

**Shawcor Ltd.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**September 30, 2017**

# Shawcor Ltd.

## Interim Consolidated Statements of Income (Loss) (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Revenue</b>				
Sale of products	\$ 128,678	\$ 97,386	\$ 381,100	\$ 285,978
Rendering of services	268,400	161,753	759,492	594,099
	<b>397,078</b>	259,139	<b>1,140,592</b>	880,077
<b>Cost of Goods Sold and Services Rendered</b>	<b>246,339</b>	172,162	<b>716,145</b>	595,295
<b>Gross Profit</b>	<b>150,739</b>	86,977	<b>424,447</b>	284,782
Selling, general and administrative expenses	84,932	79,047	249,629	248,883
Research and development expenses	2,704	1,904	8,576	10,934
Foreign exchange (gains) losses	(2,958)	(1,400)	630	39
Amortization of property, plant and equipment	21,490	14,340	57,138	43,422
Amortization of intangible assets	4,260	5,599	14,430	17,941
Gain on sale of land	–	(420)	(311)	(931)
Impairment	–	155,882	–	157,311
<b>Income (Loss) from Operations</b>	<b>40,311</b>	(167,975)	<b>94,355</b>	(192,817)
Loss from investments in associates	(2,557)	(559)	(5,872)	(1,727)
Finance costs, net (note 8)	(2,844)	(4,330)	(13,255)	(13,047)
Costs associated with repayment and modification of long-term debt	–	–	–	(2,061)
<b>Income (Loss) before Income Taxes</b>	<b>34,910</b>	(172,864)	<b>75,228</b>	(209,652)
Income tax expense (recovery) (note 9)	14,495	2,481	23,865	(747)
<b>Net Income (Loss)</b>	<b>\$ 20,415</b>	\$ (175,345)	<b>\$ 51,363</b>	\$ (208,905)
<b>Net Income (Loss) Attributable to:</b>				
Shareholders of the Company	\$ 20,462	\$ (174,019)	\$ 51,658	\$ (208,236)
Non-controlling interests	(47)	(1,326)	(295)	(669)
<b>Net Income (Loss)</b>	<b>\$ 20,415</b>	\$ (175,345)	<b>\$ 51,363</b>	\$ (208,905)
<b>Earnings (Loss) per Share ("EPS") (note 10)</b>				
Basic	\$ 0.29	\$ (2.69)	\$ 0.74	\$ (3.22)
Diluted	\$ 0.29	\$ (2.69)	\$ 0.74	\$ (3.22)
<b>Weighted Average Number of Shares Outstanding (000's) (note 10)</b>				
Basic	69,935	64,611	69,922	64,577
Diluted	70,235	64,611	70,063	64,577

# Shawcor Ltd.

## Interim Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net Income (Loss) for the Period</b>	<b>\$ 20,415</b>	<b>\$ (175,345)</b>	<b>\$ 51,363</b>	<b>\$ (208,905)</b>
<b>Other Comprehensive (Loss) Income to be Reclassified to Net Income (Loss) in Subsequent Periods</b>				
Exchange differences on translation of foreign operations	(26,193)	9,363	(36,185)	(39,939)
Other comprehensive (loss) income attributable to investments in associates	(105)	125	(287)	(853)
Cash flow hedge gains reclassified to net income (loss)	-	-	-	1,536
<b>Net Other Comprehensive (Loss) Income to be Reclassified to Net Income (Loss) in Subsequent Periods</b>	<b>(26,298)</b>	<b>9,488</b>	<b>(36,472)</b>	<b>(39,256)</b>
<b>Other Comprehensive Loss not to be Reclassified to Net Income (Loss) in Subsequent Periods</b>				
Actuarial loss on defined benefit plan	(17)	-	(30)	(9,697)
Income tax expense	5	-	8	2,606
<b>Net Other Comprehensive Loss not to be Reclassified to Net Income (Loss) in Subsequent Periods</b>	<b>(12)</b>	<b>-</b>	<b>(22)</b>	<b>(7,091)</b>
<b>Other Comprehensive (Loss) Income, Net of Income Tax</b>	<b>(26,310)</b>	<b>9,488</b>	<b>(36,494)</b>	<b>(46,347)</b>
<b>Total Comprehensive (Loss) Income</b>	<b>\$ (5,895)</b>	<b>\$ (165,857)</b>	<b>\$ 14,869</b>	<b>\$ (255,252)</b>
<b>Comprehensive (Loss) Income Attributable to:</b>				
Shareholders of the Company	\$ (5,647)	\$ (163,600)	\$ 14,945	\$ (252,777)
Non-controlling interests	(248)	(2,257)	(76)	(2,475)
<b>Total Comprehensive (Loss) Income</b>	<b>\$ (5,895)</b>	<b>\$ (165,857)</b>	<b>\$ 14,869</b>	<b>\$ (255,252)</b>

