Shawcor Ltd.
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of Shawcor Ltd. ("Shawcor" or "the Company") for the three and nine months ended September 30, 2015 and 2014 and should be read together with Shawcor's interim unaudited consolidated financial statements and accompanying notes for the same periods and the MD&A included in the Company's 2014 Annual Report. All dollar amounts in this MD&A are in thousands of Canadian dollars except per share amounts or unless otherwise stated.

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

1.0 Executive Overview

Shawcor is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates nine divisions with over ninety manufacturing, sales and service facilities located around the world. The Company is publicly-traded on the Toronto Stock Exchange.

1.1 Core Businesses

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

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

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

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

As at September 30, 2015, the Company operated its nine divisions through two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 90% of consolidated revenue for the nine-month period September 30, 2015. This segment includes the Bredero Shaw, Socotherm, Canusa-CPS, Shaw Pipeline Services, Flexpipe Systems, Guardian and Desert NDT divisions.

- Bredero Shaw and Socotherm provide 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.
- Desert NDT provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which includes the DSG-Canusa and ShawFlex divisions, accounted for 10% of consolidated revenue for the nine-month period ended September 30, 2015. Operations within this segment utilize polymer and adhesive technologies that were developed for the Pipeline and Pipe Services segment and are now being applied to applications in Petrochemical and Industrial markets.

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

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Revenue	**$ 485,428**	$ 469,597	**$ 1,355,388**	$ 1,390,065
Cost of Goods Sold and Services Rendered	**323,460**	300,680	**900,796**	843,594
	161,968	168,917	**454,592**	546,471
Selling, general and administrative expenses	**86,130**	96,498	**282,907**	274,825
Research and development expenses	**2,414**	2,293	**11,026**	11,603
Foreign exchange gains	**(1,409)**	(1,295)	**(1,586)**	(3,297)
Amortization of property, plant and equipment	**15,104**	13,709	**43,478**	41,445
Amortization of intangible assets	**5,348**	5,401	**15,848**	10,972
Gain on sale of land	**(814)**	–	**(814)**	–
Impairment	**–**	41,379	**–**	41,379
Income from Operations	**55,195**	10,932	**103,733**	169,544
Gain on assets held for sale	**–**	4,495	**–**	7,020
(Loss) income from investments in associates	**(9)**	444	**(266)**	409
Loss from investments in joint ventures	**–**	(580)	**–**	(3,427)
Finance costs, net	**(4,855)**	(6,245)	**(13,516)**	(14,588)
Income before Income Taxes	**50,331**	9,046	**89,951**	158,958
Income taxes	**12,219**	2,701	**21,898**	43,263
Non-controlling interests	**5**	728	**710**	182
Net Income for the Period[(a)]	**$ 38,107**	$ 5,617	**$ 67,343**	$ 115,513
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Add:				
Income taxes	**12,219**	2,701	**21,898**	43,263
Finance costs, net	**4,855**	6,245	**13,516**	14,588
Amortization of property, plant, equipment and intangible assets	**20,452**	19,110	**59,326**	52,417
Gain on sale of land	**(814)**	–	**(814)**	–
Impairment	**–**	41,379	**–**	41,379
EBITDA[(b)]	**74,819**	75,052	**161,269**	267,160
Non-controlling interests	**5**	728	**710**	182
Gain on assets held for sale	**–**	(4,495)	**–**	(7,020)
ADJUSTED EBITDA[(b)]	**$ 74,824**	$ 71,285	**$ 161,979**	$ 260,322
Per Share Information:				
Net Income				
Basic	**$ 0.59**	$ 0.09	**$ 1.04**	$ 1.91
Diluted	**$ 0.59**	$ 0.09	**$ 1.04**	$ 1.90
Cash Dividend per Share:				
Common Shares	**$ 0.150**	$ 0.150	**$ 0.450**	$ 0.425

(a) Attributable to Shareholders of the Company.

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

(in thousands of Canadian dollars)		**September 30, 2015**		December 31, 2014
Total Assets	**$**	**2,105,002**	$	1,939,970
Total Non-current Liabilities	**$**	**567,991**	$	524,462

Revenue

Consolidated revenue increased by $15.8 million, or 3%, from $469.6 million during the third quarter of 2014, to $485.4 million during the third quarter of 2015, mainly due to the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 below.

Consolidated revenue decreased by $34.7 million, or 3%, from $1,390.1 million for the nine month period ended September 30, 2014 to $1,355.4 million for the nine month period ended September 30, 2015, due to a decrease of $37.9 million, or 3%, in the Pipeline and Pipe Services segment, partially offset by an increase of $1.9 million in the Petrochemical and Industrial segment. Consolidated revenue in 2015, benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 below.

Income from Operations ("Operating Income")

Operating Income increased by $44.3 million, from $10.9 million in the third quarter of 2014 to $55.2 million during the third quarter of 2015. Operating Income was impacted by a decrease in gross profit of $6.9 million and an increase in amortization of property, plant, equipment and intangible assets of $1.3 million. These items were more than offset by a decrease in selling, general and administrative ("SG&A") expenses of $10.4 million, an impairment charge of $41.4 million recorded in the third quarter of 2014 and a gain on sale of land of $0.8 million in the third quarter of 2015.

The decrease in gross profit in the third quarter of 2015 resulted from a 2.6 percentage point decrease in gross margin, partially offset by the higher revenue, as explained above. The decrease in the gross margin percentage was primarily attributable to changes in product and project mix, particularly in the Pipeline and Pipe Services segment.

SG&A expenses in the third quarter of 2015 decreased by $10.4 million compared to the third quarter of 2014, primarily due to lower personnel related and management incentive compensation expenses of $9.2 million and a $1.4 million reduction in professional consulting and legal fees.

Operating Income decreased by $65.8 million from the nine month period ended September 30, 2014, to $103.7 million in the comparable period in 2015. Operating Income was impacted by a year over year decrease in gross profit of $91.9 million, increases in SG&A expenses of $8.1 million and amortization of property, plant, equipment and intangible assets of $6.9 million, and a decrease in net foreign exchange gain of $1.7 million. These items were partially offset by a decrease in research and development expenses of $0.6 million, a gain on sale of land of $0.8 million and an impairment charge of $41.4 million recorded in the third quarter of 2014.

The decrease in gross profit for the nine month period ended September 30, 2015 resulted from a 7.1 percentage point decrease in gross margin and the lower revenue, as explained above. The decrease in the gross profit was attributable to changes in product and project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption compared to the prior year, particularly in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from high gross margins on several large concrete weight coating projects, and in North American businesses exposed to the decline in oilfield activity.

