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, 2017 and 2016 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 2016 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") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), 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 11 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 eight divisions with over eighty manufacturing 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, 2017, the Company operated its eight 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 87% of consolidated revenue for the nine months ended September 30, 2017. This segment includes the Bredero Shaw, Canusa-CPS, Flexpipe Systems, Guardian, Shaw Pipeline Services, Shawcor Inspection Services (formerly "Desert NDT") and Lake Superior Consulting divisions.

- Bredero Shaw's product offerings include specialized internal anti-corrosion 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.
- 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.
- 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.
- Shawcor Inspection Services (formerly "Desert NDT") provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.
- Lake Superior Consulting provides pipeline engineering and integrity management services to major North American pipeline operators.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which consists of the Connection Systems division, accounted for 13% of consolidated revenue for the nine months ended September 30, 2017. 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.

- Connection Systems 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.
- Connection Systems also manufactures 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, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Revenue	**$ 397,078**	$ 259,139	**$ 1,140,592**	$ 880,077
Cost of Goods Sold and Services Rendered	**246,339**	172,162	**716,145**	595,295
	150,739	86,977	**424,447**	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
Income (Loss) from Operations	**40,311**	(167,975)	**94,355**	(192,817)
Loss from investments in associates	**(2,557)**	(559)	**(5,872)**	(1,727)
Finance costs, net	**(2,844)**	(4,330)	**(13,255)**	(13,047)
Costs associated with repayment and modification of long-term debt	–	–	–	(2,061)
Income (Loss) before Income Taxes	**34,910**	(172,864)	**75,228**	(209,652)
Income tax expense (recovery)	**14,495**	2,481	**23,865**	(747)
Net Income (Loss)	**$ 20,415**	$ (175,345)	**$ 51,363**	$ (208,905)
Net Income (Loss) attributable to:				
Shareholders of the Company	**$ 20,462**	$ (174,019)	**$ 51,658**	$ (208,236)
Non-controlling interests	**(47)**	(1,326)	**(295)**	(669)
Net Income (Loss)	**$ 20,415**	$ (175,345)	**$ 51,363**	$ (208,905)
Per Share Information:				
Earnings (Loss) per Share				
Basic	**$ 0.29**	$ (2.69)	**$ 0.74**	$ (3.22)
Diluted	**$ 0.29**	$ (2.69)	**$ 0.74**	$ (3.22)
Cash Dividend per Share:				
Common Shares	**$ 0.150**	$ 0.150	**$ 0.450**	$ 0.450

(in thousands of Canadian dollars)	**September 30, 2017**	**December 31, 2016**
Total Assets	**$ 1,690,743**	$ 1,777,791
Total Non-Current Liabilities	**$ 321,312**	$ 339,298

2.2 EBITDA

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Net Income (Loss)	**$ 20,415**	$ (175,345)	**$ 51,363**	$ (208,905)
Add:				
Income tax expense (recovery)	**14,495**	2,481	**23,865**	(747)
Finance costs, net	**2,844**	4,330	**13,255**	13,047
Amortization of property, plant, equipment and intangible assets	**25,750**	19,939	**71,568**	61,363
EBITDA[(a)]	**$ 63,504**	$ (148,595)	**$ 160,051**	$ (135,242)

(a) Earnings before interest, income taxes, depreciation and amortization ("EBITDA") is a non-GAAP measure, calculated by adding back to net income (loss) the sum of income taxes, net finance costs, amortization of property, plant, equipment and intangible assets. The Company uses EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. This measure is also considered important by lenders to the Company. EBITDA should not be considered in isolation or used as an alternative to net income (loss) or any of the other measures of performance prepared in accordance with GAAP.