# Shawcor Ltd.

## Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 11)	\$ 211,378	\$ 194,824
Short-term investments	1,768	1,890
Loans receivable (note 12)	2,452	3,832
Accounts receivable	278,087	294,397
Income taxes receivable	16,377	35,141
Inventories	137,838	113,485
Prepaid expenses	31,855	22,477
Derivative financial instruments (note 4)	867	9,393
<b>Total current assets</b>	<b>680,622</b>	<b>675,439</b>
<b>Non-current Assets</b>		
Loans receivable (note 12)	2,309	5,058
Property, plant and equipment	436,663	471,468
Intangible assets	168,674	192,907
Investments in associates	20,580	26,739
Deferred income tax assets	28,903	28,955
Other assets	25,041	26,407
Goodwill	327,951	350,818
<b>Total non-current assets</b>	<b>1,010,121</b>	<b>1,102,352</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,690,743</b>	<b>\$ 1,777,791</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Bank indebtedness (note 13)	\$ –	\$ 2,463
Accounts payable and accrued liabilities	194,614	212,539
Provisions	24,413	21,104
Income taxes payable	35,806	39,011
Derivative financial instruments (note 4)	1,592	3,759
Deferred revenue	68,135	103,584
Obligations under finance lease	521	950
Other liabilities	13,112	12,043
<b>Total current liabilities</b>	<b>338,193</b>	<b>395,453</b>
<b>Non-current Liabilities</b>		
Long-term debt (note 14)	244,892	263,528
Obligations under finance lease	11,506	11,019
Provisions	36,814	35,304
Employee future benefits	21,492	20,727
Deferred income tax liabilities	5,546	7,484
Other liabilities	1,062	1,236
<b>Total non-current liabilities</b>	<b>321,312</b>	<b>339,298</b>
<b>Total liabilities</b>	<b>659,505</b>	<b>734,751</b>
<b>Equity</b>		
Share capital (note 16)	704,827	703,316
Contributed surplus	26,651	23,379
Retained earnings	293,249	273,045
Non-controlling interests	5,816	5,892
Accumulated other comprehensive income	695	37,408
<b>Total equity</b>	<b>1,031,238</b>	<b>1,043,040</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,690,743</b>	<b>\$ 1,777,791</b>

# Shawcor Ltd.

## Interim Consolidated Statements of Change in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Non- controlling Interests	Accumulated Other Comprehensive Income	Total Equity
	\$	\$	\$	\$	\$	\$
<b>Balance – December 31, 2016</b>	<b>703,316</b>	<b>23,379</b>	<b>273,045</b>	<b>5,892</b>	<b>37,408</b>	<b>1,043,040</b>
Net income (loss)	–	–	51,658	(295)	–	51,363
Other comprehensive income (loss)	–	–	–	219	(36,713)	(36,494)
Comprehensive income (loss)	–	–	51,658	(76)	(36,713)	14,869
Issued on exercise of stock options	761	–	–	–	–	761
Compensation cost on exercised stock options	278	(278)	–	–	–	–
Compensation cost on exercised restricted share units	472	(472)	–	–	–	–
Share-based compensation expense	–	4,022	–	–	–	4,022
Dividends declared and paid to shareholders (note 16)	–	–	(31,454)	–	–	(31,454)
<b>Balance – September 30, 2017</b>	<b>704,827</b>	<b>26,651</b>	<b>293,249</b>	<b>5,816</b>	<b>695</b>	<b>1,031,238</b>
<b>Balance – December 31, 2015</b>	<b>534,484</b>	<b>18,638</b>	<b>492,713</b>	<b>7,455</b>	<b>71,911</b>	<b>1,125,201</b>
Net loss	–	–	(208,236)	(669)	–	(208,905)
Other comprehensive loss	–	–	–	(1,806)	(44,541)	(46,347)
Comprehensive loss	–	–	(208,236)	(2,475)	(44,541)	(255,252)
Issued on exercise of stock options	2,228	–	–	–	–	2,228
Compensation cost on exercised stock options	733	(733)	–	–	–	–
Compensation cost on exercised restricted share units	279	(279)	–	–	–	–
Share-based compensation expense	–	4,264	–	–	–	4,264
Dividends declared and paid to shareholders (note 16)	–	–	(29,016)	–	–	(29,016)
<b>Balance – September 30, 2016</b>	<b>537,724</b>	<b>21,890</b>	<b>255,461</b>	<b>4,980</b>	<b>27,370</b>	<b>847,425</b>

