ShawCor
Energy Services • Global Solutions

May 12th, 2015

SHAWCOR LTD.
(TSX: SCL)

PRESS RELEASE

SHAWCOR LTD. ANNOUNCES FIRST QUARTER 2015 RESULTS

- First quarter revenue of $472 million was 2% lower than the $479 million reported in the first quarter of 2014. Revenue also decreased by 6% from the $500 million reported in the fourth quarter of 2014.
- Adjusted EBITDA in the first quarter was $74.2 million, a decrease of 30% from the $106 million reported in the first quarter of 2014 and a decrease of 3% from the $76.4 million reported in the fourth quarter of 2014.
- Net income (attributable to shareholders of the Company) in the first quarter of 2015 was $37.8 million (or $0.58 per share diluted) compared with net income of $62 million (or $1.03 per share diluted) in the first quarter of 2014 and a net loss of $20.7 million (or a loss $0.32 per share diluted) in the fourth quarter of 2014.
- The Company's order backlog was $703 million at March 31, 2015, down modestly from $766 million at December 31, 2014.

Mr. Steve Orr, Chief Executive Officer of ShawCor Ltd. remarked, "Compared with the first quarter of 2014, ShawCor's results from operations have been impacted by the reduction in activity in our Asia Pacific region following completion of the large Australia based LNG projects. Also adding to weakness is the pull back in North American oilfield activity. However, we were able to partially offset these impacts with an improvement in operating performance in our EMAR region where we are ramping up activity through the launch of the Shah Deniz major projects."

Mr. Orr added "As a result of the severe decline in North American oilfield activity, with well completions expected to decrease by at least 50% compared with 2014, the Company is taking active steps to reduce the cost structures in exposed businesses and at the corporate level. Since the end of the third quarter of 2014, the overall staffing levels have been reduced by greater than 10% with further reductions planned for the second quarter. Once these cost reduction measures are complete, the Company anticipates that the combination of our strong balance sheet, a $703 million backlog, and excellent strategic positioning, will enable ShawCor to generate healthy free cash flow in 2015 and emerge from the downturn well positioned to continue to execute our long term growth strategy."

Selected Financial Highlights

(in thousands of Canadian dollars, except per share amounts and percentages)	Three Months Ended March 31,			
		2015		2014
Revenue	**$**	**471,940**	$	479,082
Gross profit		**169,025**		198,268
Gross profit %		**35.8%**		41.4%
Adjusted EBITDA[(a)]		**74,225**		106,146
Income from operations		**55,616**		89,419
Net income for the period[(b)]	**$**	**37,774**	$	61,947
Earnings per share:				
Basic	**$**	**0.59**	$	1.03
Fully diluted	**$**	**0.58**	$	1.03

(a) Adjusted EBITDA is a non-GAAP measure calculated by adding back to net income the sum of net finance costs, income taxes, amortization of property, plant, equipment and intangible assets, gains/losses from assets held for sale, gain from sale of land, impairment of assets and joint ventures, and non-controlling interest. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. Please refer to section 6.0 for a reconciliation of non-GAAP measures to GAAP measures.

(b) Attributable to shareholders of the Company.

1.0 KEY DEVELOPMENTS

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.

Contract to Provide Pipe Coating Services for the GNEA Project in Argentina

On April 22, 2015, the Company announced that its pipe coating division had received two contracts for approximately US$55 million from Tenaris to provide three layer polyethylene anti-corrosion pipeline coatings for the first and second phase of the Argentina Northeast Gas Pipeline (GNEA) project.

This project is owned by ENARSA, an Argentine state-run energy company, and it includes the construction of a gas pipeline that will transport up to 11,200,000 m^3/day of natural gas to locations in northeast Argentina. The execution of these contracts has commenced in ShawCor's coating facilities in Argentina and is expected to be completed by Q1 2016.

1.1 OUTLOOK

In the Company’s 2014 Management Discussion and Analysis, it was noted that the decline in global oil prices that started in the fourth quarter of 2014 was expected to cause a decline in drilling and well completions in 2015 which would likely cause ShawCor's revenue to decline on a year over year basis with the impact of the downturn primarily focused on the Company's activity in North America. The Company also noted that 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. The Company has seen the initial impacts of the softening of market demand in North America and expects the reduction in activity to accelerate significantly in the second quarter. Contributing to the likelihood of severely reduced second quarter earnings performance are the cost reduction measures being undertaken by ShawCor to reduce cost structures in business units exposed to the downturn and at the corporate level. These cost reduction measures will benefit the second half of 2015 but will impact the second quarter as severance and related provisions are recorded.