2.3 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,	
	2017	2016	**2017**	2016
U.S. dollar	**1.2620**	1.3076	**1.3066**	1.3243
Euro	**1.4790**	1.4565	**1.4570**	1.4708
British Pounds	**1.6544**	1.7164	**1.6732**	1.8426

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

(in thousands of Canadian dollars)	**Q3-2017 Versus Q2-2017**	**Q3-2017 versus Q3-2016**	**Q3-2017 YTD versus Q3-2016 YTD**
Revenue	**$ (12,014)**	**$ (6,385)**	**$ (29,567)**
Operating income	**$ (1,289)**	**$ 270**	**$ (4,729)**
Net income	**$ (876)**	**$ 31**	**$ (3,374)**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $3.0 million in the third quarter of 2017 (nine months ended September 30, 2017 – loss of $0.6 million), compared to a gain of $1.4 million for the comparable period in the prior year (nine months ended September 30, 2016 – $0.0 million), 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.

3.0 Results from Operations

3.1 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, 2017	June 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Pipeline and Pipe Services	**$ 347,969**	$ 334,913	$ 213,135	**$ 991,916**	$ 737,105
Petrochemical and Industrial	**49,401**	49,078	46,406	**149,846**	144,097
Elimination[(a)]	**(292)**	(209)	(402)	**(1,170)**	(1,125)
Consolidated revenue	**$ 397,078**	$ 383,782	$ 259,139	**$ 1,140,592**	$ 880,077

(a) Represents the elimination of the inter-segment sales between the Pipeline and Pipe Services segment and the Petrochemical and Industrial segment.

Third Quarter 2017 versus Second Quarter 2017

Consolidated revenue increased 3%, or $13.3 million, from $383.8 million during the second quarter of 2017 to $397.1 million during the third quarter of 2017, due to increases of $13.1 million in the Pipeline and Pipe Services segment and $0.3 million in the Petrochemical and Industrial segment.

Revenue increased by 4% in the Pipeline and Pipe Services segment, or $13.1 million, from $334.9 million in the second quarter of 2017 to $348.0 million in the third quarter of 2017, due to higher activity levels in Latin America and North America, partially offset by lower volumes in the Europe, Middle East, Africa and Russia ("EMAR") and Asia Pacific regions. See *section 3.2.1 – 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 2017, compared to the second quarter of 2017, due to increased activity levels in North America, partially offset by lower revenue in EMAR. See *section 3.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Third Quarter 2017 versus Third Quarter 2016

Consolidated revenue increased by $137.9 million, or 53%, from $259.1 million during the third quarter of 2016, to $397.1 million during the third quarter of 2017, primarily due to a $134.8 million revenue increase in the Pipeline and Pipe Services segment and a $3.0 million increase in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the third quarter of 2017 was $348.0 million, or 63% higher than in the third quarter of 2016, due to increased activity levels in North America and Latin America, partially offset by lower revenue levels in EMAR and Asia Pacific. See *section 3.2.1 – 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 in the third quarter of 2017 was $49.4 million, or 6% higher than in the third quarter of 2016, due to increased activity levels in all regions. See *section 3.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Consolidated revenue increased by $260.5 million, or 30%, from $880.1 million for the nine month period ended September 30, 2016 to $1,140.6 million for the nine month period ended September 30, 2017, due to increases of $254.8 million, or 35%, in the Pipeline and Pipe Services segment and $5.7 million, or 4%, in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment during the nine month period ended September 30, 2017 was $991.9 million, or $254.8 million higher than in the comparable period in 2016, due to higher activity levels in Latin America, Asia Pacific and North America, partially offset by lower revenue in the EMAR region. See s*ection 3.2.1 – 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 $5.7 million during the nine month period ended September 30, 2017 compared to the same period in 2016, due to higher activity levels in all regions. See s*ection 3.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Income (Loss) from Operations ("Operating Income")

The following table sets forth Operating income and Operating margin for the following periods:

(in thousands of Canadian dollars, except percentages)	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Operating income (loss)	**$ 40,311**	$ 28,234	$ (167,975)	$ **94,355**	$ (192,817)
Operating margin[(a)]	**10.2%**	7.4%	(64.8%)	**8.3%**	(21.9%)

(a) Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP, are not necessarily comparable to similar measures provided by other companies, and should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP.

Third Quarter 2017 versus Second Quarter 2017

Operating income increased by $12.1 million, from an operating income of $28.2 million during the second quarter of 2017 to operating income of $40.3 million in the third quarter of 2017. Operating income was positively impacted by a $6.7 million increase in gross profit, a $0.7 million decrease in selling, general and administrative ("SG&A") expenses and a $5.1 million increase in net foreign exchange gains.