# Shawcor Ltd.

## Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating Activities</b>				
Net income (loss)	\$ 20,415	\$ (175,345)	\$ 51,363	\$ (208,905)
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment	21,490	14,340	57,138	43,422
Amortization of intangible assets	4,260	5,599	14,430	17,941
Amortization of long-term prepaid expenses	168	156	999	353
Impairment	–	155,882	–	157,311
Decommissioning liabilities expenses	126	(1,336)	339	(968)
Other provisions expenses	7,713	287	8,647	8,475
Share-based and other incentive-based compensation (note 7)	3,357	1,985	5,556	5,861
(Gain) loss on disposal of property, plant and equipment	(100)	640	(1,800)	1,404
Gain on sale of land	–	(420)	(311)	(931)
Unrealized loss on derivative financial instruments	3,207	570	6,359	2,290
Loss from investments in associates	2,557	559	5,872	1,727
Deferred income taxes	3,165	(644)	(2,328)	(10,715)
Other	251	853	–	(488)
Settlement of decommissioning liabilities	(197)	–	(680)	(6)
Settlement of other provisions	(588)	(3,383)	(2,148)	(14,675)
Net change in employee future benefits	204	1,124	948	811
Change in non-cash working capital and foreign exchange	(272)	21,706	(62,232)	73,694
<b>Cash Provided by Operating Activities</b>	<b>65,756</b>	<b>22,573</b>	<b>82,152</b>	<b>76,601</b>
<b>Investing Activities</b>				
Decrease in loans receivable	3,783	–	3,756	–
Decrease (increase) in short-term investments	66	(22)	122	156
Purchase of property, plant and equipment	(8,437)	(18,481)	(32,714)	(51,876)
Purchase of intangible assets	(66)	–	(66)	–
Proceeds on disposal of property, plant and equipment	–	1,100	4,400	4,462
Decrease in other assets	545	4,069	613	1,061
Business acquisition, net of cash acquired	–	–	–	(32,331)
<b>Cash Used in Investing Activities</b>	<b>(4,109)</b>	<b>(13,334)</b>	<b>(23,889)</b>	<b>(78,528)</b>
<b>Financing Activities</b>				
Decrease in bank indebtedness	–	–	(2,463)	–
Decrease in loans payable	–	–	–	(520)
Repayment of long-term debt	–	–	–	(101,820)
Repayment of obligations under finance lease	(262)	(264)	(774)	(629)
Other liabilities – non current	(222)	–	(222)	–
Issuance of shares (note 16)	2	584	761	2,228
Dividends paid to shareholders (note 16)	(10,490)	(9,694)	(31,454)	(29,016)
<b>Cash Used in Financing Activities</b>	<b>(10,972)</b>	<b>(9,374)</b>	<b>(34,152)</b>	<b>(129,757)</b>
<b>Effect of Foreign Exchange on Cash and Cash Equivalents</b>				
	(6,374)	(1,068)	(7,557)	(14,548)
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	<b>44,301</b>	<b>(1,203)</b>	<b>16,554</b>	<b>(146,232)</b>
<b>Cash and Cash Equivalents – Beginning of Period</b>	<b>167,077</b>	<b>115,616</b>	<b>194,824</b>	<b>260,645</b>
<b>Cash and Cash Equivalents – End of Period</b>	<b>\$ 211,378</b>	<b>\$ 114,413</b>	<b>\$ 211,378</b>	<b>\$ 114,413</b>

Shawcor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. Shawcor Ltd., together with its wholly owned subsidiaries (collectively referred to as the “Company” or “Shawcor”), is a growth oriented, global energy services company serving the Pipeline & Pipe Services and the Petrochemical & Industrial segments of the energy industry. The Company operates eight divisions with over 80 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 5.

The head office, principal address and registered office of the Company is 25 Bethridge Road, Toronto, Ontario, M9W 1M7, Canada.

<b>Notes to Interim Consolidated Financial Statements</b>	<b>Page</b>	<b>Description</b>
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## **1 Basis of Financial Statement Preparation**

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and thus should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2016 ("Annual Consolidated Financial Statements"). The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the Annual Consolidated Financial Statements, except as set out in note 3.

### **Basis of Presentation and Consolidation**

The interim consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in the Company's Annual Consolidated Financial Statements.

The interim consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise stated.

The interim consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's equity accounted interests in joint ventures and associates.

The preparation of interim consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these interim consolidated financial statements, are described in note 2 of the Company's Annual Consolidated Financial Statements.

The results of the subsidiaries acquired during the period are included in the interim consolidated financial statements from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries, joint arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The interim consolidated financial statements and accompanying notes as at and for the nine-month period ended September 30, 2017 were authorized for issue by the Company's Board of Directors ("Board") on November 10, 2017.



## 2 Accounting Standards Issued but Not Yet Applied

### IFRS 2, Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The Company is currently evaluating but has not yet determined the impact of adopting this standard on the consolidated financial statements.

### IFRS 9 – Financial Instruments

In July 2015, the IASB issued the final version of IFRS 9 – *Financial Instruments*, which replaces all phases of the financial instruments project, IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating but has not yet determined the impact of adopting this standard on the consolidated financial statements.

### IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more prescriptive approach to measuring and recognizing revenue. The standard is effective for annual periods beginning on or after January 1, 2018 at which time we expect to adopt it using the full retrospective method. The Company has progressed through the initial implementation plan steps of scoping and identifying its unique revenue streams. The Company has completed reviews of many significant customer contracts with an in depth focus and analysis on potential areas for revenue recognition changes. The Company has summarized the preliminary revenue recognition changes at a divisional level identifying some timing and allocation changes derived from contracts originating in the Pipeline and Pipe Services group. Management is reviewing its accounting policies with respect to revenue recognition for contracts in this segment to identify any adjustments necessary to support the adoption of IFRS 15 and to determine the overall impact on transition. In addition, the Company continues to assess the impact of required disclosures around revenue recognition in the notes to the consolidated financial statements and any necessary policy and process changes, in preparation for adoption. The Company has not yet concluded on the impact of this standard on the consolidated financial statements.

### IFRS 16 – Leases

IFRS 16, issued by the IASB in January 2016, supersedes IAS 17, *Leases* (and related Interpretations). The standard is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for entities that have also adopted IFRS 15, Revenue from Contracts with Customers. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The most significant effect of the new requirements will be an increase in leased assets and financial liabilities. The Company is currently evaluating but has not yet determined the impact of adopting this standard on the consolidated financial statements.

### **IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”)**

Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The interpretation is effective for periods beginning on or after January 1, 2018 and may be applied either retrospectively or prospectively. The Company is currently evaluating but has not yet determined the impact of adopting this standard on the consolidated financial statements.