SG&A expenses increased by $8.1 million in the first nine months of 2015 compared to 2014, primarily due to higher restructuring charges in 2015 of $11.2 million, higher provision for doubtful accounts and warranty of $2.8 million, increases in rental and building costs of $2.4 million (primarily associated with increased activity in the Europe, Middle East, Africa and Russia ("EMAR") region, higher professional consulting fees of $2.4 million and bank charges and higher other expenses of $4.1 million. In addition, in the third quarter of 2014, $1.5 million was reversed from provisions due to favourable court decisions on certain litigation matters. These SG&A expense increases were partially offset by reductions in management incentive compensation expenses of $16.3 million.

Net Income (attributable to shareholders of the Company)

Net income increased by $32.5 million, from $5.6 million during the third quarter of 2014 to $38.1 million during the third quarter of 2015, mainly due to the $44.3 million increase in Operating Income, as explained above and lower net finance costs of $1.4 million. This was partially offset by an increase in income tax expense of $9.5 million and lower gain on assets held for sale of $4.5 million.

Net income decreased by $48.2 million, from $115.5 million during the nine month period ended September 30, 2014 to $67.3 million during the nine month period ended September 30, 2015, mainly due to the $65.8 million decline in Operating Income as explained above and lower gain on assets held for sale of $7.0 million. This was partially offset by a reduction in income tax expense of $21.4 million and lower net finance costs of $1.1 million.

2.2 Foreign Exchange Impact

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2015	2014	**2015**	2014
U.S. dollar	**1.2989**	1.0890	**1.2588**	1.0949
Euro	**1.4442**	1.4403	**1.4124**	1.4781
British Pounds	**2.0089**	1.8182	**1.9323**	1.8245

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

(in thousands of Canadian dollars)	**Q3-2015 Versus Q2-2015**	**Q3-2015 versus Q3-2014**	**Q3-2015 YTD versus Q3-2014 YTD**
Revenue	**$ 17,188**	**$ 42,450**	**$ 69,739**
Operating Income	**1,485**	**5,155**	**3,227**
Net income	**857**	**5,254**	**6,451**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $1.4 million in the third quarter of 2015, compared to a gain of $1.3 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

Shawcor Announces New Calgary Sales Super Centre

On July 9, 2015, the Company announced that eight of its divisions would co-locate in downtown Calgary, Alberta, effective immediately. The move saw Canusa-CPS, DSG-Canusa, Flexpipe Systems, Guardian, Shawcor CSI, Shaw Pipe Protection, Shaw Pipeline Services and ShawFlex form a sales super centre in the Dome Tower, Suite 2200, 333 7 Avenue S.W..

This new location hosts over 45 key sales, customer facing and support employees. By unifying the market-leading products and services of our divisions in one location, we are able to deliver full-service and fully integrated customer solutions that address our customers' most important challenges – staying protected, productive and profitable.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

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

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Pipeline and Pipe Services	**$ 439,205**	$ 352,337	$ 424,660	**$ 1,220,356**	$ 1,258,230
Petrochemical and Industrial	**46,168**	45,844	46,207	**136,252**	134,344
Elimination	**55**	(161)	(1,270)	**(1,220)**	(2,509)
	$ 485,428	$ 398,020	$ 469,597	**$ 1,355,388**	$ 1,390,065

Third Quarter 2015 versus Second Quarter 2015

Consolidated revenue increased 22%, or $87.4 million, from $398.0 million during the second quarter of 2015 to $485.4 million during the third quarter of 2015, due to an increase of $86.9 million in the Pipeline and Pipe Services segment and an increase of $0.3 million in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue increased 25%, or $86.9 million, from $352.3 million in the second quarter of 2015 to $439.2 million in the third quarter of 2015, due to higher activity levels in the North America, EMAR and Asia Pacific regions, partially offset by decreased revenue in Latin America. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was higher by $0.3 million, or 1%, in the third quarter of 2015, compared to the second quarter of 2015, mainly due to an increase in revenue of $0.9 million, or 6%, in EMAR, partially offset by lower activity in the North America and Asia Pacific 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.

Third Quarter 2015 versus Third Quarter 2014

Consolidated revenue increased by $15.8 million, or 3%, from $469.6 million during the third quarter of 2014, to $485.4 million during the third quarter of 2015, mainly due to the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above.

In the Pipeline and Pipe Services segment, revenue in the third quarter of 2015 was $439.2 million, or 3% higher than in the third quarter of 2014, due to higher revenue in EMAR, partially offset by decreased activity in North America, Latin America and 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.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Consolidated revenue decreased by $34.7 million, or 3%, from $1,390.1 million for the nine month period ended September 30, 2014 to $1,355.4 million for the nine month period ended September 30, 2015, due to a decrease of $37.9 million, or 3%, in the Pipeline and Pipe Services segment, partially offset by an increase of $1.9 million in the Petrochemical and Industrial segment. Consolidated revenue in 2015, 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 during the first nine months of 2015 was $1,220.4 million, or $37.9 million lower than in the comparable period in 2014, primarily due to lower activity levels in Asia Pacific, North America and Latin America, partially offset by increased revenue in EMAR. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased by $1.9 million during the first nine months of 2015 compared to the same period in 2014, primarily due to higher activity levels in Asia Pacific, partially offset by lower revenue

in North America. See *Section 4.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Income from Operations

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

(in thousands of Canadian dollars)	**Three Months Ended**			**Nine Months Ended**	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Operating Income (loss)	**$ 55,195**	$ (7,078)	$ 10,932	**$ 103,733**	$ 169,544
Operating Margin[(a)]	**11.4%**	(1.8)%	2.3%	**7.7%**	12.2%

(a) Operating Margin is defined as Operating Income divided by revenue and is a non-GAAP measure. 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.

Third Quarter 2015 versus Second Quarter 2015

Operating Income increased by $62.3 million, from an Operating Loss of $7.1 million in the second quarter of 2015 to $55.2 million during the third quarter of 2015. Operating Income was impacted by an increase in gross profit of $38.4 million, decreases in SG&A expenses of $16.9 million and research and development expenses of $2.1 million, a gain on sale of land of $0.8 million and an increase in net foreign exchange gain of $4.3 million.

The increase in gross profit resulted from a 2.3 percentage point increase in the gross margin from the second quarter of 2015 and the higher revenue, as explained above. The increase in the gross margin percentage was primarily due to labour cost efficiencies driven by higher facility utilization and increased absorption of manufacturing overheads as a result of the increase in revenue in the Pipeline and Pipe Services segment, particularly in the EMAR region which benefitted from high production volumes on Shah Deniz project work.

SG&A expenses decreased by $16.9 million, from $103.1 million in the second quarter of 2015 to $86.1 million in the third quarter of 2015, primarily due to restructuring charges of $15.0 million recorded in the second quarter of 2015. In addition, provision for doubtful accounts was lower by $3.2 million in the third quarter of 2015. This was partially offset by higher management incentive compensation expenses of $4.0 million in the third quarter of 2015.