During the second half of 2015, the Company's performance will be affected by the extent to which North American oilfield activity stabilizes and by the Company’s execution of the large pipe coating projects that are in the order backlog. At March 31, 2015, the order backlog at $703 million had decreased from $766 million at the start of the year but remains at a level which provides good support for 2015 activity levels, particularly in the Company's EMAR region which accounts for over 54% of the current order backlog. 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 the first quarter of 2015, ShawCor’s North American Pipeline segment businesses began to experience the expected decline in revenue as the decline in global oil and gas prices impacted the completion of new oil and gas wells. In the second half of 2014, ShawCor’s businesses that are leveraged to North American well completions, specifically small diameter pipe coating and joint protection, Flexpipe composite pipe, Guardian OCTG pipe inspection and refurbishment and Desert NDT gathering line girth weld inspection, generated approximately $500 million in annualized revenue. The decrease in the number of wells completed can be expected to have an impact on the revenue level, and with the number of drilling rigs active in North America now decreased by in excess of 50% from peak 2014 levels, we expect that these revenues will be impacted significantly. The full impact of the rig count decrease will be seen in the second quarter of 2015 with the potential for stabilization at a low level of activity in the second half of this year.

In contrast to the weakness in North American oilfield activity, the continued build out and refurbishment of North American large diameter transmission pipeline infrastructure is an area of strength within the Company’s global operations, and it is expected that the Company's North American large diameter pipe coating and pipeline integrity management businesses will continue in 2015 to generate revenue consistent with 2014 and with the potential for further growth in 2016 and beyond.

Pipeline and Pipe Services Segment - Latin America

With the planned ramp up of activity at the Company’s pipe coating operations in Argentina to execute the $55 million GNEA project, the Company expects that the Latin America region should generate revenue in line with 2014, as the growth in Argentina offsets modestly lower activity levels in Mexico and a curtailment of activity in Brazil as a result of long term deferrals in deepwater insulation coating projects.

Pipeline and Pipe Services Segment - EMAR

Based on the current backlog and customer indications, the Company’s EMAR region should 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. As of March 31, 2015, the Shah Deniz projects are expected to provide over US$500 million in pipe coating revenue to ShawCor with revenue of approximately US$190 million planned for execution in the second through fourth quarters of 2015. 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

As indicated by first quarter 2015 revenue of $57 million, the Asia Pacific region has reverted to historical levels of revenue in the annual range of $150 to $200 million following completion of the Inpex Ichthys and Wheatstone Australian LNG projects. 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 2015 activity, particularly in the second half of the year, will relate to smaller projects associated with production tie backs or infrastructure maintenance in the various South East Asia markets in which the Company competes.

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 March 31, 2015 decreased to $703 million from $766 million at December 31, 2014 but remains higher than the level a year ago of $642 million. 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 increasing in the first quarter to a value in excess of $1 billion. Including projects for which the Company has provided budgetary estimates, the Company is currently working with customers on projects with aggregate values of approximately $2 billion. This level of project activity is very strong, however, it must be noted that 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 the resulting potential for backlog growth beyond 2015.

2.0 CONSOLIDATED INFORMATION AND RESULTS FROM OPERATIONS

2.1 Revenue

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

(in thousands of Canadian dollars)	**Three Months ended**		
	March 31, 2015	December 31, 2014	March 31, 2014
Pipeline and Pipe Services	**$ 428,814**	$ 458,559	$ 436,799
Petrochemical and Industrial	**44,240**	42,689	42,927
Elimination	**(1,114)**	(1,284)	(644)
Consolidated	**$ 471,940**	$ 499,964	$ 479,082

First Quarter 2015 versus Fourth Quarter 2014

Consolidated revenue decreased $28.0 million, or 6%, from $500.0 million during the fourth quarter of 2014 to $471.9 million during the first quarter of 2015, due to a decrease of $29.7 million in the Pipeline and Pipe Services segment, partially offset by an increase of $1.6 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 2.5 below.