### **IFRIC 23 – Uncertainty over Income Tax Treatments (“IFRIC 23”)**

In June 2017, the IASB published IFRIC 23, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The Company has not yet determined the impact of this standard on the consolidated financial statements.

### **Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)**

In October 2017, the IASB issued Long-term interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments are effective from January 1, 2019, with early application permitted. The Company has not yet determined the impact of this standard on the consolidated financial statements.

## **3 New Accounting Standards Adopted**

### **IAS 12, Income Taxes**

On January 19, 2016, the IASB issued amendments to IAS 12, *Income Taxes*, relating to the recognition of deferred income tax assets for unrealized losses. The amendments were effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company’s adoption of these amendments did not have a material impact on the interim consolidated financial statements.

## 4 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	September 30 2017	December 31 2016
<b>Loans and Receivables, Measured at Amortized Cost</b>		
Loans receivable (note 12)	\$ 4,761	\$ 8,890
Trade accounts receivable, net	201,447	169,116
<b>Held-to-maturity</b>		
Short-term investments	1,768	1,890
Deposit guarantee	108	112
<b>Fair Value through Profit or Loss</b>		
Cash and cash equivalents (note 11)	211,378	194,824
Derivative financial instruments – assets	867	9,393
Derivative financial instruments – liabilities	1,592	3,759
<b>Available-for-sale</b>		
Convertible preferred shares	10,000	10,000
<b>Other Financial Liabilities, Measured at Amortized Cost</b>		
Bank indebtedness (note 13)	–	2,463
Accounts payable	94,955	88,980
Deferred purchase consideration	3,833	3,684
Long-term debt (note 14)	244,892	263,528

### 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 which are 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 of financial assets and liabilities in the fair value hierarchy as at September 30, 2017:

(in thousands of Canadian dollars)	Fair Value		Level 1		Level 2		Level 3	
<b>Assets</b>								
Cash and cash equivalents	\$	211,378	\$	211,378	\$	–	\$	–
Short-term investments		1,768		1,768		–		–
Loans receivable		4,761		–		4,761		–
Derivative financial instruments		867		–		867		–
Convertible preferred shares		10,000		–		–		10,000
Deposit guarantee		108		–		108		–
	\$	228,882	\$	213,146	\$	5,736	\$	10,000
<b>Liabilities</b>								
Deferred purchase consideration	\$	3,833	\$	–	\$	3,833	\$	–
Derivative financial instruments		1,592		–		1,592		–
Long-term debt		230,207		–		230,207		–
	\$	235,632	\$	–	\$	235,632	\$	–

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.

### Market Risk

#### 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, 2017, 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 \$41.8 million, \$5.0 million and \$3.0 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 approximately \$58.4 million, \$15.1 million and \$43.4 million, respectively, as at September 30, 2017.

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 forward contracts for speculative purposes. With the exception of the Company's US dollar based operations, the Company does not hedge translation exposures.

#### Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedge items, as well as its risk management

objective and strategy for undertaking various hedge transactions. The Company does not apply hedge accounting to account for its foreign exchange forward contracts.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement date of these contracts as at September 30, 2017:

(in thousands, except weighted average rate amounts)		
US dollars sold for Canadian dollars		
Less than one year		US\$ 3,000
Weighted average rate		1.33
US dollars sold for Euros		
Less than one year		US\$ 39,377
Weighted average rate		0.85
Euros sold for US dollars		
Less than one year		€ 19,972
Weighted average rate		1.15
Norwegian Kroners sold for US dollars		
Less than one year		NOK 46,476
Weighted average rate		0.13
Australian dollars sold for US dollars		
Less than one year		AUD 1,627
Weighted average rate		0.80

As at September 30, 2017, the Company had notional amounts of \$91.2 million of foreign exchange forward contracts outstanding (December 31, 2016 – \$113.7 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling \$0.2 million (December 31, 2016 – \$1.1 million net gain).

#### Net Investment Hedge

The long-term debt has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the US dollar as its functional currency. During the nine-month period ended September 30, 2017, a gain of \$18.6 million on the translation of the long-term debt was transferred to other comprehensive income to offset the losses on translation of the net investment in the US dollar functional currency subsidiary. There was no ineffectiveness of this hedge for the nine-month period ended September 30, 2017.

#### Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at September 30, 2017:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
<b>Financial Assets</b>				
Cash equivalents	\$ –	\$ –	\$ 26,264	\$ 26,264
Short-term investments	–	–	1,768	1,768
Loans receivable	73	4,688	–	4,761
Convertible preferred shares	10,000	–	–	10,000
	\$ 10,073	\$ 4,688	\$ 28,032	\$ 42,793

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
<b>Financial Liabilities</b>				
Standard letters of credit for performance, bid and surety bonds	\$ 69,347	\$ –	\$ –	\$ 69,347
Long-term debt	–	–	244,892	244,892
	\$ 69,347	\$ –	\$ 244,892	\$ 314,239

The Company's interest rate risk arises primarily from the floating rate on its loans receivable and is not currently considered to be material.