Third Quarter 2015 versus Third Quarter 2014

Operating Income increased by $44.3 million, from $10.9 million in the third quarter of 2014 to $55.2 million during the third quarter of 2015. Operating Income was impacted by a decrease in gross profit of $6.9 million and an increase in amortization of property, plant, equipment and intangible assets of $1.3 million. These items were more than offset by a decrease in SG&A expenses of $10.4 million, an impairment charge of $41.4 million recorded in the third quarter of 2014 and a gain on sale of land of $0.8 million in the third quarter of 2015.

The decrease in gross profit resulted from a 2.6 percentage point decrease in gross margin, partially offset by the higher revenue, as explained above. The decrease in the gross margin percentage was primarily attributable to changes in product and project mix, particularly in the Pipeline and Pipe Services segment.

SG&A expenses in the third quarter of 2015 decreased by $10.4 million primarily due to lower personnel related and management incentive compensation expenses of $9.2 million and a $1.4 million reduction in professional consulting and legal fees.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Operating Income decreased by $65.8 million from the nine month period ended September 30, 2014, to $103.7 million in the comparable period in 2015. Operating Income was impacted by a year over year decrease in gross profit of $91.9 million, increases in SG&A expenses of $8.1 million and amortization of property, plant, equipment and intangible assets of $6.9 million, and a decrease in net foreign exchange gain of $1.7 million. These items were partially offset by a decrease in research and development expenses of $0.6 million, a gain on sale of land of $0.8 million and an impairment charge of $41.4 million recorded in the third quarter of 2014.

The decrease in gross profit resulted from a 7.1 percentage point decrease in gross margin and the lower revenue, as explained above. The decrease in the gross profit was attributable to changes in product and project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption compared to the prior year, particularly in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from high gross margins on several large concrete weight coating projects, and in North American businesses exposed to the decline in oilfield activity.

SG&A expenses increased by $8.1 million in the first nine months of 2015 compared to 2014, primarily due to higher restructuring charges in 2015 of $11.2 million, higher provision for doubtful accounts and warranty of $2.8 million, increases in rental and building costs of $2.4 million (primarily associated with increased activity in the EMAR region), higher professional consulting fees of $2.4 million and bank charges and higher other expenses of $4.1 million. In addition, in the third quarter of 2014, $1.5 million was reversed from provisions due to favourable court decisions on certain litigation matters. These SG&A expense increases were partially offset by reductions in management incentive compensation expenses of $16.3 million

Finance Costs, Net

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

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Interest income	**$ (338)**	$ (195)	$ (262)	**$ (733)**	$ (675)
Interest expense, other	**988**	415	3,049	**2,215**	5,290
Interest expense on long-term debt	**4,205**	3,993	3,458	**12,034**	9,973
Finance costs, net	**$ 4,855**	$ 4,213	$ 6,245	**$ 13,516**	$ 14,588

Third Quarter 2015 versus Second Quarter 2015

In the third quarter of 2015, net finance cost was $4.9 million, compared to a net finance cost of $4.2 million during the second quarter of 2015. The increase in net finance cost was primarily a result of higher interest expenses on bank loans and overdrafts and the foreign exchange rate used to translate US$ interest on long-term debt.

Third Quarter 2015 versus Third Quarter 2014

In the third quarter of 2015, net finance cost was $4.9 million, compared to a net finance cost of $6.2 million during the third quarter of 2014. The decrease in net finance cost was primarily a result of lower interest expenses on bank loans and overdrafts and higher interest income on short term deposits, partially offset by higher interest expense on long term debt due to the foreign exchange rate used to translate US$ interest on long-term debt.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

For the nine month period ended September 30, 2015, net finance cost was $13.5 million, compared to a net finance cost of $14.6 million for the comparable period in the prior year. The decrease in net finance cost was primarily a result of lower interest expense on bank loans and overdrafts, partially offset by higher interest expense on long-term debt due to the foreign exchange rate used to translate US$ interest on long-term debt.

Income Taxes

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

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Income tax (recovery) expense	**$ 12,219**	$ (3,111)	$ 2,701	**$ 21,898**	$ 43,263

Third Quarter 2015 versus Second Quarter 2015

The Company recorded an income tax expense of $12.2 million (24% of income before income taxes) in the third quarter of 2015, compared to an income tax recovery of $3.1 million (27% of loss before income taxes) in the second quarter of 2015. The effective tax rate in the third quarter of 2015 was lower than the expected 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.

Third Quarter 2015 versus Third Quarter 2014

The Company recorded an income tax expense of $12.2 million (24% of income before income taxes) in the third quarter of 2015, compared to an income tax expense of $2.7 million (30% of income before income taxes) in the third quarter of 2014. The effective tax rate in the third quarter of 2015 was lower than the expected 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.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

The Company recorded an income tax expense of $21.9 million (24% of income before income taxes) during the nine month period ended September 30, 2015, compared to an income tax expense of $43.3 million (27% of income before income taxes) during the nine month period ended September 30, 2014. The Company's tax rate for the nine month period ended September 30, 2015 was lower than the expected 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.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

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

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
North America	**$ 184,241**	$ 162,822	$ 215,050	**$ 550,699**	$ 574,295
Latin America	**38,459**	39,586	53,313	**115,533**	136,722
EMAR	**171,379**	115,653	107,079	**417,912**	249,326
Asia Pacific	**45,126**	34,276	49,218	**136,212**	297,887
Total Revenue	**$ 439,205**	$ 352,337	$ 424,660	**$ 1,220,356**	$ 1,258,230
Operating Income	**$ 54,153**	$ 1,905	$ 13,343	**$ 111,175**	$ 180,229
Operating Margin[(a)]	**12.3%**	0.5%	3.1%	**9.1%**	14.3%

(a) Operating Margin is defined as Operating Income divided by revenue and is a non-GAAP measure. 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.

Third Quarter 2015 versus Second Quarter 2015

Third quarter revenue increased by $86.9 million to $439.2 million, from $352.3 million in the second quarter of 2015. 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 activity levels in all regions except for Latin America:

- In North America, revenue increased by $21.4 million, or 13%, as a result of higher activity levels for small and large diameter pipe coating in the USA, higher flexible composite pipe volumes, and higher pipe weld inspection services in the USA.

- Latin America revenue decreased by $1.1 million, or 3%, primarily as a result of lower thermal insulation coating volumes at the Socotherm Argentina facilities.

- In EMAR, revenue increased by $55.7 million, or 48%, primarily due to higher volumes from the Shah Deniz projects at Orkanger, Norway and at the Baku, Azerbaijan facility. This was partially offset by lower field joint project volumes in the region.

- Asia Pacific revenue increased by $10.9 million, or 32%, mainly due to the ENI Jangkrik Field project in Kabil, Indonesia.