The increase in gross profit resulted from the higher revenue, as explained above, and a 0.4 percentage point increase in the gross margin from the second quarter of 2017. The increase in the gross margin percentage was primarily due to product and project mix, higher facility utilization and increased absorption of manufacturing overheads.

SG&A expenses decreased by $0.7 million, from $85.7 million in the second quarter of 2017 to $84.9 million in the third quarter of 2017, primarily due to a $2.8 million decrease in personnel related and management incentive compensation expenses.

Third Quarter 2017 versus Third Quarter 2016

Operating income increased by $208.3 million, from an operating loss of $168.0 million in the third quarter of 2016 to an operating income of $40.3 million during the third quarter of 2017. Operating income was positively impacted by a $63.8 million increase in gross profit and a $1.6 million increase in net foreign exchange gains. A $155.9 million impairment charge was also recorded in the third quarter of 2016. These positive impacts were partially offset by increases of $5.9 million in SG&A expenses, $5.8 million in amortization of property, plant, equipment and intangible assets and $0.8 million in research and development expenses.

The increase in gross profit resulted from the higher revenue, as explained above, and a 4.4 percentage point increase in the gross margin from the third quarter of 2016. The increase in the gross margin percentage was primarily due to higher large project activity, improved North American business activity, higher facility utilization and increased absorption of manufacturing overheads.

SG&A expenses in the third quarter of 2017 increased by $5.9 million compared to the third quarter of 2016, primarily due to a $5.3 million increase in personnel related and management incentive compensation expenses, including an increase in government mandated employee profit sharing on large project activity in Latin America.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Operating income increased by $287.2 million, from an operating loss of $192.8 million in the nine month period ended September 30, 2016, to an operating income of $94.4 million in the nine month period ended September 30, 2017. Operating income was positively impacted by a year over year increase in gross profit of $139.7 million and a $2.4 million decrease in research and development expenses. Impairment charges of $157.3 million were also recorded in the first nine months of 2016. These items were partially offset by increases of $10.2 million in amortization of property, plant, equipment and intangible assets, $0.6 million in net foreign exchange losses and $0.8 million in SG&A expenses, and a $0.6 million lower gain on sale of land.

The increase in gross profit resulted from the higher revenue, as explained above, and a 4.9 percentage point increase in the gross margin from the prior year. The increase in the gross margin percentage was primarily due to higher large project activity, improved North American business activity, higher facility utilization and increased absorption of manufacturing overheads.

SG&A expenses increased by $0.8 million in the first nine months of 2017 compared to the comparable period in 2016, primarily due to a $17.8 million increase in personnel related and management incentive compensation expenses, including an increase in government mandated employee profit sharing on large project activity in Latin America. This was partially offset by higher restructuring charges of $10.1 million, including $6.3 million for employee severance and $3.8 million for plant and office closure and co-location costs, recorded in the first nine months of 2016 compared to the first nine months of 2017, a decrease in rental and equipment costs of $6.0 million and a $3.0 million decrease in professional, consulting and legal fees.

Finance Costs, Net

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

	Three Months Ended			Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2017**	June 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Interest income	**$ (256)**	$ (733)	$ (334)	**$ (1,223)**	$ (834)
Interest expense, other	**913**	1,372	1,152	**3,877**	3,485
Interest expense on long-term debt	**2,187**	4,144	3,512	**10,601**	10,396
Finance costs, net	**$ 2,844**	$ 4,783	$ 4,330	**$ 13,255**	$ 13,047

Third Quarter 2017 versus Second Quarter 2017

In the third quarter of 2017, net finance costs were $2.8 million, compared to net finance costs of $4.8 million during the second quarter of 2017. The decrease in net finance costs was primarily due to a $2.0 million decrease in interest expense on long-term debt due to the higher interest rates related to the debt amendment being no longer in effect. In addition, net finance costs reflect a $0.5 million decrease in interest expense on bank borrowings and facilities, partially offset by a $0.5 million decrease in interest income.

