder returns to continue.

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 generated solid revenue growth over 2013 levels. Much of this growth was attributable to growth in businesses that are closely related to the completion of new oil and gas wells. These businesses include Canadian and US small diameter pipe coating and joint protection, Flexpipe composite pipe, Guardian OCTG pipe inspection and refurbishment and the Desert NDT gathering line girth weld inspection service. Desert NDT was acquired in early July 2014. If its revenue was considered on a full year basis, then ShawCor's activities that are leveraged to well completions would have contributed approximately $500 million in annualized revenue. A decrease in the number of wells completed can be expected to have an impact on this revenue level and with the number of drilling rigs active in North America projected to decrease by up to 50%, we must expect that our North American Pipeline segment will be impacted significantly. Also affecting North America Pipeline segment revenue will be a decrease in activity at the Company's Channelview Gulf of Mexico deepwater insulation coating plant, which is currently completing several large projects, and the likelihood that activity in 2015 and 2016 will be limited to smaller tie-back projects as energy companies defer larger greenfield projects pending more certainty on oil prices.

The one area of North American activity that is expected to show continued strength is the build out of large diameter transmission pipeline infrastructure and the increasing investment on the refurbishment of existing infrastructure. The Company's pipe coating and pipeline integrity management businesses are well positioned to benefit from this trend.

Pipeline and Pipe Services Segment - Latin America

During 2014, the Company's Latin America region benefited from increased offshore and large diameter gas transmission pipeline projects in Mexico, over $20 million in revenue from the execution of the Sapinhoa deepwater insulation coating project in Brazil, and increased shipments of Flexpipe composite pipe to Latin America. In 2015, these sources of revenue are expected to weaken modestly, although the impact on overall region revenue will be partially mitigated by growth in Argentina expected from the execution of a series of large diameter pipe coating projects that are expected to contribute up to $40 million in revenue.

Pipeline and Pipe Services Segment - EMAR

The Company expects that its EMAR region will produce strong revenue and operating earnings growth in 2015 over 2014 levels, with revenue potentially reaching the $500 million level. Primary drivers of growth will be the large pipe coating projects that have been booked for BP's Shah Deniz gas field development in Azerbaijan combined with pipe coating and joint protection projects for the two South Stream gas pipelines in the Black Sea. The Shah Deniz projects are expected to provide over US$500 million in pipe coating revenue to ShawCor with revenue of over $280 million planned for execution in 2015 and over $200 million planned for execution in 2016 and beyond. Expected revenue in 2015 from the South Stream pipeline projects is approximately $114 million. This work is presently under suspension pursuant to the contract terms. The timing of the execution of this work is subject to significant risk, including the risk that the project may be cancelled.

Pipeline and Pipe Services Segment - Asia Pacific

With the completion in 2014 of the Inpex Ichthys flowlines project, the Company has now completed all pipe coating activity associated with the large Ichthys and Wheatstone Australian LNG projects that produced over $640 million in revenue, including over $130 million in 2014. With this work now largely complete, the Company expects that until new large projects develop, the Asia Pacific region will revert to historical levels of revenue in the annual range of $200 million. Although the Company has visibility on a number of large projects in the region, these projects are not expected to become production opportunities in 2015 and thus we can expect a decline in revenue versus 2014 levels for 2015 and possibly 2016.

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 both revenue and operating income in 2015 compared with 2014 as a result of growth in global automotive and industrial markets offsetting weakness in Western Canadian wire and cable shipments for oil sands developments.

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 December 31, 2014 increased to $766 million from $739 million at September 30, 2014 and from $617 million at the beginning of the year. In addition to the backlog, the Company currently holds booked orders of approximately $232 million for execution beyond twelve months and thus excluded from the backlog. The majority of these orders relate to the flow assurance pipe coating scope of work for the Shah Deniz project. Note that the backlog includes booked orders relating to pipe coating and joint protection for the South Stream pipelines that are currently under suspension. The value of these orders included in the backlog is approximately $114 million and the risk exists that the orders could be cancelled or that project execution could be delayed beyond 2015.

In addition to the backlog, the Company closely monitors its bidding activity with the value of outstanding firm bids currently in excess of $800 million. Although the Company continues to work with customers on projects with aggregate values exceeding $2 billion, the amount of firm bids outstanding has declined modestly from the start of the quarter as infrastructure projects globally are increasingly being reassessed by global energy companies who are seeking to reduce capital costs and project execution risks. The Company remains optimistic that the additional time being invested to ensure project success will ultimately enable these projects to proceed with a corresponding positive impact on ShawCor's large project activity beyond 2015.

10.0 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 the Company’s projections, business, results of operations and financial condition.