In the third quarter of 2015, Operating Income was $54.2 million compared to $1.9 million in the second quarter of 2015, an increase of $52.2 million. The increase in Operating Income was due to an increase in gross profit of $37.6 million, primarily due to the increase in revenue of $86.9 million, as explained above, and a 2.4 percentage point increase in the gross margin due to favourable product and project mix, labour efficiencies due to higher facility utilization and increased manufacturing overhead absorption. In addition, SG&A expenses were lower in the third quarter of 2015, as explained in section 4.1 above.

Third Quarter 2015 versus Third Quarter 2014

Revenue was $439.2 million in the third quarter of 2015, an increase of $14.5 million, or 3%, from $424.6 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 2.2 above, and higher revenue in EMAR, partially offset by lower activity levels in Asia Pacific, North America and Latin America:

- In North America, revenue decreased by $30.8 million, or 14%, primarily due to lower activity levels from the Socotherm Gulf of Mexico operations and lower volumes of small diameter pipe coating and flexible composite pipe sales. This was partially offset by an increase in storage tank coating services in Canada and large diameter pipe coating in the USA.

- Latin America revenue decreased by $14.8 million, or 28%, primarily due to decreased activity in Brazil and lower volumes at the Veracruz and Coatzacoalcos, Mexico facilities. This was partially offset by increased volumes from the Socotherm Argentina facilities.

- In EMAR, revenue increased by $64.3 million, or 60%, primarily due to higher activity levels at the Company's Shah Deniz project in the Caspian and at the Orkanger, Norway facility. This was partially offset by lower activity levels at the Company's Ras Al Khaimah, UAE ("RAK"), Leith, Scotland and Socotherm's Italian facilities and on field joint projects in the region.

- Revenue in Asia Pacific decreased by $4.1 million, or 8%, due to the lower project volumes associated with the Company's Kuantan, Malaysia facility, partially offset by higher activity levels at Kabil, Indonesia.

In the third quarter of 2015, Operating Income was $54.2 million compared to $13.3 million in the third quarter of 2014, an increase of $40.8 million. This increase was impacted by a lower gross profit of $9.0 million as a result of a 3.3 percentage point decrease in gross margin, partially offset by an increase in revenue of $14.5 million, as explained above. The decrease in gross margin was due to unfavourable project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption in some of the Company's facilities. This was more than offset by lower SG&A expenses in the third quarter of 2015, as explained in section 4.1 above, and the impairment charges of $41.4 million recorded in the third quarter of 2014.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Revenue in the Pipeline and Pipe Services segment for the nine month period ended September 30, 2015 was $1,220.4 million, a decrease of $37.9 million from $1,258.2 million in the comparable period in the prior year. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above, combined with higher revenue in EMAR, offset by lower activity levels in Asia Pacific, North America and Latin America:

- In North America, revenue decreased by $23.6 million, or 4%, primarily due to lower volumes of flexible composite pipe and lower activity levels for small diameter pipe coatings in Canada and the USA. This was partially offset by the impact of the Desert NDT acquisition completed in the third quarter of 2014.

- Revenue in Latin America was lower by $21.2 million, or 15%, mainly due to lower activity levels in Brazil on the Sapinhoa project and lower volumes at the Veracruz and Coatzacoalcos, Mexico facilities. This was partially offset by increased activity at the Socotherm Argentina facilities.

- Revenue in EMAR increased by $168.6 million, or 68%, primarily due to increased pipe coating activity levels in RAK, the Shah Deniz project in the Caspian, other field joint projects and increased pipe weld services in the region. This was partially offset by lower activity levels at the Company's Leith, Scotland and Socotherm Italian facilities.

- In Asia Pacific, revenue decreased by $161.7 million, or 54%, mainly due to lower volumes associated with the Inpex Ichthys gas export pipeline and other large projects at Kuantan, Malaysia and Kabil, Indonesia.

Operating Income for the nine month period ended September 30, 2015 was $111.2 million compared to $180.2 million for the nine month period ended September 30, 2014, a decrease of $69.1 million, or 38%. The decrease in Operating Income is primarily due to a decline in gross profit of $93.4 million, driven by a 6.4 percentage point decrease in gross margin due to less favourable project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption, particularly in the Asia Pacific region and in North American businesses exposed to the decline in oilfield activity.

4.2.2 Petrochemical and Industrial Segment

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

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
North America	**$ 27,001**	$ 27,415	$ 29,245	**$ 79,922**	$ 80,562
EMAR	**16,669**	15,780	15,174	**48,765**	48,769
Asia Pacific	**2,498**	2,649	1,788	**7,565**	5,013
Total Revenue	**$ 46,168**	$ 45,844	$ 46,207	**$ 136,252**	$ 134,344
Operating Income	**$ 8,175**	$ 6,971	$ 6,977	**$ 21,407**	$ 20,958
Operating Margin[(a)]	**17.7%**	15.2%	15.1%	**15.7%**	15.6%

(a) Operating Margin is defined as Operating Income divided by revenue and is a non-GAAP measure. 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.

Third Quarter 2015 versus Second Quarter 2015

Revenue increased in the third quarter of 2015 by $0.3 million, or 1%, to $46.2 million, compared to the second quarter of 2015, primarily due to higher shipments of heat shrink tubing product, particularly in the automotive sector.

Operating Income of $8.2 million in the third quarter of 2015 was $1.2 million, or 17%, higher than in the second quarter of 2015. The increase in Operating Income was due to an increase in gross profit of $1.2 million as a result of a 2.4 percentage point increase in the gross margin due to favourable product mix and an increase in revenue of $0.3 million, as explained above.

Third Quarter 2015 versus Third Quarter 2014

In the third quarter of 2015, revenue was $46.2 million, which was flat compared to the third quarter of 2014. Revenue was impacted by foreign exchange, as noted in section 2.2 above, and higher shipments of heat shrink tubing product, particularly in the automotive sector, which were offset by lower shipments of wire and cable products.

Operating Income in the third quarter of 2015 was $8.2 million compared to $7.0 million in the third quarter of 2014, an increase of $1.2 million, or 17%. The increase in Operating Income was due to an increase in gross profit of $2.0 million as a result of a 4.4 percentage point increase in gross margin, primarily due to favourable product mix.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Revenue increased in the nine months ended September 30, 2015 by $1.9 million, or 1%, to $136.3 million compared to the comparable period in 2014, due to increased heat shrinkable product shipments in North America and Asia Pacific and the impact of foreign exchange on revenue, as noted in section 2.2 above, partially offset by reduced shipments of wire and cable products to the North American utilities.

Operating Income for the nine months ended September 30, 2015 was $21.4 million compared to $21.0 million for the nine months ended September 30, 2014, an increase of $0.4 million, or 2%. The increase was primarily due to an increase in gross profit of $1.5 million as a result of a 1.0 percentage point increase in the gross margin due to favourable product mix and an increase in revenue of $1.9 million, as explained above. This was partially offset by higher SG&A expenses.