Third Quarter 2017 versus Third Quarter 2016

In the third quarter of 2017, net finance costs were $2.8 million, compared to net finance costs of $4.3 million during the third quarter of 2016. The decrease in net finance costs was primarily a result of $1.3 million lower interest expense on long term-debt due to lower long-term debt balances in the third quarter of 2017 compared to the third quarter of 2016.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017, net finance costs were $13.3 million, compared to $13.0 million in the comparable period in the prior year. The increase in net finance costs was primarily a result of higher interest expense on long term debt and on bank borrowings and facilities, partially offset by higher interest income.

Income Taxes

The following table sets forth the income taxes for the following periods:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Income tax expense (recovery)	**$ 14,495**	$ 6,860	$ 2,481	**$ 23,865**	$ (747)

Third Quarter 2017 versus Second Quarter 2017

The Company recorded an income tax expense of $14.5 million (42% of income before income taxes) in the third quarter of 2017, compared to an income tax expense of $6.9 million (30% of income before income taxes) in the second quarter of 2017. The effective tax rate in the third quarter of 2017 was higher than the Company's expected income tax rate of 27% primarily due to a large portion of the Company's taxable income being earned in higher tax jurisdictions and some losses in the quarter being generated in jurisdictions where the Company was unable to record a tax benefit.

Third Quarter 2017 versus Third Quarter 2016

The Company recorded an income tax expense of $14.5 million (42% of income before income taxes) in the third quarter of 2017, compared to an income tax expense of $2.5 million (1% of loss before income taxes) in the third quarter of 2016. The effective tax rate in the third quarter of 2017 was higher than the Company's expected income tax rate of 27% primarily due to a large portion of the Company's taxable income being earned in higher tax jurisdictions and some losses in the quarter being generated in jurisdictions where the Company was unable to record a tax benefit.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

The Company recorded an income tax expense of $23.9 million (32% of income before income taxes) during the nine-month period ended September 30, 2017, compared to an income tax recovery of $0.7 million (0.4% of loss before income taxes) during the nine-month period ended September 30, 2016. The effective tax rate for the nine month period ended September 30, 2017 was higher than the Company's expected effective income tax rate of 27%, primarily due to a large portion of the Company's taxable income being earned in higher tax jurisdictions and some losses during the period being generated in jurisdictions where the Company was unable to record a tax benefit.

3.2 Segment Information

3.2.1 Pipeline and Pipe Services Segment

The following table sets forth, by geographic location, the revenue, operating income and operating margin for the Pipeline and Pipe Services segment for the following periods:

	Three Months Ended			Nine Months Ended	
(in thousands of Canadian dollars, except percentages)	**September 30, 2017**	June 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
North America	**$ 157,640**	$ 155,425	$ 109,113	**$ 459,921**	$ 346,239
Latin America	**124,419**	99,559	8,398	**253,093**	44,937
EMAR	**37,998**	49,059	65,438	**149,461**	283,754
Asia Pacific	**27,912**	30,870	30,186	**129,441**	62,175
Total revenue	**$ 347,969**	$ 334,913	$ 213,135	**$ 991,916**	$ 737,105
Operating income (loss)	**$ 37,672**	$ 27,182	$ (170,044)	**$ 89,464**	$ (197,341)
Operating margin[(a)]	**10.8%**	8.1%	(79.8%)	**9.0%**	(26.8%)

(a) Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP, are not necessarily comparable to similar measures provided by other companies, and should not be considered in insolation or used as an alternative to other measures of performance prepared in accordance with GAAP.

Third Quarter 2017 versus Second Quarter 2017

Revenue in the third quarter of 2017 increased by $13.1 million to $348.0 million, from $334.9 million in the second quarter of 2017. Segment revenue was affected by higher activity levels in North America and Latin America, partially offset by lower revenue in EMAR and Asia Pacific and the impact on translation of foreign operations, as noted in *section 2.3* above:

- In North America, revenue increased by $2.2 million, or 1%, primarily as a result of higher activity levels for flexible composite pipe and large and small diameter pipe coatings in Canada and increased integrity management services revenue. This was partially offset by lower revenue levels for tubular management services and large and small diameter pipe coating revenue in the USA.