The following summarizes the Company’s risks and uncertainties and how it manages and mitigates each risk:

10.1 Economic Risks

A decline in global drilling activity as a consequence of lower global oil and gas prices would have a material adverse effect on the Company’s projections, business, results of operations and financial condition.

The Company’s business is materially dependent on the level of global drilling activity, which, in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the Company’s products and services, including small diameter pipe coating, composite pipe, gathering line weld inspection and tubular inspection and inventory management services. These business activities represented approximately 25% of 2014 revenues.

Cancelation of South Stream Offshore Pipeline Project

During the year ended December 31, 2014, ShawCor was awarded several contracts in connection with the South Stream Offshore Pipeline Project. Expected revenue in 2015 from the South Stream pipeline projects is approximately $125 million. This work is presently under suspension pursuant to the contract terms. The timing of the execution of this work is subject to significant risk and the contracts could be cancelled.

An economic downturn or a continued global decline in energy prices could adversely affect demand for the Company’s products and services and, consequently, its projections, business, results of operations and financial condition.

Demand for oil and natural gas is influenced by numerous factors, including the North American and worldwide economies as well as activities of the Organization of Petroleum Exporting Countries (“OPEC”). Economic declines impact demand for oil and natural gas and result in a softening of oil and gas prices and projected oil and gas drilling activity. If economic conditions or international markets decline unexpectedly, the Company’s projections, business, results of operations and financial condition could be materially adversely affected. In addition, if actions by OPEC and other oil producers to increase production of oil adversely affect world oil prices or result in the maintenance of existing prices, additional declines in rig counts could result, and the Company’s projections, business, results of operations and financial condition could be materially adversely affected.

Similarly, demand for the products of the Petrochemical and Industrial segment's businesses is largely dependent on the level of general economic activity in North America and Europe. Decreases in economic activity in these regions could result in significant decreases in activity levels in these businesses.

A cyclical decline in the level of global pipeline construction could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global pipeline construction activity which in turn relates to the growth in demand for oil and natural gas and the availability of new supplies to meet this increased demand. Reductions in capital spending by producers could dampen demand for the Company's products and services supplied in pipeline markets.

Revenue generated by the Company's Pipeline and Pipe Services segment accounted for 91% of consolidated sales in 2014. With this proportion expected to continue, the Company's revenue is materially dependent on the global Pipeline and Pipe Services industry. Any reduction in the anticipated growth in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Increases in the prices and/or shortages in the supply of raw materials used in the Company's manufacturing processes could adversely affect the competitiveness of the Company, its ability to serve its customers' needs and its financial performance.

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants and copper and other nonferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction. While the materials required for its manufacturing operations have generally been readily available, cyclical swings in supply and demand can produce short-term shortages and/or price spikes. The Company's ability to pass on any such price increases may be restricted in the short term.

The Company's material financing agreements contain financial and other covenants that, if breached by the Company, may require the Company to redeem, repay, repurchase or refinance its existing debt obligations prior to their scheduled maturity. The Company's ability to refinance such obligations may be restricted due to prevailing conditions in the capital markets, available liquidity and other factors.

The Company is party to a number of financing agreements which contain financial or other covenants. If the Company was to breach the financial or other covenants contained in its financing agreements, the Company may be required to redeem, repay, repurchase or refinance its existing debt obligations prior to their scheduled maturity and the Company's ability to do so may be restricted or limited by the prevailing conditions in the capital markets, available liquidity and other factors. If the Company is unable to refinance any of the Company's debt obligations in such circumstances, its ability to make capital expenditures and its financial condition and cash flows could be adversely impacted. If future debt financing is not available to the Company when required or is not available on acceptable terms, the Company may be unable to grow its business, take advantage of business opportunities, respond to competitive pressure or refinance maturing debt, any of which could have a material adverse effect on the Company's operating results and financial condition.

Economic Risk Mitigation

The Company cannot completely mitigate economic risks. However, the Company maintains a competitive geographical presence in a diverse number of regions and has implemented several systems and processes to manage operational risks and to achieve continuous improvements in operational effectiveness in addition to various cost reduction initiatives. Through these efforts, economic risk is mitigated.

Refer to *Section 1.5 - Capability to Deliver Results*, for additional information with respect to the Company's systems and processes.

10.2 Litigation and Legal Risks

The Company could be subject to substantial liability claims, which could adversely affect its projections, business, results of operations and financial condition.

Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury, loss of life, damage to property, equipment or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these difficulties, the Company could face litigation and may be held liable for those losses. The Company's insurance coverage may not be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies likely will cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company is subject to litigation and could be subject to future litigation and significant potential financial liability.