Pipeline and Pipe Services segment revenue decreased by $29.7 million, from $458.6 million in the fourth quarter of 2014 to $428.8 million in the first quarter of 2015, due to lower activity levels in North America, Latin America and EMAR, partially offset by increased activity in Asia Pacific. See *Section 3.1 – 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 higher by $1.6 million, or 4%, in the first quarter of 2015, compared to the fourth quarter of 2014, mainly due to higher revenues of $1.3 million in EMAR and Asia Pacific, partially offset by lower activity in the North America region. See *Section 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

First Quarter 2015 versus First Quarter 2014

Consolidated revenue decreased by $7.1 million, or 2%, from $479.1 million during the first quarter of 2014, to $471.9 million during the first quarter of 2015, due to a decrease of $8.0 million in the Pipeline and Pipe Services segment, partially offset by an increase of $1.3 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 2.5 below.

Pipeline and Pipe Services segment revenue in the first quarter of 2015 was $428.8 million, or 2% lower than in the first quarter of 2014, due to lower revenue in Asia Pacific and Latin America, partially offset by increased activity in North America and EMAR. See *Section 3.1 – 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 $1.3 million, or 3%, during the first quarter of 2015 compared to the first quarter of 2014, due to higher activity levels in North America and Asia Pacific, partially offset by lower activity in the EMAR region. See *Section 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

2.2 Income from Operations

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

(in thousands of Canadian dollars, except Adjusted Operating Margin)	Three Months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Operating Income	**$ 55,616**	$ (20,868)	$ 89,419
Adjusted Operating Income[(a)]	**$ 55,616**	$ 58,131	$ 89,419
Adjusted Operating Margin[(b)]	**11.8%**	11.6%	18.7%

(a) Adjusted Operating Income is Operating Income excluding impairment charges and is a non-GAAP measure. Please refer to section 6.0 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.

First Quarter 2015 versus Fourth Quarter 2014

During the fourth quarter of 2014, the Company recorded impairment charges of $79.0 million. Excluding these charges, Adjusted Operating Income (refer to *Section 6.0 – Reconciliation of Non-GAAP to GAAP Financial Measures*) was $58.1 million. Adjusted Operating Income in the first quarter of 2015 was $55.6 million and was $2.5 million, or 4%, lower than Adjusted Operating Income in the fourth quarter of 2014. Adjusted Operating income was impacted by a decrease in gross profit of $8.2 million, a $0.6 million lower gain on sale of land and an increase in research and development expenses of $2.6 million. This was partially offset by a decrease in selling, general and administrative ("SG&A") expenses of $6.6 million and an increase in net foreign exchange gains of $2.6 million.

The decrease in gross profit resulted from the decrease in revenue of $28.0 million, as explained above, partially offset by a 0.3 percentage point increase in the gross margin from the fourth quarter of 2014. The increase in the gross margin percentage was primarily due to project and product mix.

SG&A expenses decreased by $6.6 million, from $100.3 million in the fourth quarter of 2014 to $93.7 million in the first quarter of 2015, due in part to lower travel, advertisement and communication expenses of $4.7 million, decreases in rental, building and equipment costs of $1.9 million, in legal and professional consulting of $3.7 million, and a reduction in inventory obsolescence, customs and other expenses of $4.6 million. These sources of SG&A decrease were partially offset by lower management incentive compensation of $8.4 million recorded in the fourth quarter of 2014.

First Quarter 2015 versus First Quarter 2014

Adjusted Operating Income in the first quarter of 2015 was $55.6 million and was $33.8 million, or 38%, lower than in the first quarter of 2014. Adjusted Operating income was impacted by a decrease in gross profit of $29.2 million, higher SG&A expenses of $4.2 million and an increase in amortization of property, plant, equipment and intangible assets of $0.5 million. The decrease in gross profit resulted in part from the decrease in revenue of $7.1 million, as explained above, and a 5.6 percentage point decrease in gross margin, mainly attributable to lower gross margin in the Pipeline and Pipe Services segment's North America region and in the Asia Pacific region, which had benefitted from high gross margins on several large concrete weight coating projects in the first quarter of 2014.

SG&A expenses increased by $4.2 million in the first quarter of 2015 compared to the first quarter of 2014. The increase in SG&A expenses was partly due to the inclusion of Desert NDT expenses of $5.5 million. Desert NDT was acquired in the third quarter of 2014. In addition, personnel related costs increased $1.1 million, rental and building costs, primarily associated with the increased activity in EMAR, increased $1.1 million, and legal, professional consulting and warranty expenses increased $1.8 million. This was partially offset by a year over year reduction in long term management incentive compensation of $5.2 million.