- Revenue in Latin America increased by $24.9 million, or 25%, primarily as a result of higher activity levels in Altamira, Mexico for the Tuxpan project and by higher revenue at the Company's Argentina facilities.

- In EMAR, revenue decreased by $11.1 million, or 23%, primarily due to lower activity from the Orkanger, Norway and Ras Al Khaimah, UAE ("RAK") facilities, the Shah Deniz project in the Caspian and field joint coating projects in the region. This was partially offset by increased revenue from the Leith, Scotland facility and increased activity levels in pipe weld inspection services in the region.

- In Asia Pacific, revenue decreased by $3.0 million, or 10%, mainly due to lower pipe coating project volumes at the Kabil, Indonesia facility, partially offset by higher activity levels at the Kuantan, Malaysia facility.

In the third quarter of 2017, operating income was $37.7 million compared to an operating income of $27.2 million in the second quarter of 2017, an increase of $10.5 million. The increase in operating income was primarily due to the $6.8 million increase in gross profit due to the increase in revenue, as explained above, and a 0.5 percentage point increase in gross margin. The increase in gross margin was due to favourable project mix, higher facility utilization and increased manufacturing overhead absorption.

Third Quarter 2017 versus Third Quarter 2016

Revenue in the third quarter of 2017 was $348.0 million, an increase of $134.8 million, or 63%, from $213.1 million in the comparable period of 2016. Segment revenue was affected by higher activity levels in North America and Latin America, partially offset by lower revenue in EMAR and Asia Pacific and the impact on translation of foreign operations, as noted in *section 2.3* above:

- Revenue in North America increased by $48.5 million, or 44%, primarily due to higher volumes of small diameter pipe coating in Canada and large diameter pipe coating in the USA, increased activity levels in pipe weld inspection services, increased revenue from tubular management services and higher flexible composite pipe sales volumes. This was partially offset by lower activity levels of large diameter pipe coating in Canada.

- Latin America's revenue increased by $116.0 million, primarily as a result of the higher activity levels in Altamira, Mexico for the Tuxpan project and increased volumes at the Company's Argentina facilities.

- In EMAR, revenue decreased by $27.4 million, or 42%, primarily due to lower activity levels on the Shah Deniz project in the Caspian and at the Leith, Scotland; Orkanger, Norway; RAK and Italian facilities.

- Revenue in Asia Pacific decreased by $2.3 million, or 8%, mainly due to lower pipe coating project volumes at the Kabil, Indonesia facility, partially offset by higher activity levels at the Kuantan, Malaysia facility.

In the third quarter of 2017, operating income was $37.7 million compared to an operating loss of $170.0 million in the third quarter of 2016, an increase of $207.7 million. The increase in operating income was primarily due to the $155.9 million impairment charge recorded in the third quarter of 2016, a $61.8 million increase in gross profit due to the increase in revenue, as explained above, and a 4.3 percentage point increase in gross margin. The increase in gross margin was due to favourable large project mix, higher facility utilization and increased manufacturing overhead absorption. This was partially offset by increases in SG&A expenses, research and development expenses and amortization of property, plant, equipment and intangible assets, as explained in *section 3.1* above.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Revenue in the Pipeline and Pipe Services segment for the nine month period ended September 30, 2017 was $991.9 million, an increase of $254.8 million, from $737.1 million in the comparable period in the prior year. Segment revenue was affected by higher activity levels in North America, Asia Pacific and Latin America, partially offset by lower revenue in EMAR and the impact on translation of foreign operations, as noted in *section 2.3* above:

- In North America, revenue increased by $113.7 million, or 33%, primarily due to increased revenue from flexible composite pipe sales, tubular management services, pipe weld inspection services, small diameter pipe coating in Canada and large diameter pipe coating in the USA. This was partially offset by lower activity levels of large diameter pipe coating activity in Canada and lower volumes of small diameter pipe coating in the USA.

- Revenue in Latin America was higher by $208.2 million, or 463%, mainly due to higher activity levels in Altamira, Mexico for the Tuxpan project, partially offset by lower volumes at the Company's Argentina facilities.