From time to time, the Company is a party to litigation and legal proceedings that it considers to be a part of the ordinary course of business. Although none of the litigation or legal proceedings in which the Company is currently involved could reasonably be expected to have a material adverse effect on the Company's projections**,** business, results of operations or financial condition, the Company may, however, become involved in material legal proceedings in the future. Such proceedings may include, for example, product liability claims and claims relating to the existence or use of hazardous materials on the Company's property or in its operations, as well as intellectual property disputes and other material legal proceedings with competitors, customers, employees and governmental entities. These proceedings could arise from the Company's current or former actions and operations or the actions or operations of businesses and entities acquired by the Company prior to acquisition.The Company maintains insurance it believes to be commercially reasonable and customary; however, such coverage may be inadequate for or inapplicable to particular claims.

Litigation and Legal Risk Mitigation

The Company cannot completely mitigate legal risks. However, the Company maintains adequate commercial insurance to mitigate most adverse litigation and legal risks.

10.3 HSE Risks

The Company is subject to Health, Safety and Environmental laws and regulations that expose it to potential financial liability.

The Company's operations are regulated under a number of federal, provincial, state, local and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations. The Company may be subject to material financial liability for any investigation and clean-up of such hazardous materials. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. The Company is also subject to various Canadian and US federal, provincial, state and local laws and regulations as well as foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any non-compliance, as well as potential business disruption if any of its facilities or a portion of any facility is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Demand for the Company's products and services could be adversely affected by changes to Canadian, US or other countries' laws or regulations pertaining to the emission of Carbon Dioxide and other Greenhouse Gases ("GHGs") into the atmosphere.

Although the Company is not a large producer of GHGs, the products and services of the Company's production are mainly related to the transmission of hydrocarbons including crude oil and natural gas, whose ultimate consumption are major sources of GHG emissions. Changes in the regulations concerning the release of GHGs into the atmosphere, including the introduction of so-called carbon taxes or limitations over the emissions of GHGs, may adversely impact the demand for hydrocarbons and ultimately, the demand for the Company's products and services.

HSE Risk Mitigation

To minimize risks associated with HSE matters, the Company has implemented a comprehensive audit program in which it has completed detailed environmental audits at manufacturing and service locations across all nine divisions. Furthermore, the Company is committed to being an IIF workplace

10.4 Political and Regulatory Risks

The Company's operations may experience interruptions due to political, economic or other risks, which could adversely affect the Company's projections, business, results of operations and financial condition.

During 2014, the Company derived over 34% of its total revenue from its facilities outside Canada, the US and Western Europe. In addition, part of the Company's sales from its locations in Canada and the US were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability and civil unrest;
- hostile or terrorist activities; and
- restrictions on foreign operations.

In addition, the Company is specifically exposed to risks relating to economic or political developments in Argentina, Azerbaijan, Venezuela, and other developing countries.

The Company's foreign operations may suffer disruptions and may incur losses that would not be covered by insurance. In particular, civil unrest in politically unstable countries may increase the possibility that the Company's operations could be interrupted or adversely affected. The impact of such disruptions could include the Company's inability to ship products in a timely and cost effective manner, its inability to place contractors and employees in various countries or regions, or result in the need for evacuations or similar disruptions.

Any material currency fluctuations or devaluations or political unrest that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.

The Company's North American operations could be affected by regulatory approval processes that could delay or prevent the construction of new pipeline infrastructure.

The Company's projections, business, results of operations and financial condition could be adversely affected by actions under Canadian, US, European or other trade laws.

The Company is a Canadian-based company with significant operations in the United States. The Company also owns and operates international manufacturing operations that support its Canadian, US and European operations. If actions under Canadian, US, European or other trade laws were instituted that limited the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customers' specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its customers' specifications and delivery requirements could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Political and Regulatory Risk Mitigation

The Company manages political and regulatory risks by working with government, regulators and other parties to resolve issues, if any. In addition, the Company ensures that it is compliant with the laws and regulations within the jurisdictions where it operates.

11.0 Environmental Matters

As at December 31, 2014, the provisions on the annual consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $24.1 million. The Company believes these provisions to be sufficient to fully satisfy all liabilities related to known environmental matters.

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $42.0 million as at December 31, 2014. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.45% and 9.95%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations. The Company expects the following cash outflows on the next five years and thereafter for decommissioning liabilities.

(in thousands of Canadian dollars)		**December 31, 2014**
2015	**$**	**3,627**
2016		**4,573**
2017		**907**
2018		**4,464**
2019		**1,165**
More than five years		**27,232**
	$	**41,968**

12.0 Reconciliation of Non-GAAP Measures

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage the capital structure. Non-GAAP measures do not have standardized meanings prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. The following is a reconciliation of the non-GAAP measures reported by the Company.