2.3 Finance Costs, net

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

(in thousands of Canadian dollars)	Three Months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Interest income	**$ (200)**	$ (554)	$ (338)
Interest expense, other	**812**	920	829
Interest expense on long-term debt	**3,836**	3,447	3,236
Finance costs, net	**$ 4,448**	$ 3,813	$ 3,727

First Quarter 2015 versus Fourth Quarter 2014

In the first quarter of 2015, net finance cost was $4.4 million, compared to a net finance cost of $3.8 million during the fourth quarter of 2014. The increase in net finance cost was primarily a result of higher interest on long term debt due to the strengthening of the US dollar and lower interest income.

First Quarter 2015 versus First Quarter 2014

In the first quarter of 2015, net finance cost was $4.4 million, compared to a net finance cost of $3.7 million during the first quarter of 2014. The increase in net finance cost was primarily a result of higher interest on long term debt due to the strengthening of the US dollar.

2.4 Income Taxes

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

(in thousands of Canadian dollars)	Three Months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Income tax (recovery) expense	**$ 12,790**	$ (22,253)	$ 22,571

First Quarter 2015 versus Fourth Quarter 2014

The Company recorded an income tax expense of $12.8 million (25% of income before income taxes) in the first quarter of 2015 compared to an income tax recovery of $22.3 million in the fourth quarter of 2014. Excluding the impact of impairment charges ($97.9 million, deferred tax of $27.9 million in the fourth quarter of 2014), the Company recorded an income tax expense of $5.7 million (11% of income before income taxes) in the fourth quarter of 2014. This effective tax rate in the first quarter of 2015 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 jurisdictions where the tax rate is 25% or less.

First Quarter 2015 versus First Quarter 2014

The Company recorded an income tax expense of $12.8 million (25% of income before income taxes) in the first quarter of 2015 compared to an income tax expense of $22.6 million (27% of income before income taxes) in the comparable period of the prior year. This effective tax rate in the first quarter of 2015 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 jurisdictions where the tax rate is 25% or less.

2.5 Foreign Exchange Impact

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

		Three Months ended	
	March 31, 2015	December 31, 2014	March 31, 2014
U.S. dollar	**1.2360**	1.1375	1.1019
Euro	**1.4078**	1.4160	1.5050
British Pounds	**1.8817**	1.7996	1.8269

The following table sets forth the impact on revenue, Operating Income and net income (attributable to shareholders of the Company), compared with the prior quarter and the prior year period, as a result of foreign exchange fluctuations on the translation of foreign currency operations:

(in thousands of Canadian dollars)	**Q1-2015 versus Q4-2014**	**Q1-2015 versus Q1-2014**
Revenue	**$ 16,155**	**$ 13,686**
Income from operations	**1,701**	**897**
Net income	$ **2,152**	**$ 2,154**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $3.1 million in the first quarter of 2015, compared to a gain of $3.0 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.

2.6 Net Income (attributable to shareholders of the Company)

First Quarter 2015 versus Fourth Quarter 2014

Net income increased by $58.4 million, from a net loss of $20.7 million during the fourth quarter of 2014 to net income of $37.8 million during the first quarter of 2015. This increase was mainly due to the impairment charges recorded in the fourth quarter of 2014 of $79.0 million and the loss from investment in joint ventures pertaining to the Venezuela impairment of $18.9 million. This was partially offset by the lower Adjusted Operating Income of $2.5 million, as explained in section 2.2 above, higher income tax expense of $35.0 million and increase in non-controlling interest of $1.3 million.

First Quarter 2015 versus First Quarter 2014

Net income decreased by $24.2 million, from $61.9 million during the first quarter of 2014 to $37.8 million during the first quarter of 2015. This decrease was mainly due to the decrease in Adjusted Operating Income in the first quarter of 2015 of $33.8 million, as explained in section 2.2 above and higher net finance costs of $0.7 million, partially offset by lower income tax expense of $9.8 million and the impact of changes in non controlling interest of $0.8 million.

3.0 SEGMENT INFORMATION

3.1 Pipeline and Pipe Services segment

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

(in thousands of Canadian dollars, except Operating Margin)	Three Months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
North America	**$ 203,637**	$ 213,514	$ 189,373
Latin America	**37,488**	48,335	43,068
EMAR	**130,879**	151,154	68,748
Asia Pacific	**56,810**	45,556	135,610
Total Revenue	**$ 428,814**	$ 458,559	$ 436,799
Adjusted Operating Income(a)	**$ 55,117**	$ 58,251	$ 92,184
Adjusted Operating Margin(b)	**12.9%**	12.7%	21.1%

(a) Adjusted Operating Income is Operating Income excluding impairment charges and is a non-GAAP measure. Please refer to section 6.0 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.