### **Credit Risk**

Credit risk arises from cash and cash equivalents held with banks, foreign exchange forward 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, 2017, there was one customer who generated approximately 17.7% of total consolidated revenue (nine-month period ended September 30, 2016 – no customer accounted for more than 10% of total consolidated revenue). As at September 30, 2017, no customer accounted for more than 10% of the Company's total trade accounts receivable (as at December 31, 2016 – no customer accounted for more than 10% of the Company's total trade accounts receivable).

### **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. Access to credit facilities is dependent on the Company's compliance with its debt covenants as outlined in Note 13 – *Credit Facilities*. As at September 30, 2017, the Company had cash and cash equivalents totalling \$211.4 million (December 31, 2016 – \$194.8 million) and had unutilized lines of credit available to use of \$388.5 million (December 31, 2016 – \$399.2 million).

## **5 Segment Information**

Shawcor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ("CODM") in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the consolidated financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at September 30, 2017, the Company had two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial. Inter-segment transactions between Pipeline and Pipe Services and Petrochemical and Industrial are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customers and markets that the Company serves.

### **Pipeline and Pipe Services**

The Pipeline and Pipe Services segment comprises the following divisions:

- Bredero Shaw, which provides pipe coating, lining and insulation products;
- Canusa - CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular products;

- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction;
- Shawcor Inspection Services (formerly, "Desert NDT"), which provides non-destructive testing services for new oil and gas gathering pipelines and infrastructure integrity management services; and
- Lake Superior Consulting, which provides pipeline engineering and integrity management services to major North American pipeline operators.

## Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the Connection Systems division which manufactures:

- wire and cable for process instrumentation and control applications; and
- heat shrinkable tubing for automotive, electrical, electronic and utility applications.

## Financial and Corporate

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

## Segment

The following table sets forth information by segment for the quarter ended September 30:

(in thousands of Canadian dollars)	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations and Adjustments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
External	<b>347,931</b>	212,978	<b>49,147</b>	46,161	–	–	–	–	<b>397,078</b>	259,139
Inter-segment	<b>38</b>	157	<b>254</b>	245	–	–	<b>(292)</b>	(402)	–	–
Total Revenue	<b>347,969</b>	213,135	<b>49,401</b>	46,406	–	–	<b>(292)</b>	(402)	<b>397,078</b>	259,139
Income (loss) from operations	<b>37,672</b>	(170,044)	<b>8,891</b>	6,371	<b>(6,252)</b>	(4,302)	–	–	<b>40,311</b>	(167,975)
Income (loss) before income taxes	<b>34,522</b>	(178,112)	<b>8,140</b>	5,303	<b>(7,752)</b>	(55)	–	–	<b>34,910</b>	(172,864)

The following table sets forth information by segment for the nine months ended September 30:

(in thousands of Canadian dollars)	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations and Adjustments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
External	<b>991,404</b>	736,713	<b>149,188</b>	143,364	–	–	–	–	<b>1,140,592</b>	880,077
Inter-segment	<b>512</b>	392	<b>658</b>	733	–	–	<b>(1,170)</b>	(1,125)	–	–
Total Revenue	<b>991,916</b>	737,105	<b>149,846</b>	144,097	–	–	<b>(1,170)</b>	(1,125)	<b>1,140,592</b>	880,077
Income (loss) from operations	<b>89,464</b>	(197,341)	<b>26,483</b>	23,717	<b>(21,592)</b>	(19,193)	–	–	<b>94,355</b>	(192,817)
Income (loss) before income taxes	<b>69,191</b>	(219,170)	<b>24,048</b>	22,045	<b>(18,011)</b>	(12,527)	–	–	<b>75,228</b>	(209,652)

The following table sets forth information for total assets by segment as at:

(in thousands of Canadian dollars)	<b>September 30, 2017</b>	December 31, 2016
Pipeline and Pipe Services	\$ 1,594,297	\$ 1,682,578
Petrochemical and Industrial	119,451	113,329
Financial and Corporate	1,431,362	1,431,746
Elimination and adjustments	(1,454,367)	(1,449,862)
	<b>\$ 1,690,743</b>	<b>\$ 1,777,791</b>

## 6 Employee Benefits Expense

The Company's costs for the defined benefit pension plans, the post-retirement life insurance plans and the post-employment benefit plan for the three-month and nine-month periods ended September 30, 2017 were \$1.1 and \$3.7 million, respectively (three-month and nine-month periods ended September 30, 2016 – \$0.9 and \$3.3 million, respectively). The Company's costs for the defined contribution pension arrangements for the three-month and nine-month periods ended September 30, 2017 were \$2.4 and \$7.6 million, respectively (three-month and nine-month periods ended September 30, 2016 – \$3.1 and \$8.1 million, respectively).