4.2.3 Financial and Corporate

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

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

(in thousands of Canadian dollars)	**Three Months Ended**			**Nine Months Ended**	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Financial and corporate expenses	**$ (9,356)**	$ (13,034)	$ (10,683)	$ **(31,249)**	$ (34,940)

Third Quarter 2015 versus Second Quarter 2015

Financial and corporate costs decreased by $3.7 million from $13.0 million during the second quarter of 2015 to $9.4 million in the third quarter of 2015, when the Company had incurred restructuring costs of $3.0 million, consisting of $2.0 million in severance and $1.0 million in facility closing costs.

Third Quarter 2015 versus Third Quarter 2014

Financial and corporate costs decreased by $1.3 million from the third quarter of 2014 to $9.4 million in the third quarter of 2015. The decrease was primarily due to reductions in stock based and long term management compensation expense of $1.0 million.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Financial and corporate costs decreased by $3.7 million from the nine month period ended September 30, 2014 to $31.2 million for the comparable period in 2015, primarily due to a decrease in stock based and long term management compensation incentive expenses of $7.0 million. This was partially offset by an increase in restructuring costs of $3.0 million, including $2.0 million in severance and $1.0 million in co-location costs, and an increase in professional consulting fees of $1.0 million.

5.0 Liquidity and Capitalization

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

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Net Income for the Period	**$ 38,112**	$ 6,345	**$ 68,053**	$ 115,695
Non-cash items	**25,317**	53,313	**80,986**	98,518
Settlement of decommissioning obligations	**(1,579)**	(88)	**(1,585)**	(169)
Settlement of other provisions	**(5,060)**	(1,724)	**(7,868)**	(9,414)
Net change in employee future benefits	**24**	879	**51**	1,591
Net change in non-cash working capital and foreign exchange	**(27,922)**	7,631	**13,300**	(109,161)
Cash provided by operating activities	**28,892**	66,356	**152,937**	97,060
Cash used in investing activities	**(16,398)**	(277,495)	**(72,269)**	(333,540)
Cash (used in) provided by financing activities	**(9,829)**	259,271	**(36,480)**	254,381
Effect of Foreign exchange on cash and cash equivalents	**11,744**	(33)	**19,034**	298
Net Change in Cash and Cash Equivalents	**14,409**	48,099	**63,222**	18,199
Cash and cash equivalents at beginning of period	**165,369**	49,495	**116,556**	79,395
Cash and Cash Equivalents at End of Period	**$ 179,778**	$ 97,594	**$ 179,778**	$ 97,594

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. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

5.1 Cash Provided by Operating Activities

Third Quarter 2015 versus Third Quarter 2014

Cash provided by operating activities was $28.9 million in the third quarter of 2015, a decrease of $37.5 million, from $66.4 million in the third quarter of 2014. The decrease was due to an increase in cash used in non-cash working capital and foreign exchange of $35.6 million and a decrease in non-cash items of $28.0 million, partially offset by an increase in net income for the period of $31.8 million. The change in the movement of non-cash working capital and foreign exchange reflected a net increase in accounts receivable of $68.5 million and a reduction in deferred revenue of $20.2 million. This was partially offset by an increase in income tax payable of $17.9 million, a decrease in income tax receivable of $5.9 million, a decrease in inventories of $21.5 million and an increase in accounts payable and accrued liabilities of $16.6 million. Net income increased primarily due to the reasons discussed in section 2.1 above.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Cash provided by operating activities increased by $55.9 million from $97.1 million during the nine month period ended September 30, 2014 to $152.9 million during the nine month period ended September 30, 2015. The increase was due to a reduction in cash used in non-cash working capital and foreign exchange of $122.5 million partially offset by a decrease in non-cash items of $17.5 million, and a reduction in net income for the period of $47.6 million. The change in the movement of non-cash working capital and foreign exchange reflected a decrease in accounts receivable versus a build in the prior year with a net change of $89.0 million, a decrease in inventories of $12.8 million, a decrease in prepaid expenses of $11.2 million and increases in accounts payable and accrued liabilities of $13.3 million and income taxes payable of $27.5 million. This was partially offset by an increase in income taxes receivable of $25.4 million. Net income decreased primarily due to the reasons discussed in section 2.1 above.

5.2 Cash Used in Investing Activities

Third Quarter 2015 versus Third Quarter 2014

Cash used in investing activities decreased by $261.1 million, from $277.5 million during the third quarter of 2014 to $16.4 million during the third quarter of 2015. The decrease was primarily due to the third quarter 2014 acquisition of Desert NDT, LLC ("Desert") for $279.8 million, which was partially offset during the third quarter of 2014 by net proceeds from sale of assets held for sale of $32.3 million. In addition, the Company reduced spending on the purchase of property, plant and equipment by $7.8 million and short term investments of $5.6 million, during the third quarter of 2015 compared to the third quarter of 2014.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Cash used in investing activities decreased by $261.3 million, from $333.5 million for the nine month period ended September 30, 2014 to $72.3 million for the nine month period ended September 30, 2015. The decrease was primarily due to the third quarter 2014 acquisition of Desert for $279.8 million, net of proceeds from sale of assets held for sale in 2014 of $45.1 million. In addition, the Company reduced spending on the purchase of property, plant and equipment and other investments by $12.3 million and $37.5 million, respectively, in 2015 compared to 2014. These investment reductions were offset by $45.1 million of proceeds from sale of joint ventures during the nine month period ended September 30, 2014.

5.3 Cash Used in Financing Activities

Third Quarter 2015 versus Third Quarter 2014

Cash used in financing activities was $9.8 million in the third quarter of 2015 compared to cash provided by financing activities of $259.3 million in the third quarter of 2014, a net decrease of $269.1 million. The change was primarily due to the issue of new shares for net proceeds of $191.7 million and an increase in bank indebtedness of $75.7 million in the third quarter of 2014 compared to 2015.

Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014

Cash used in financing activities was $36.5 million during the nine month period ended September 30, 2015 compared to cash provided by financing activities of $254.4 million during the comparable period in 2014, a net decrease of $290.9 million. The change was primarily due to the issue in 2014 of new shares for net proceeds of $191.7 million and higher proceeds from bank indebtedness of $86.9 million during 2014 compared to 2015.

5.4 Liquidity and Capital Resource Measures

Accounts Receivable

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

(in thousands of Canadian dollars, except DSO)	**September 30, 2015**	December 31, 2014	Change
Average trade accounts receivable	**$ 292,548**	$ 341,218	$ (48,670)
DSO[(a)]	**54**	61	(7)

(a) DSO, a non-GAAP measure, is the average number of days that trade accounts receivable-net (which excludes unbilled and other receivables) are outstanding based on a 90 day cycle. The Company's method of calculating this measure may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. See *Section 10.0 – Reconciliation of Non-GAAP Measures* for additional information with respect to DSO.