First Quarter 2015 versus Fourth Quarter 2014

First quarter 2015 revenue decreased by $29.7 million to $428.8 million, from $458.6 million in the fourth quarter of 2014. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar, as noted in section 2.5 above, and higher activity levels in the Asia Pacific region. This was more than offset by lower activity levels in North America, EMAR and Latin America:

- In North America, revenue decreased by $9.9 million, or 5%, as a result of lower small diameter pipe coating, lower flexible composite pipe volumes and decreased pipe weld inspection service revenue in the USA.
- Latin America revenue decreased by $10.8 million, or 22%, primarily as a result of lower activity levels in Mexico at both the Coatzacoalcos and Veracruz facilities, partially offset by higher activity at Socotherm's Argentina facilities.
- In EMAR, revenue decreased by $20.3 million, or 13%, primarily due to lower volumes at Ras Al Khaimah, UAE ("RAK"), Leith, Scotland, and at the Socotherm Pozzallo facility. This was partially offset by higher revenues at Orkanger, Norway for several North Sea insulation coating projects.
- In Asia Pacific, revenue increased by $11.3 million, or 25%, mainly due to an increase in pipe coating project activity at the Kuantan, Malaysia facility.

In the first quarter of 2015, Adjusted Operating Income was $55.0 million compared to Adjusted Operating Income of $58.3 million in the fourth quarter of 2014, a decrease of $3.3 million, or 5.5%, as a result of the lower gross profit of $8.2 million, primarily due to the decrease in revenue of $29.8 million, as explained above, partially offset by a 0.5 percentage point increase in the gross margin due to project and product mix. The reduction in gross profit was partially offset by lower SG&A expenses, as explained in section 2.2 above.

First Quarter 2015 versus First Quarter 2014

Revenue was $428.8 million in the first quarter of 2015, a decrease of $8.0 million, or 2%, from $436.8 million in the comparable period of 2014. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar, as noted in section 2.5 above, combined with higher revenue in North America and EMAR. This was more than offset by lower revenue in Asia Pacific and Latin America:

- In North America, revenue increased by $14.3 million, or 8%, due to the addition of approximately $26 million in revenue from the third quarter 2014 acquisition of Desert NDT and higher activity levels in tubular management services in Canada. This was partially offset by lower transmission pipeline weld inspection services revenue in the USA and lower volumes of small diameter pipe coating and composite pipe.

- In Latin America, revenue decreased by $5.6 million, or 13%, primarily due to decreased activity at the pipe coating facilities in Veracruz and Coatzacoalcos, Mexico and in Brazil. This was partially offset by increased activity at Socotherm's Argentina facility.
- EMAR revenue increased by $62.1 million, or 90%, primarily due to higher activity levels at RAK, Orkanger, Norway, the Shah Deniz II project in the Caspian and from Socotherm's Italian facilities. Higher revenue from pipe weld inspection services was also recorded due to the acquisition of SAIS in the UK in the second quarter of 2014. This was partially offset by lower activity at the Leith, Scotland facility where the Edward Greig project was executed in the first quarter of 2014.
- Asia Pacific revenue decreased by $78.8 million, or 58%, primarily due to the lower volumes associated with the completion of the Inpex Ichthys project at both Kabil, Indonesia and Kuantan, Malaysia in 2014.

In the first quarter of 2015, Adjusted Operating Income was $55.0 million, $37.2 million lower than the Adjusted Operating Income of $92.2 million in the first quarter of 2014 due to:

- A decrease in gross profit of $29.5 million partly as a result of the decrease in revenue of $8.0 million, as explained above, and a 6.1 percentage point decrease in gross margin due to unfavourable project mix, particularly in the Asia Pacific region, which had benefitted from high gross margins on the Inpex Ichthys flow assurance project in the first quarter of 2014.
- An increase in SG&A expenses primarily due to the inclusion of $5.5 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.

3.2 Petrochemical and Industrial segment

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

(in thousands of Canadian dollars, except Operating Margin)	Three Months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
North America	**$ 25,506**	$ 26,776	$ 24,030
EMAR	**16,316**	13,860	17,316
Asia Pacific	**2,418**	2,053	1,581
Total Revenue	**$ 44,240**	$ 42,689	$ 42,927
Operating Income	**$ 6,261**	$ 5,792	$ 6,063
Operating Margin	**14.2%**	13.6%	14.1%

First Quarter 2015 versus Fourth Quarter 2014

In the first quarter of 2015, revenue increased by $1.6 million, or 4%, to $44.2 million, compared to the fourth quarter of 2014, primarily due to higher shipments of heat shrink tubing products in North America, EMAR and Asia Pacific, partially offset by lower activity levels in wire and cable products to North American electrical utilities.