## 7 Share-based and Other Incentive-based Compensation

A summary of the status of the Company's stock option and other incentive-based compensation plans and changes during the period is presented below:

### Stock Options without Tandem Share Appreciation Rights ("SARs")

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Total Shares	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
<b>Balance Outstanding - Beginning of Period</b>	<b>1,173,080</b>	<b>\$ 32.02</b>	1,043,440	\$ 32.27
Granted	163,400	37.40	223,600	27.72
Exercised	(23,095)	26.90	(93,960)	24.58
Cancelled	(600)	15.51	–	–
<b>Balance Outstanding - End of Period</b>	<b>1,312,785</b>	<b>\$ 32.78</b>	1,173,080	\$ 32.02
Options exercisable	856,405	\$ 32.00	724,360	\$ 31.14



Range of Exercise Price	Options Outstanding			Options Exercisable		
	Outstanding as at September 30, 2017	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable as at September 30, 2017	Weighted Average Exercise Price	
\$15.01 to \$20.00	161,320	1.25	\$ 15.51	161,320	\$ 15.51	
\$25.01 to \$30.00	292,000	5.04	27.87	150,480	29.15	
\$30.01 to \$35.00	224,000	5.06	32.69	188,000	32.78	
\$35.01 to \$40.00	342,765	7.04	37.00	131,725	36.95	
\$40.01 to \$45.00	246,300	5.25	41.69	197,040	41.69	
\$45.01 to \$50.00	46,400	6.25	45.73	27,840	45.73	
	<b>1,312,785</b>	<b>5.18</b>	<b>\$ 32.78</b>	<b>856,405</b>	<b>\$ 32.00</b>	

Range of Exercise Price	Options Outstanding			Options Exercisable		
	Outstanding as at December 31, 2016	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable as at December 31, 2016	Weighted Average Exercise Price	
\$15.01 to \$20.00	163,720	2.01	\$ 15.51	163,720	\$ 15.51	
\$25.01 to \$30.00	307,900	5.57	27.76	131,000	29.45	
\$30.01 to \$35.00	227,100	5.80	32.69	145,160	32.81	
\$35.01 to \$40.00	181,660	5.76	36.65	118,140	37.11	
\$40.01 to \$45.00	246,300	6.01	41.69	147,780	41.69	
\$45.01 to \$50.00	46,400	7.01	45.73	18,560	45.73	
	<b>1,173,080</b>	<b>5.30</b>	<b>\$ 32.02</b>	<b>724,360</b>	<b>\$ 31.14</b>	

The Board of Directors approved the granting of 163,400 stock options during the nine month period ended September 30, 2017 (September 30, 2016 – 223,600) under the 2001 Employee Plan. The total fair value of the stock options granted during the nine month period ended September 30, 2017 was \$1.3 million (nine month period ended September 30, 2016 – \$1.4 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

	Nine Months Ended September 30,	
	2017	2016
Weighted average share price	\$ 37.40	\$ 27.72
Exercise price	\$ 37.40	\$ 27.72
Weighted average expected life of options	6.25	6.25
Weighted average expected stock price volatility	28.46%	29.71%
Weighted average expected dividend yield	1.604%	1.88%
Weighted average risk-free interest rate	1.45%	1.24%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted will be amortized to compensation expense over the five-year vesting period of the options. The compensation cost from the amortization of stock options for the nine month period ended September 30, 2017, included

in selling, general and administrative expenses, was \$1.0 million (nine month period ended September 30, 2016 – \$0.9 million).

### Stock Options with Tandem Share Appreciation Rights

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Total Shares	Weighted Average Fair Value <sup>(a)</sup>	Total Shares	Weighted Average Fair Value <sup>(a)</sup>
<b>Balance Outstanding - Beginning of Period</b>	<b>367,300</b>	<b>\$ 10.23</b>	277,300	\$ 11.69
Granted	44,800	8.61	110,800	6.77
Exercised	(5,000)	10.30	–	–
Expired	–	–	(20,800)	11.30
<b>Balance Outstanding - End of Period</b>	<b>407,100</b>	<b>\$ 10.05</b>	367,300	\$ 10.23
<b>Options exercisable</b>	<b>194,760</b>	<b>\$ 10.53</b>	144,000	\$ 10.98

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.

The mark-to-market liability for the stock options with SARs as at September 30, 2017 is \$1.5 million (December 31, 2016 – \$2.0 million), which is included in current and non-current other liabilities on the consolidated balance sheets.

### LTIP

The LTIP includes the existing stock option plan discussed above, the Value Growth Plan ("VGP"), the Employee Share Unit Plan ("ESUP"), and the Performance Incentive Plan ("PIP").

### VGP

The VGP is a cash-based awards plan, which rewards executives and key employees for improving revenue and operating income over a three-year performance period. Units granted to participants vest at the end of the third year of the performance period for which they were granted. The value of units is determined based on the growth rate in operating revenue and income on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the prior three-year baseline period. Valuation of the units also includes a total shareholder return calculation to measure Shawcor's performance compared to its peer group compensation costs, and is recognized on a straight-line basis over the vesting period. All units granted under the VGP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The VGP liability as at September 30, 2017 is \$3.4 million (December 31, 2016 – \$1.7 million).

### ESUP

The ESUP authorizes the Board to grant awards of restricted share units ("RSUs") and performance share units ("PSUs") to employees of the Company as a form of incentive compensation. All RSUs and PSUs are to be settled with common shares and are valued on the basis of the underlying weighted average trading price of the common shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the common shares prior to the settlement of the award. Each RSU and PSU granted under the ESUP represents one common share. The ESUP provides that the maximum number of common shares that are reserved for issuance from time to time shall be fixed at 1,000,000 common shares. The RSUs vest in two tranches over a period of one to five years and four to seven years, respectively and become exercisable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with IFRS. All RSUs and PSUs granted are classified as equity instruments in accordance with IFRS as their terms require that they be settled in shares.