Average trade accounts receivable decreased by $48.7 million as at September 30, 2015 from $341.2 million as at December 31, 2014. DSO decreased by 7 days from 61 during the fourth quarter of 2014 to 54 during the third quarter of 2015, due to the decrease in average trade accounts receivable, partially offset by lower revenue in the third quarter of 2015.

Inventories

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

(in thousands of Canadian dollars)	**September 30, 2015**	December 31, 2014	Change
Inventories	**$ 191,883**	$ 194,732	$ (2,849)

Inventories decreased by $2.8 million from $194.7 million as at December 31, 2014 to $191.9 million as at September 30, 2015, as a result of decreases in raw materials of $2.4 million and in finished goods inventory of $8.6 million. This was partially offset by an increase in work-in-process of $8.2 million.

Accounts Payable

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

(in thousands of Canadian dollars, except DPO)	**September 30, 2015**	December 31, 2014	Change
Average accounts payable and accrued liabilities	**$ 264,635**	$ 261,088	$ 3,547
DPO[a]	**74**	73	1

(a) DPO, a non-GAAP measure, is the number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90 day cycle. The Company's method of calculating this measure may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. See *Section 10.0 – Reconciliation of Non-GAAP Measures*, for additional information with respect to DPO.

Average accounts payable and accrued liabilities increased by $3.6 million from $261.1 million as at December 31, 2014, to $264.7 million as at September 30, 2015. DPO increased by 1 day from 2014 levels, due to changes in the timing of purchases in the third quarter of 2015 compared with the fourth quarter of 2014.

5.5 Credit Facilities

(in thousands of Canadian dollars)	**September 30, 2015**	December 31, 2014
Bank indebtedness	**$ –**	$ 4,685
Standard letters of credit for performance and bid bonds	**140,480**	137,667
Total utilized credit facilities	**140,480**	142,352
Total available credit facilities[a]	**603,495**	523,305
Unutilized credit facilities	**$ 463,015**	$ 380,953

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

The Company pays a floating interest rate on these credit facilities plus a credit spread 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 U.S. $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 2.50 to 1 and a total debt to EBITDA ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at September 30, 2015 and December 31, 2014.

These debt covenants are non-GAAP measures and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP measures do not have standardized meanings prescribed by IFRS and are

not necessarily comparable to similarly titled measures of other entities. See *Section 10.0 – Reconciliation of Non-GAAP Measures*, for additional information with respect to these debt covenants.

5.6 Long-Term Debt ("Senior Notes")

The total long-term debt balance as at September 30, 2015 is $469.2 million (U.S. $350.0 million) {December 31, 2014 - $406.9 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. The Company was in compliance with these covenants as at September 30, 2015 and December 31, 2014.

5.7 Contingencies and Off Balance Sheet Arrangements

Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes the 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	**63,022**	–	–	–	–	**4,541**	**67,563**
Accounts payable	**107,641**	–	–	–	–	–	**107,641**
Deferred purchase consideration	**3,878**	–	–	–	–	–	**3,878**
Long-term debt	–	–	–	–	–	**469,241**	**469,241**
Finance costs on long-term debt	–	**16,770**	**16,770**	**16,770**	**16,770**	**70,598**	**137,678**
Obligations under finance leases	**237**	**1,410**	**1,410**	**1,410**	**1,410**	**12,580**	**18,457**
Operating leases	**10,298**	**15,477**	**12,001**	**9,888**	**6,762**	**22,969**	**77,395**
Total contractual obligations	**185,076**	**33,657**	**30,181**	**28,068**	**24,942**	**579,929**	**881,853**

Performance, Bid and Surety Bonds

The Company provides standby letters of credit and 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 letter of credit or bond as compensation for the Company's failure to perform. The contracts that these letters of credit and 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 letters of credit and bonds.

The Company's utilizes its credit facilities to support the Company's bonds. The Company had utilized credit facilities of $140.5 million as at September 30, 2015 (December 31, 2014 – $137.7 million) for support of its bonds. In addition, as at September 30, 2015, the Company had $126.3 million of outstanding surety bonds through insurance companies (December 31, 2014 – $108.4 million).

Legal Claims

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

A statement of claim was filed against a group of three companies, which included Shawcor, in January 2010 and later amended in April 2015, by Canadian Natural Resources Ltd. ("CNRL") for $68 million in damages in relation to the failure of a high temperature pipeline that was part of the expansion of CNRL's Primrose/Wolf Lake Heavy Oil Project in northeast Alberta. Management believes that the pipeline failure was due to the negligence of CNRL and/or one of the Company's co-defendants since the Company had met all of the specifications required for the products it provided. The trial is expected to start in April 2016 in the Alberta Court of Queen's Bench. At this time, the likelihood of the outcome is not determinable. The Company believes the lawsuit to be without merit and intends to defend against the litigation vigorously.

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 September 30, 2015:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 179,778	$ 179,778	$ –	$ –
Short-term investments	7,652	7,652	–	–
Derivative financial instruments	1,516	–	1,516	–
Convertible preferred shares	10,000	–	–	10,000
Deposit guarantee	738	–	738	–
	$ 199,684	$ 187,430	$ 2,254	$ 10,000
Liabilities				
Long-term debt	469,241	–	469,241	–
Derivative financial instruments	3,541	–	3,541	–
	$ 472,782	$ –	$ 472,782	$ –

The 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 September 30, 2015, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the nine month period then ended by approximately $53.2 million, $4.5 million and $3.3 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 $83.2 million, $19.8 million and $63.4 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 following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at September 30, 2015:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for U.S. dollars	
Less than one year	**CAD$ 16,336**
Weighted average rate	**0.77**
U.S. dollars sold for Canadian dollars	
Less than one year	**US$ 14,400**
Weighted average rate	**1.24**
U.S. dollars sold for Euros	
Less than one year	**US$ 18,555**
Weighted average rate	**0.88**
US dollars sold for Norwegian Kroners	
Less than one year	**US$ 14,911**
Weighted average rate	**7.83**
Euros sold for U.S. dollars	
Less than one year	**€ 32,747**
Weighted average rate	**1.13**
Norwegian Kroners sold for U.S. dollars	
Less than one year	**NOK 175,732**
Weighted average rate	**0.12**

The Company does not apply hedge accounting to account for its foreign exchange forward contracts.

As at September 30, 2015, the Company had notional amounts of $157.1 million of forward contracts outstanding (December 31, 2014 – $130.9 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling $2.0 million (December 31, 2014 – $4.7 million net gain).