Operating Income of $6.3 million in the first quarter of 2015 was $0.5 million, or 8%, higher than in the fourth quarter of 2014. The increase in Operating Income was primarily due to higher gross profit of $0.5 million on higher sales and lower SG&A expenses of $0.5 million, partially offset by a gain on sale of land of $0.6 million recorded in the fourth quarter of 2014.

First Quarter 2015 versus First Quarter 2014

First quarter 2015 revenue totaled $44.2 million compared to $42.9 million in the first quarter of 2014, an increase of $1.3 million, or 3%. The increase was driven by higher heat shrink tubing product volumes in North America and Asia Pacific.
Operating Income in the first quarter of 2015 was $6.3 million compared to $6.1 million in the first quarter of 2014, an increase of $0.2 million. The increase in Operating Income was due to higher gross profit of $0.8 million as a result of higher

revenue of $1.3 million, as explained above, and a 0.8 percentage point increase in gross margin, primarily due to more favourable product mix. This was partially offset by higher SG&A expenses of $0.5 million.

3.3 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 financial and corporate division for ShawCor does not meet the definition of a reportable operating segment as defined in IFRS, as it does not earn revenue.

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

(in thousands of Canadian dollars)	**Three Months ended**		
	March 31, 2015	December 31, 2014	March 31, 2014
Financial and Corporate	**$ (8,859)**	$ (6,362)	$ (11,859)

First Quarter 2015 versus Fourth Quarter 2014

Financial and corporate costs increased by $2.5 million from $6.4 million during the fourth quarter of 2014 to $8.9 million in the first quarter of 2015. The increase was primarily due to an increase in management incentive compensation expenses of $2.5 million and employee retirement benefits of $2.0 million compared with the fourth quarter of 2014. This was partially offset by a decrease in legal and professional consulting fees of $2.3 million in the first quarter of 2015.

First Quarter 2015 versus First Quarter 2014

Financial and corporate costs decreased by $3.1million from the first quarter of 2014 to $8.9 million in the first quarter of 2015. This was primarily due to lower management incentive compensation expenses of $3.0 million in the first quarter of 2015 versus the prior year.

4.0 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 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 and Azerbaijan 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.

ShawCor will be hosting a Shareholder and Analyst Conference Call and Webcast on Wednesday May13th, 2015 at 10:00AM ET, which will discuss the Company's First Quarter Financial Results.

To participate via telephone, please dial 1-315-625-6955 or 1-877-776-4039 and enter Conference ID: 26326705 Click on this link http://edge.media-server.com/m/p/eq2b5osp to participate via webcast.

5.0 Additional Information

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

Please visit our website at www.shawcor.com for further details.

For further information, please contact:

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ShawCor Ltd.
Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)	**March 31, 2015**	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 97,619**	$ 116,556
Short-term investments	**1,694**	550
Accounts receivable	**482,697**	457,610
Income taxes receivable	**11,487**	11,232
Inventories	**211,321**	194,732
Prepaid expenses	**23,573**	27,370
Derivative financial instruments	**3,840**	5,578
	832,231	813,628
Non-current Assets		
Loans receivable	**7,454**	7,021
Property, plant and equipment	**448,121**	435,311
Intangible assets	**223,239**	202,736
Investments in associates	**19,333**	19,165
Deferred income taxes	**23,776**	39,019
Other assets	**26,508**	26,889
Goodwill	**427,542**	396,201
	1,175,973	1,126,342
	$ 2,008,204	$ 1,939,970
LIABILITIES AND EQUITY		
Current Liabilities		
Bank indebtedness	**$ 6,103**	$ 4,685
Accounts payable and accrued liabilities	**246,502**	252,443
Provisions	**16,567**	14,974
Income taxes payable	**27,100**	33,944
Derivative financial instruments	**1,752**	794
Deferred revenue	**99,277**	102,005
Obligations under finance lease	**1,251**	1,222
Other liabilities	**21,058**	24,828
	419,610	434,895
Non-current Liabilities		
Long-term debt	**442,468**	406,926
Obligations under finance lease	**11,720**	12,273
Provisions	**39,836**	37,350
Employee future benefits	**26,865**	26,008
Deferred income taxes	**13,027**	24,007
Other liabilities	**6,512**	17,898
	540,428	524,462
	960,038	959,357
Equity		
Share capital	**533,772**	533,660
Contributed surplus	**15,642**	14,625
Retained earnings	**461,276**	433,177
Non-controlling interests	**8,116**	7,254
Accumulated other comprehensive income (loss)	**29,360**	(8,103)
	1,048,166	980,613
	$ 2,008,204	$ 1,939,970