The following table sets forth the Company's RSUs/PSUs reconciliation as at the periods indicated:

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Total Shares	Weighted Average Grant Date Fair Value <sup>(a)(b)</sup>	Total Shares	Weighted Average Grant Date Fair Value <sup>(a)(b)</sup>
<b>Balance Outstanding - Beginning of Period</b>	<b>541,441</b>	<b>\$ 31.79</b>	472,849	\$ 32.84
Granted	91,364	32.04	116,333	26.54
Exercised	(15,288)	29.03	(16,033)	28.87
Forfeited	(14,817)	28.73	(31,708)	29.61
<b>Balance Outstanding - End of Period</b>	<b>602,700</b>	<b>\$ 31.98</b>	541,441	\$ 31.79
<b>RSUs/PSUs exercisable</b>	<b>219,346</b>	<b>\$ 33.88</b>	159,264	\$ 33.77

- a) RSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.
- b) PSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

### PIP

On March 2, 2017, the Board approved the PIP under the Company's LTIP. The PIP is a cash-based awards plan, which rewards designated executives and employees over a three-year performance period. Each unit granted to participants notionally represents one common share and such units vest at the end of the third year from the date they were granted. The value of units at the vesting date is based on the weighted average trading price of the Company's common shares over the five trading days preceding the vesting date. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the PIP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The PIP liability as at September 30, 2017 is \$0.1 million (December 31, 2016 – nil).

### DSU

Under the Company's DSU plan, all directors (other than the President and Chief Executive Officer) of the Company can elect to receive all or a portion of their compensation for services rendered as a director of the Company in share units or a combination of share units and cash. The number of DSUs received is equal to the dollar amount to be paid in DSUs divided by the weighted average trading price of the common shares over the five days immediately preceding the date of the grant. DSUs are to be settled at the time that the director ceases to be a member of the Board and each DSU entitles the holder to receive one common share or the cash equivalent. DSUs vest immediately on the date of the grant. The value of a DSU and the related compensation expense is determined and recorded based on the current market price of the underlying common shares on the date of the grant. Common shares are purchased on the open market to settle outstanding share units.

All DSUs granted will be classified as liability instruments on the date of the grant in accordance with IFRS as the unitholder has the option to settle in cash or in shares.

The following table sets forth the Company's DSU reconciliation as at the period indicated:

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Total Shares	Weighted Average Grant Date Fair Value <sup>(a)</sup>	Total Shares	Weighted Average Grant Date Fair Value <sup>(a)</sup>
<b>Balance Outstanding - Beginning of Period</b>	<b>148,427</b>	<b>\$ 35.15</b>	110,597	\$ 36.37
Granted	<b>30,381</b>	<b>30.25</b>	37,830	31.58
<b>Balance Outstanding - End of Period</b>	<b>178,808</b>	<b>\$ 34.32</b>	148,427	\$ 35.15

(a) DSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

The mark-to-market liability for the DSUs as at September 30, 2017 is \$4.9 million (December 31, 2016 – \$5.3 million), all of which is included in current other liabilities on the consolidated balance sheets.

### Incentive-based Compensation

The following table sets forth the incentive-based compensation expense for the period indicated:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Stock option expense	\$ 339	\$ 315	\$ 1,016	\$ 937
SAR expense (recovery)	438	121	(510)	536
VGP expense (recovery)	975	129	2,329	(351)
RSUs/PSUs expense	1,028	1,095	3,006	3,327
PIP expense	70	–	98	–
DSU expense (recovery)	507	324	(383)	1,412
<b>Total incentive-based compensation expense</b>	<b>\$ 3,357</b>	<b>\$ 1,984</b>	<b>\$ 5,556</b>	<b>\$ 5,861</b>

## 8 Finance Costs

The following table sets forth the Company's finance costs for the periods ended:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest income	\$ (256)	\$ (334)	\$ (1,223)	\$ (834)
Interest expense, other	913	1,152	3,877	3,485
Interest expense on long-term debt	2,187	3,512	10,601	10,396
<b>Finance Costs – net</b>	<b>\$ 2,844</b>	<b>\$ 4,330</b>	<b>\$ 13,255</b>	<b>\$ 13,047</b>

## 9 Income Taxes

The following table sets forth a reconciliation of the Company's effective income tax rate for the nine months ended September 30:

	Nine Months Ended September 30,	
	2017	2016
	%	%
Expected statutory income tax rate	26.8	26.9
Tax rate differential on earnings of foreign subsidiaries	(2.9)	8.6
Benefit of previously unrecognized tax losses	(5.7)	0.4
Unrecognized losses	15.6	(34.7)
Adjustment to prior year provisions	(2.1)	(1.7)
Permanent differences not deductible/(taxable)	(3.0)	1.2
Withholding taxes	1.9	(1.6)
Other	1.1	1.3
<b>Effective Tax Rate</b>	<b>31.7</b>	<b>0.4</b>

## 10 Earnings (Loss) Per Share

The following table details the weighted-average number of shares outstanding for the purposes of calculating basic and diluted EPS:

(in thousands of Canadian dollars, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss) income used to calculate EPS				
Net income (loss) (attributable to shareholders of the Company) for the period	\$ 20,462	\$ (174,019)	\$ 51,658	\$ (208,236)
Weighted average number of shares outstanding – basic (000's)	69,935	64,611	69,922	64,577
Dilutive effect of stock based options	300	–	141	–
Weighted average number of shares outstanding – diluted (000's)	70,235	64,611	70,063	64,577
Basic EPS	\$ 0.29	\$ (2.69)	\$ 0.74	\$ (3.22)
Diluted EPS	\$ 0.29	\$ (2.69)	\$ 0.74	\$ (3.22)