Net Investment Hedge

The Company's Senior Notes have been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the U.S. dollar as its functional currency. During the nine month period ended September 30, 2015, a loss of $62.4 million (nine month period ended September 30, 2014 – $16.2 million) on the translation of the Senior Notes was transferred to other comprehensive income to offset the gains on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the nine month period ended September 30, 2015.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at September 30, 2015:

(in thousands of Canadian dollars)	Non-Interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial assets				
Cash	$ **158,579**	$ **–**	$ **–**	$ **158,579**
Cash equivalents	**–**	**–**	**21,199**	**21,199**
Short-term investments	**–**	**–**	**7,652**	**7,652**
Loans receivable	**270**	**5,138**	**2,340**	**7,748**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
	$ **168,849**	$ **5,138**	$ **31,191**	$ **205,178**
Financial liabilities				
Standard letters of credit for performance and bid bonds	**–**	**–**	**140,480**	**140,480**
Long-term debt	**–**	**–**	**469,241**	**469,241**
	$ **–**	$ **–**	$ **609,721**	$ **609,721**

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

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, forward foreign exchange contracts, as well as credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments.

For the nine month period ended September 30, 2015, the Company had no customer who generated revenue greater than 10% of total consolidated revenue.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at September 30, 2015, the Company had cash and cash equivalents totalling $179.8 million (December 31, 2014 – $116.6 million) and had unutilized lines of credit available to use of $463.0 million (December 31, 2014 – $381.0 million).

5.9 Outstanding Share Capital

As at October 31, 2015, the Company had 64,521,301 common shares outstanding. In addition, as at October 31, 2015, the Company had stock options and share units outstanding to purchase up to 1,669,196 common shares.

5.10 Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5.11 Transactions with Related Parties

The Company had no material transactions with related parties during the nine-month period ended September 30, 2015. All related party transactions were in the normal course of business.

6.0 Critical Accounting Estimates and Accounting Policy Developments

6.1 Critical Accounting Estimates

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

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

As at September 30, 2015, the Company had $1,122 million of long-lived assets and goodwill. The Company evaluates the carrying values of the Cash Generating Units ("CGUs") containing 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, at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions.

Employee Future Benefit Obligations

As at September 30, 2015, the Company had $28.3 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 defined benefit obligation recognized in the unaudited interim consolidated financial statements include a number of assumptions regarding discount rates, rates of employee compensation increases, rates of inflation, and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Provisions and Contingent Liabilities

As at September 30, 2015, the Company had $59.8 million of provisions; of this amount $20.0 million was included in current liabilities and $39.8 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 interim

consolidated statement of income. The Company must continually monitor known and potential contingent matters and make appropriate provisions by charges to income when warranted by circumstances

Decommissioning Liabilities

As at September 30, 2015, the Company had decommissioning liabilities in the amount of $26.1 million; of this amount $3.3 million was included in the current provisions account and $22.8 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 interim consolidated statement of income. Actual expenditures incurred are charged against the accumulated decommissioning liability.

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 taxable income and tax expense already recorded. The Company establishes liabilities, 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 liabilities is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the respective companies.

6.2 Accounting Standards Issued but Not Yet Applied

IFRS 9, Financial Instruments

IFRS 9, as issued, 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 interim 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, 2018. The Company is in the process of reviewing the standard to determine the impact on the interim 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 interim consolidated financial statements.

7.0 Outlook

Throughout 2015, the decline in global oil and gas prices that started in the fourth quarter of 2014 has caused a decline in drilling and well completions with a resulting negative impact on Shawcor's revenue, particularly in the Company's Pipeline and Pipe Services Segment - North America region. Decreasing North American small diameter pipe coating, composite pipe and gathering line weld inspection revenue has also had an overall dilutive effect on consolidated operating margins due to the negative effects of facility and crew utilization on the absorption of fixed costs. With global oil and gas prices remaining at a depressed level, the Company lacks visibility on the timing for any improvement in market demand. Until North American oilfield activity stabilizes and large pipe coating projects that are under bid are awarded, a firm outlook on longer term performance is not possible. 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

Shawcor’s North American Pipeline segment businesses continue to be impacted by the reduction in well completion activity in North America. These businesses include small diameter pipe coating and joint protection, Flexpipe composite pipe, Guardian OCTG pipe inspection and refurbishment and Desert NDT gathering line girth weld inspection. After some modest improvement in market conditions in the third quarter of 2015, a weakening trend is once again evident in the fourth quarter. With global oil prices remaining depressed, there can be no certainty when the level of well drilling and completion will stabilize and begin to improve. As a result, any improvement in revenue from these businesses will be muted until a sustained recovery in oil prices takes place.

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. In the third quarter, the Company secured over $20 million in initial orders for the pipe coating of a major transmission pipeline replacement project. This work has commenced and the Company is bidding on additional work for this project that we expect will be awarded throughout 2016.

Pipeline and Pipe Services Segment - Latin America

The successful ramp up of activity at the Company’s pipe coating operations in Argentina to execute the $55 million GNEA project has offset year over year weakness in Mexico and Brazil with the result that the Latin America region should generate 2015 full year revenue in line with 2014 levels. The Company is currently bidding or preparing to bid on several large pipe coating projects in the Latin America region that would significantly contribute to revenue growth if awarded.

Pipeline and Pipe Services Segment - EMAR

During the third quarter, the Company's EMAR region was the most significant contributor to overall Company financial performance as a result of excellent operational performance on Shah Deniz and South Stream project work. This level of performance is expected to continue in the fourth quarter of 2015 and the first quarter of 2016. Following completion of these projects, activity levels will likely reduce for the second half of 2016 as the Company anticipates that projects in the region that are currently under bid or development will be delayed to 2017 and beyond.

Pipeline and Pipe Services Segment - Asia Pacific

Following completion of the large Inpex Ichthys and Chevron Wheatstone Australian LNG projects in 2014, revenue levels in the Asia Pacific region have reverted to historical levels in the annual range of $150 to $200 million. The Company benefitted from the execution of a $20 million project for ENI in Indonesia in the third quarter of 2015 and a modest weakening is expected for the region in the fourth quarter with the imminent completion of that project. 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 or 2016 and thus activity over the next twelve months 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. Growth in demand in the global industrial markets served by the Petrochemical and Industrial segment businesses has the Company on track to achieve modest growth in both revenue and operating income in 2015 compared with 2014, with stronger global automotive and industrial markets offsetting weakness in Western Canadian wire and cable shipments for oil sands developments. A continuation of modest global economic growth should enable the Petrochemical and Industrial segment businesses to continue to achieve growth in earnings in 2016.

Order Backlog

The Company's order backlog consists of firm customer orders only and represents the revenue the Company expects to realize on booked orders over the succeeding twelve months. The Company reports the twelve month billable backlog because it provides a leading indicator of significant changes in consolidated revenue. The order backlog at September 30, 2015 decreased to $556 million from $608 million at June 30, 2015 and from $739 million a year ago. The decline in backlog from the start of the third quarter is attributable to backlog revenue realized in the quarter in excess of new bookings. Approximately 45% of the current backlog is attributable to Shah Deniz and South Stream project work that is expected to be completed by the end of the first quarter of 2016.