ShawCor Ltd.
Interim Consolidated Statements of Income (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended March 31, 2015	2014
Revenue		
Sale of products	**$ 135,166**	$ 139,091
Rendering of services	**336,774**	339,991
	471,940	479,082
Cost of Goods Sold and Services Rendered	**302,915**	280,814
Gross Profit	**169,025**	198,268
Selling, general and administrative expenses	**93,713**	89,465
Research and development expenses	**4,073**	4,174
Foreign exchange gains	**(3,097)**	(3,031)
Amortization of property, plant and equipment	**13,743**	15,459
Amortization of intangible assets	**4,977**	2,782
Income from Operations	**55,616**	89,419
Loss from investments in joint ventures	–	(1,152)
Income from investments in associates	**(111)**	(362)
Finance costs, net	**(4,448)**	(3,727)
Income Before Income Taxes	**51,057**	84,178
Income taxes	**12,790**	22,571
Net Income	**$ 38,267**	$ 61,607
Net Income Attributable to:		
Shareholders of the Company	**$ 37,774**	$ 61,947
Non-controlling interests	**493**	(340)
Net Income	**$ 38,267**	$ 61,607
Earnings per Share		
Basic	**$ 0.59**	$ 1.03
Diluted	**$ 0.58**	$ 1.03
Weighted Average Number of Shares Outstanding (000's)		
Basic	**64,497**	60,041
Diluted	**64,770**	60,426

ShawCor Ltd.
Interim Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended March 31,			
		2015		2014
Net Income	**$**	**38,267**	$	61,607
Other Comprehensive Income				
Other Comprehensive Income to be Reclassified to Net Income in Subsequent Periods				
Exchange differences on translation of foreign operations		**37,553**		7,119
Other comprehensive income attributable to investments in joint ventures		**–**		427
Other comprehensive income attributable to investments in associates		**279**		–
Net Other Comprehensive Income to be Reclassified to Net Income in Subsequent Periods		**37,832**		7,546
Other Comprehensive Income, Net of Income Tax		**37,832**		7,546
Total Comprehensive Income	**$**	**76,099**	$	69,153
Comprehensive Income Attributable to:				
Shareholders of the Company	**$**	**75,237**	$	68,899
Non-controlling interests		**862**		254
Total Comprehensive Income	**$**	**76,099**	$	69,153

ShawCor Ltd.
Interim Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Non-controlling Interests	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance - December 31, 2014	**$ 533,660**	**$ 14,625**	**$ 433,177**	**$ 7,254**	**$ (8,103)**	**$ 980,613**
Net income	–	–	37,774	493	–	38,267
Other comprehensive income	–	–	–	369	37,463	37,832
Comprehensive income	–	–	37,774	862	37,463	76,099
Issued on exercise of stock options	44	–	–	–	–	44
Compensation cost on exercised options	16	(16)	–	–	–	–
Compensation cost on exercised RSUs	52	(52)	–	–	–	–
Stock-based compensation expense	–	1,085	–	–	–	1,085
Dividends declared and paid to shareholders	–	–	(9,675)	–	–	(9,675)
Balance – March 31, 2015	**$ 533,772**	**$15,642**	**$461,276**	**$8,116**	**$29,360**	**$1,048,166**
Balance - December 31, 2013	$ 303,327	$ 13,093	$ 373,574	$ 2,419	$ (33,832)	$ 658,581
Net income (loss)	–	–	61,947	(340)	–	61,607
Other comprehensive income	–	–	–	594	6,952	7,546
Comprehensive income	–	–	61,947	254	6,952	69,153
Issued on exercise of stock options	3,306	–	–	–	–	3,306
Compensation cost on exercised options	1,165	(1,165)	–	–	–	–
Compensation cost on exercised RSUs	2	(2)	–	–	–	–
Stock-based compensation expense	–	1,059	–	–	–	1,059
Dividends declared and paid to shareholders	–	–	(7,512)	–	–	(7,512)
Balance – March 31, 2014	$ 307,800	$ 12,985	$ 428,009	$ 2,673	$ (26,880)	$ 724,587