## 11 Cash and Cash Equivalents

The following table sets forth the Company's cash and cash equivalents as at:

(in thousands of Canadian dollars)	September 30, 2017	December 31, 2016
Cash	\$ 185,114	\$ 98,911
Cash equivalents	26,264	95,913
<b>Total</b>	<b>\$ 211,378</b>	<b>\$ 194,824</b>

## 12 Loans Receivable

The following table details the loans receivable as at:

(in thousands of Canadian dollars)	September 30, 2017	December 31, 2016
<b>Current</b>		
Notes receivable	\$ 73	\$ 82
Loan receivable	2,379	3,750
	<b>2,452</b>	<b>3,832</b>
<b>Non-current</b>		
Notes receivable <sup>(a)</sup>	\$ 2,309	\$ 5,003
Loan receivable	–	55
	<b>2,309</b>	<b>5,058</b>
<b>Total</b>	<b>\$ 4,761</b>	<b>\$ 8,890</b>

(a) Long-term notes receivable relate to an amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at U.S. prime plus 0.25%, with principal repayments to be made in four semi-annual instalments beginning no later than March 31, 2018, as set out in the loan agreement terms. As at September 30, 2017, the amount of the note receivable was U.S. \$3,756 (December 31, 2016 – U.S. \$3,726).

## 13 Credit Facilities

The following table sets forth the Company's total credit facilities as at:

(in thousands of Canadian dollars)	September 30, 2017	December 31, 2016
Bank indebtedness	\$ –	\$ 2,463
Standard letters of credit for performance and bid bonds (note 15)	69,347	90,898
Total utilized credit facilities	69,347	93,361
Total available credit facilities <sup>(a)</sup>	457,866	492,610
<b>Unutilized Credit Facilities</b>	<b>\$ 388,519</b>	<b>\$ 399,249</b>

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

The Company pays a floating interest rate on its Unsecured Committed Bank Credit Facility (the "Credit Facility") that is a function of the Company's Total Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is US\$50 million.

### Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the 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 1.00 and a Leverage Ratio (Total Debt to EBITDA) of less than 3.00 to 1.00.

The Company was in compliance with the Interest Coverage Ratio and Leverage Ratio as at September 30, 2017.

## 14 Long-term Debt

The Senior Notes balance as at September 30, 2017 was \$244.9 million (US\$196.8 million) (December 31, 2016 – \$263.5 million (US\$196.8 million)). The Senior Notes have been designated as a hedge of the Company's net investment in its US dollar functional currency subsidiary as described in note 4.

In respect of the long-term debt, the Company is required to maintain certain covenants that are consistent with the debt

covenants described in note 13 for the Credit Facility. The Company was in compliance with these covenants as at September 30, 2017.

## 15 Commitments and Contingencies

### Legal Claims

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

### Performance, Bid and Surety Bonds

The Company provides standby letters of credit 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 bonds 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 utilizes the Credit Facility to support the Company's standby letters of credit and performance and bid bonds. The Company has utilized total credit facilities of \$69.3 million as at September 30, 2017 (December 31, 2016 – \$90.9 million) for support of these instruments. In addition, as at September 30, 2017, the Company had \$33.1 million of outstanding surety bonds through insurance companies (December 31, 2016 – \$107.2 million).

## 16 Share Capital

All shares have been issued and fully paid and have no par value. There are an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share.

The following table sets forth the changes in the Company's shares for the periods indicated:

(in thousands of Canadian dollars)

<b>Number of Shares</b>	
Balance, December 31, 2016	<b>69,892,544</b>
Issued on exercise of stock options	<b>23,095</b>
Issued on exercise of SARs	<b>5,000</b>
Issued on exercise of RSUs	<b>15,288</b>
<b>Balance, September 30, 2017</b>	<b>69,935,927</b>
<b>Stated Value:</b>	
Balance, December 31, 2016	<b>\$ 703,316</b>
Issued on exercise of stock options	<b>624</b>
Issued on exercise of SARs	<b>137</b>
Compensation cost on exercised stock options	<b>278</b>
Compensation cost on exercised RSUs	<b>472</b>
<b>Balance, September 30, 2017</b>	<b>\$ 704,827</b>

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(in thousands of Canadian dollars)

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**Number of Shares**

Balance, December 31, 2015	64,521,301
Issued through public offering	5,261,250
Issued on exercise of stock options	93,960
Issued on exercise of RSUs	16,033

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Balance, December 31, 2016 69,892,544

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**Stated Value:**

Balance, December 31, 2015	\$	534,484
Issued through public offering (net of commissions and share issuance costs of \$7.3 million)		165,295
Issued on exercise of stock options		2,311
Compensation cost on exercised stock options		764
Compensation cost on exercised RSUs		462

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Balance, December 31, 2016 \$ 703,316

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Dividends declared and paid were as follows:

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(Dollar amounts per share)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Dividends declared and paid to shareholders	\$ 10,490	\$ 9,694	\$ 31,454	\$ 29,016
Dividends declared and paid per share	\$ 0.15	\$ 0.15	\$ 0.45	\$ 0.45

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