In addition to the backlog, the Company closely monitors its bidding activity with the value of outstanding firm bids as of September 30, 2015 in excess of $600 million. In addition, the Company has provided budgetary estimates and is currently working with customers on projects with aggregate values in excess of $1.2 billion and the Company expects to issue firm bids for approximately half of these projects in the fourth quarter of 2015. This level of project activity is very strong and is expected to lead to future backlog growth. 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. In the third quarter of 2015, approximately $190 million in outstanding bids expired as a result of customer delays in project timing. The Company remains optimistic that the projects that are under bid and development will ultimately proceed. However, the timing of project commencement may move beyond 2016, which would delay the timing of any potential growth in the Company's order backlog.

8.0 Risks and Uncertainties

Operating in an international environment, servicing predominantly the oil and gas industry, Shawcor faces a number of business risks and uncertainties that could materially and adversely affect the Company's projections, business, results of operations and financial condition. During 2014, Shawcor was awarded several contracts, currently under suspension, in connection with the South Stream Offshore Pipeline Project. As noted in section 7.0, the risk exists that these contracts could be cancelled. There were no other material changes in the nature or magnitude of such business risks during the quarter. A more complete outline of the risks and uncertainties facing the Company is included in the annual MD&A contained in the Company's 2014 Annual Report.

9.0 Environmental Matters

As at September 30, 2015, the provisions on the consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $26.1 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 $44.1 million as at September 30, 2015. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.45% and 9.68%. 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 over the next five years and thereafter for decommissioning liabilities.

(in thousands of Canadian dollars)		
2015	**$**	**1,492**
2016		**6,942**
2017		**946**
2018		**4,780**
2019		**1,165**
More than five years		**27,741**
	$	**43,066**

10.0 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 and Adjusted EBITDA

(in thousands of Canadian dollars)	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2015	2014	**2015**	2014
Net income for the period[b]	**$ 38,107**	$ 5,617	**$ 67,343**	$ 115,513
Add:				
Income taxes expense	**12,219**	2,701	**21,898**	43,263
Finance costs, net	**4,855**	6,245	**13,516**	14,588
Amortization of property, plant, equipment and intangible assets	**20,452**	19,110	**59,326**	52,417
Gain on sale of land	**(814)**	–	**(814)**	–
Impairment	**–**	41,379		41,379
EBITDA[a]	**$ 74,819**	$ 75,052	**$ 161,269**	$ 267,160
Non-controlling interests	**5**	728	**710**	182
Gain on assets held for sale	**–**	(4,495)	**–**	(7,020)
ADJUSTED EBITDA[a]	**$ 74,824**	$ 71,285	**$ 161,979**	$ 260,322

(a) Adjusted EBITDA and EBITDA are used by many analysts in oil and gas industry as two of several important analytical tools.

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization, impairment and gain on sale of land. 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.

Days Sales Outstanding ("DSO")

DSO is defined as the number of days trade accounts receivable are outstanding based on a 90 day cycle and is calculated by dividing the average trade accounts receivable balance for the quarter by the revenue for that same quarter, and multiplying by 90 days. DSO approximates the measure of the average number of days from when the Company recognizes revenue until the cash is collected from the customer. The following table sets forth the calculation for the Company's DSO as at:

(in thousands of Canadian dollars, except DSO)		**September 30, 2015**		December 31, 2014
Revenue for the quarter	**$**	**485,428**	$	499,964
Average trade accounts receivable for the quarter	**$**	**292,548**	$	341,218
DSO		**54**		61

Days Payables Outstanding ("DPO")

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

(in thousands of Canadian dollars, except DPO)		**September 30, 2015**		December 31, 2014
Cost of goods sold and services rendered for the quarter	**$**	**323,460**	$	322,725
Average accounts payable and accrued liabilities for the quarter	**$**	**264,635**	$	261,088
DPO		**74**		73

11.0 Summary of Quarterly Results

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

(in thousands of Canadian dollars, except per share amounts)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Full Year**
Revenue					
2015	**471,940**	**398,020**	**485,428**	–	–
2014	479,082	441,386	469,597	499,964	1,890,029
2013	454,681	457,261	525,848	409,759	1,847,549
Income (loss) from operations					
2015	**55,616**	**(7,078)**	**55,195**	–	–
2014	89,419	69,193	10,932	(20,868)	148,676
2013	88,622	80,331	106,146	48,358	323,457
Net income (loss)[(a)]					
2015	**37,774**	**(8,538)**	**38,107**	–	–
2014	61,947	47,949	5,617	(20,652)	94,861
2013	70,595	53,914	72,956	22,397	219,862
Income (loss) from operations per share[(b)]					
Basic					
2015	**0.86**	**(0.11)**	**0.86**	–	–
2014	1.49	1.15	0.18	(0.32)	2.42
2013	1.29	1.35	1.78	0.81	5.22
Diluted					
2015	**0.86**	**(0.11)**	**0.86**	–	–
2014	1.48	1.14	0.18	(0.32)	2.41
2013	1.27	1.34	1.76	0.81	5.16

(in thousands of Canadian dollars, except per share amounts)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Full Year**
Net income (loss) per share[b]					
Basic					
2015	**0.59**	**(0.13)**	**0.59**	**–**	**–**
2014	1.03	0.80	0.09	(0.32)	1.55
2013	1.02	0.91	1.22	0.37	3.55
Diluted					
2015	**0.58**	**(0.13)**	**0.59**	**–**	**–**
2014	1.03	0.79	0.09	(0.32)	1.53
2013	1.01	0.90	1.21	0.37	3.51

(a) Represents the net income attributable to shareholders of the Company.
(b) Based on the Class A and Class B shares for periods up to March 20, 2013; based on the common shares thereafter.

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

The Company's operations in the Pipeline and Pipe Services segment, representing approximately 90% of the Company's consolidated revenue, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. The decline in global oil and gas prices that began in the fourth quarter of 2014 has caused a decline in drilling and well completions in 2015, impacting the Company's revenue and income in 2015. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily U.S. dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars.

12.0 Forward-Looking Information

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward looking information in the Outlook section and elsewhere in respect of, among other things, the timing of major project activity, the sufficiency of resources, capacity and capital to meet market demand, to meet contractual obligations and to execute the Company's development and growth strategy, the 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 the remainder of 2015 and into 2016, 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 changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation matters (including the litigation with CNRL) 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, including the suspension or cancellation of existing contracts, 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 throughout 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 (including the litigation with CNRL); 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.

13.0 Additional Information

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

November 5th, 2015