ShawCor Ltd.
Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended March 31, 2015		2014	
Operating activities				
Net income	**$**	**38,267**	$	61,607
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment		**13,743**		15,459
Amortization of intangible assets		**4,977**		2,782
Amortization of long-term prepaid expenses		**494**		207
Decommissioning obligations expense		**111**		103
Other provision expenses		**2,212**		1,175
Stock-based compensation and incentive-based compensation		**1,587**		6,746
Deferred income taxes		**2,075**		(1,569)
Loss on disposal of property, plant and equipment		**48**		19
Unrealized loss (gain) on derivative financial instruments		**2,696**		(903)
Loss from investments in associates		**111**		362
Loss from investments in joint ventures		**–**		1,152
Other		**–**		263
Settlement of decommissioning liabilities		**(6)**		(22)
Settlement of other provisions		**(1,207)**		(1,941)
Net change in future employee benefits		**324**		431
Change in non-cash working capital and foreign exchange		**(49,137)**		(68,588)
Cash Provided by Operating Activities	**$**	**16,295**	$	17,283
Investing Activities				
Decrease in loan receivable		**39**		1,075
(Increase) decrease in short-term investments		**(1,144)**		947
Purchases of property, plant and equipment		**(15,224)**		(12,651)
Proceeds on disposal of property, plant and equipment		**574**		726
Purchases of intangible assets		**(37)**		–
Deferred purchase consideration payment		**(1,064)**		(760)
Investments in associate		**–**		(13,700)
Increase in other assets		**(57)**		(10,000)
Business acquisition		**(17,036)**		–
Cash Used in Investing Activities	**$**	**(33,949)**	$	(34,363)
Financing Activities				
Increase (decrease) in bank indebtedness		**1,418**		(1,379)
Decrease in loans payable		**(2,513)**		(16)
Repayment of finance lease obligation		**(524)**		–
Issuance of shares		**44**		3,306
Dividend paid to shareholders		**(9,675)**		(7,512)
Cash Used in Financing Activities	**$**	**(11,250)**	$	(5,601)
Effect of Foreign Exchange on Cash and Cash Equivalents		**9,967**		1,831
Net Decrease in Cash and Cash Equivalents for the Period		**(18,937)**		(20,850)
Cash and Cash Equivalents – Beginning of Period		**116,556**		79,395
Cash and Cash Equivalents – End of Period	**$**	**97,619**	$	58,545

6.0 Reconciliation of Non-GAAP to GAAP Financial 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. 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 some of the non-GAAP measures used and reported by the Company.

Adjusted EBITDA, Adjusted Net Income and Adjusted EPS

The following table sets forth the Adjusted EBITDA, Adjusted Net Income and Adjusted EPS for the following periods:

(in thousands of Canadian dollars)	Three Months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Net income (loss) for the period[b]	**37,774**	(20,652)	61,947
Add:			
Income taxes (recovery)	**12,790**	(22,253)	22,571
Finance costs, net	**4,448**	3,813	3,727
Amortization of property, plant, equipment and intangible assets	**18,720**	18,389	18,241
Gain on sale of land	–	(609)	–
Impairment	–	78,999	–
Impairment of investments in joint venture	–	18,948	–
EBITDA[a]	**73,732**	76,635	106,486
Non-controlling interests	**493**	(849)	(340)
Loss on assets held for sale	–	593	–
ADJUSTED EBITDA[a]	**74,225**	76,379	106,146
Net income (loss) for the period[b]	**37,774**	(20,652)	61,947
Add:			
Impairment	–	78,999	–
Impairment of investments in joint venture	–	18,948	–
Deduct :			
Deferred Tax Recovery	–	(27,931)	–
ADJUSTED Net Income	**37,774**	49,364	61,947
ADJUSTED EPS (Diluted)[c]	**0.58**	0.76	1.03

(a) Adjusted EBITDA and EBITDA are 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)

Adjusted Operating Income

The following table sets forth the adjusted Operating Income for the following periods:

(in thousands of Canadian dollars)	Three Months ended		
	March 31, 2015	December 31 2014	March 31, 2014
Income (loss) from Operations	$ **55,616**	**$** (20,868)	$ 89,419
Add:			
Impairment	**–**	78,999	–
Adjusted Operating Income	**$ 55,616**	**$** 58,131	**$** 89,419