- In EMAR, revenue decreased by $134.3 million, or 47%, primarily due to decreased pipe coating activity levels in the RAK; Orkanger, Norway; and Leith, Scotland facilities, on the Shah Deniz project in the Caspian and at the Company's Italian facilities.

- Revenue in Asia Pacific increased by $67.3 million, or 108%, mainly due to higher pipe coating project volumes from the Woodside Greater Western Flank, Shah Deniz and Tuxpan projects at the Kabil, Indonesia and Kuantan, Malaysia facilities.

Operating income for the nine month period ended September 30, 2017 was $89.5 million compared to an operating loss of $197.3 million for the nine month period ended September 30, 2016, an increase of $286.8 million. The increase in operating income is primarily due to the $157.3 million impairment charge recorded in 2016, a $135.1 million increase in gross profit as a result of the increase in revenue, as explained above, and a 5.2 percentage point increase in gross margin. The increase in gross margin was due to favourable large project mix, higher facility utilization and increased manufacturing overhead absorption. In addition, research and development expenses were lower during 2017 compared to the prior year. This was partially offset by increases in SG&A expenses and amortization of property, plant, equipment and intangible assets, as explained in *section 3.1* above.

3.2.2 Petrochemical and Industrial Segment

The following table sets forth, by geographic location, the revenue, operating income and operating margin for the Petrochemical and Industrial segment for the following periods:

	Three Months Ended			Nine Months Ended	
(in thousands of Canadian dollars, except percentages)	**September 30, 2017**	June 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
North America	**$ 29,477**	$ 28,255	$ 28,706	**$ 89,204**	$ 88,154
EMAR	**16,867**	17,772	14,591	**51,317**	47,376
Asia Pacific	**3,057**	3,051	3,109	**9,325**	8,567
Total revenue	**$ 49,401**	$ 49,078	$ 46,406	**$ 149,846**	$ 144,097
Operating income	**$ 8,891**	$ 7,945	$ 6,371	**$ 26,483**	$ 23,717
Operating margin[(a)]	**18.0%**	16.2%	13.7%	**17.7%**	16.5%

a) Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP, are not necessarily comparable to similar measures provided by other companies, and should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP.

Third Quarter 2017 versus Second Quarter 2017

In the third quarter of 2017, revenue increased by $0.3 million, or 1%, to $49.4 million, compared to the second quarter of 2017, primarily due to increased shipments of wire and cable products in North America, partially offset by slightly lower activity levels for heat shrink tubing product, particularly in the automotive sector in the EMAR region.

Operating income of $8.9 million in the third quarter of 2017 was $0.9 million, or 12% higher than in the second quarter of 2017. The increase in operating income was primarily due to a decrease in SG&A expenses driven by decreases in management incentive compensation expenses and product development costs.

Third Quarter 2017 versus Third Quarter 2016

Revenue in the third quarter of 2017 increased by $3.0 million, or 6.5%, compared to the third quarter of 2016. Revenue was impacted by increased shipments of heat shrink tubing product, particularly in the automotive sector in the EMAR region, and higher activity levels for wire and cable products.

Operating income in the third quarter of 2017 was $8.9 million compared to $6.4 million in the third quarter of 2016, an increase of $2.5 million, or 40%. The increase in operating income was due to an increase in gross profit of $2.0 million as a result of the increase in revenue of $3.0 million, as explained above, and a 2.4 percentage point increase in gross margin. The increase in gross margin was due to favourable product mix, higher facility utilization and increased manufacturing overhead absorption. SG&A expenses were also lower, mainly impacted by a decrease in management incentive compensation expenses.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Revenue increased in the nine months ended September 30, 2017 by $5.7 million, or 4%, to $149.8 million compared

to the comparable period in 2016, due to increased shipments of wire and cable products in North America and heat shrinkable products in EMAR and Asia Pacific, partially offset by the impact of foreign exchange on revenue, as noted in *section 2.3* above.