EBITDA, Adjusted EBITDA and Adjusted Net Income, Adjusted EPS and Adjusted Operating Income

(in thousands of Canadian dollars)	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	**2014**	2013
Net (loss) income for the period[(b)]	**$ (20,652)**	$ 22,397	**$ 94,861**	$ 219,862
Add:				
Income taxes (recovery) expense	**(22,253)**	10,278	**21,010**	78,402
Finance costs, net	**3,813**	5,387	**18,401**	14,912
Amortization of property, plant, equipment and intangible assets	**18,389**	19,354	**70,806**	76,796
Gain on sale of land	**(609)**	(5,156)	**(609)**	(5,156)
Impairment	**78,999**	–	**120,378**	–
Impairment of investments in joint ventures	**18,948**	–	**18,948**	–
EBITDA[(a)]	**$ 76,635**	$ 52,260	**$ 343,795**	$ 384,816
Non-controlling interest	**(849)**	3,757	**(667)**	2,724
Loss (gain) on assets held for sale	**593**	1,122	**(6,427)**	3,683
ADJUSTED EBITDA[(a)]	**$ 76,379**	$ 57,139	**$ 336,701**	$ **391,223**
Net (loss) income for the period[(b)]	**$ (20,652)**	$ 22,397	**$ 94,861**	$ 219,862
Add:				
Impairment	**78,999**	–	**120,378**	–
Impairment of investment in joint ventures	**18,948**	–	**18,948**	–
Deduct:				
Deferred Tax Recovery	**(27,931)**	–	**(39,925)**	–
Adjusted Net Income	**$ 49,364**	$ 22,397	**$ 194,262**	$ 219,862
Adjusted EPS (Diluted)[(c)]	**$ 0.76**	$ 0.37	**$ 3.14**	$ 3.51

(a) Adjusted EBITDA and EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.
(b) Attributable to shareholders of the Company
(c) Adjusted EPS is Adjusted Net Income divided by the weighted average number of shares outstanding (diluted)

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.

Adjusted Operating Income

(in thousands of Canadian dollars)	Three Months Ended December 31,				Year Ended December 31,			
		2014		2013		**2014**		2013
(Loss)Income from Operations	**$**	**(20,868)**	$	48,358	**$**	**148,676**	$	323,457
Add:								
Impairment		**78,999**		–		**120,378**		–
Adjusted Operating Income	**$**	**58,131**	$	48,358	**$**	**269,054**	$	323,457

Return on Invested Capital ("ROIC")

ROIC, a non-GAAP measure, is defined as net income adjusted for after tax interest expense divided by average invested capital over the year and is used by the Company to assess the efficiency of generating profits from each unit of invested capital.

The following table sets forth the calculation of the Company's ROIC as at:

(in thousands of Canadian dollars)		**2014**		2013
Net income for the year adjusted for after-tax interest expense	**$**	**109,093**	$	231,752
Average invested capital	**$**	**1,277,684**	$	987,819
ROIC		**8.5%**		23.5%

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)		**2014**		2013
Revenue for the fourth quarter	**$**	**499,964**	$	409,759
Average trade accounts receivable	**$**	**341,218**	$	248,944
DSO		**61**		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)		**2014**		2013
Cost of goods sold for the fourth quarter	**$**	**322,725**	$	247,114
Average accounts payable and accrued liabilities	**$**	**261,088**	$	240,639
DPO		**73**		88

Working Capital Ratio

Working capital ratio is defined as current assets divided by current liabilities. This metric provides management with an indication of the current liquidity available to the Company before considering long-term debt. The following table sets forth the calculation for the Company's working capital ratio as at:

(in thousands of Canadian dollars)		**2014**		2013
Current assets	**$**	**813,628**	$	718,558
Current liabilities	**$**	**434,895**	$	451,069
Working capital ratio		**1.87**		1.59

13.0 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 sufficiency of the Company’s human resources, systems and processes to operate its business and execute its strategic plan, the impact of the existing order backlog and other factors on the Company’s revenue and Operating Income in 2015, the impact of any potential cancellation of contracts included in the order backlog, and in the longer term, the impact of global economic activity on the demand for the Company's products, the impact of the decline in global 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 Argentina, Azerbaijan 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: the impact on the Company of reduced demand for its products and services as a result of lower investment in global oil and gas extraction and transportation activity following the significant decline in the global price of oil and gas in the fourth quarter of 2014 and early 2015, long term changes in global or regional economic activity and changes in energy supply and demand, which impact on the level of global pipeline infrastructure 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 global oil and gas prices, global economic recovery, increased investment in global energy infrastructure, the Company’s ability to execute projects under contract, the reactivation of the South Stream contracts, 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.

14.0 Additional Information

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

March 4th, 2015