Operating income for the nine months ended September 30, 2017 was $26.5 million compared to $23.7 million for the nine months ended September 30, 2016, an increase of $2.8 million, or 12%. Operating income was higher due to an increase in gross profit of $4.5 million as a result of the increase in revenue of $5.7 million, as explained above, and a 1.9 percentage point increase in gross margin. The increase in gross margin was due to favourable product mix, higher facility utilization and increased manufacturing overhead absorption. SG&A expenses were higher and were mainly impacted by higher personnel related and management incentive compensation expenses.

3.2.3 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 periods:

	Three Months Ended			**Nine Months Ended**	
(in thousands of Canadian dollars)	**September 30, 2017**	June 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Financial and corporate expenses	**$ (9,210)**	**$** (5,039)	$ (6,122)	**$ (21,273)**	$ (19,574)

Third Quarter 2017 versus Second Quarter 2017

Financial and corporate costs increased by $4.2 million from $5.0 million during the second quarter of 2017 to $9.2 million in the third quarter of 2017. The increase was primarily due to an increase of $4.2 million in stock based and long term management incentive compensation.

Third Quarter 2017 versus Third Quarter 2016

Financial and corporate costs increased by $3.1 million from the third quarter of 2016 to $9.2 million in the third quarter of 2017. The increase was primarily due to increases of $1.6 million in personnel related and management compensation expenses and $1.0 million in professional, consulting, legal and information technology expenses.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Financial and corporate costs increased by $1.7 million from the nine-month period ended September 30, 2016 to $21.3 million for the nine month period ended September 30, 2017. The increase was primarily due to increases of $2.2 million in personnel related and management compensation expenses and $0.8 million in information technology expenses. This was partially offset by a $1.5 million decrease in professional, consulting and legal fees.

4.0 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, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net Income (Loss) for the Period	**$ 20,415**	$ (175,345)	**$ 51,363**	$ (208,905)
Non-cash items	**46,194**	178,471	**94,901**	225,682
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
Net change in non-cash working capital and foreign exchange	**(272)**	21,706	**(62,232)**	73,694
Cash provided by operating activities	**65,756**	22,573	**82,152**	76,601
Cash used in investing activities	**(4,109)**	(13,334)	**(23,889)**	(78,528)
Cash used in financing activities	**(10,972)**	(9,374)	**(34,152)**	(129,757)
Foreign exchange impact on cash and cash equivalents	**(6,374)**	(1,068)	**(7,557)**	(14,548)
Net Change in Cash and Cash Equivalents	**44,301**	(1,203)	**16,554**	(146,232)
Cash and Cash Equivalents at beginning of period	**167,077**	115,616	**194,824**	260,645
Cash and Cash Equivalents at End of Period	**$ 211,378**	$ 114,413	**$ 211,378**	$ 114,413

The Company expects to generate sufficient cash flows and have continued access to its credit facilities to meet contractual obligations and planned development and growth initiatives as and when they are required. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures as noted in *section 4.4*. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

4.1 Cash Provided by (Used in) Operating Activities

Third Quarter 2017 versus Third Quarter 2016

Cash provided by operating activities was $65.8 million in the third quarter of 2017, an increase of $43.2 million from $22.6 million in the third quarter of 2016. The increase was due to an increase in net income of $195.8 million as outlined in section 3.1 and $2.8 million lower spending on settlement of other provisions, partially offset by a $132.3 million decrease in non-cash items and $22 million decrease in cash provided by non-cash working capital and foreign exchange.

The decrease of $132.3 million in non-cash items was primarily driven by the $155.9 million impairment charge recorded in the third quarter of 2016, partially offset by increases of $5.8 million in amortization of property, plant, equipment and intangible assets, $7.4 million in other provisions, $3.8 million in deferred income taxes and $2.0 million in loss from investments in associates, which included the Company's $3.0 million share of impairment losses recorded by an associate.

The decrease in cash provided by non-cash working capital and foreign exchange reflected decreases in deferred revenue of $79.6 million, in net foreign exchange losses of $5.9 million, in net taxes receivable of $4.5 million and in inventory of $4.6 million. This was partially offset by increases of $57.9 million in accounts receivable, $7.9 million in accounts payable and accrued liabilities and $7.9 million in prepaid expenses.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Cash provided by operating activities was $82.2 million during the nine month period ended September 30, 2017, an increase of $5.6 million, from $76.6 million in the nine month period ended September 30, 2016. The increase was primarily due to an increase in net income of $260.3 million, as discussed in section 3.1 above, and $12.5

million lower spending on settlement of other provisions. This was partially offset by a $135.9 million decrease in non-cash working capital and foreign exchange and a $130.8 million decrease in non-cash items.

The decrease of $130.8 million in non-cash items was primarily driven by the $157.3 million impairment charge recorded in first nine months of 2016, partially offset by increases of $10.2 million in amortization of property, plant, equipment and intangible assets and $8.4 million in deferred income taxes and a $4.1 million in loss from investments in associates, which included the Company's $3.0 million share of impairment losses recorded by an associate.

The decrease in cash provided by non-cash working capital and foreign exchange reflected decreases of $140.7 million in accounts receivable, $58.8 million in inventory and $54.4 million in deferred revenue. This was partially offset by increases of $87.7 million in accounts payable and accrued liabilities, $15.0 million in net taxes receivable and $12.6 million in other current liabilities, and a $2.3 million change in the movement of foreign currency items.

4.2 Cash Used in Investing Activities

Third Quarter 2017 versus Third Quarter 2016

Cash used in investing activities decreased by $9.2 million, from $13.3 million in the third quarter of 2016 to $4.1 million in the third quarter of 2017. This was primarily due to decreases of $10.2 million in the purchase of property, plant and equipment, $3.8 million in loans receivable and $1.3 million in proceeds on disposals of property, plant and equipment, partially offset by a $3.5 million increase in other assets.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Cash used in investing activities decreased by $54.6 million, from $78.5 million during the nine month period ended September 2016 to $23.9 million during the nine month period ended September 2017. This was mainly due to no spending on business acquisitions compared to $32.3 million in the nine month period ended September 2016, a $19.3 million decrease in the purchase of property, plant and equipment and a $3.8 million decrease in loans receivable.

4.3 Cash Used in Financing Activities

Third Quarter 2017 versus Third Quarter 2016

Cash used in financing activities increased by $1.6 million, from $9.4 million in the third quarter of 2016 to $11.0 million in the third quarter of 2017. This was mainly due to an increase of $0.8 million in dividends paid to shareholders.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Cash used in financing activities decreased by $95.6 million, from $129.8 million during the nine month period ended September 30, 2016 to $34.2 million during the nine month period ended September 30, 2017. This was mainly due to the repayment of US$78.2 million (CDN$101.8 million) of Senior Notes in the second quarter of 2016, partially offset by a $2.4 million increase in dividends paid and a $2.4 million reduction in bank indebtedness during the nine-month period ended September 2017.

4.4 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 ("DSO") in trade accounts receivable as at:

(in thousands of Canadian dollars, except DSO)		**September 30, 2017**		December 31, 2016		Change
Average trade accounts receivable	**$**	**222,937**	$	182,331	$	40,606
DSO[a]		**51**		50		1

(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. Non-GAAP measures do not have standardized meanings under IFRS. 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. Non-GAAP measures should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP. Refer to *section 9.0 – Reconciliation of non-GAAP Measures* for additional information with respect to non-GAAP measures used by the Company.

Average trade accounts receivable increased by $40.6 million, from $182.3 million as at December 31, 2016, to $222.9 million as at September 30, 2017, as a result of increased revenue in the third quarter of 2017 compared with the fourth quarter of 2016.

Inventory

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

(in thousands of Canadian dollars)		**September 30, 2017**		December 31, 2016		Change
Inventories	**$**	**137,838**	$	113,485	$	24,353

Inventories increased by $24.4 million, from $113.5 million at December 31, 2016, to $137.8 million at September 30, 2017, as a result of increases in raw materials and supplies of $14.4 million, finished goods of $4.9 million and a $4.4 million decrease in inventory obsolescence. This was primarily driven by expected increases in project related work and sales activity in the fourth quarter of 2017 compared to the comparable period in 2016.

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, 2017**		December 31, 2016		Change
Average accounts payable and accrued liabilities	**$**	**196,604**	$	205,602	$	(8,998)
DPO[a]		**72**		84		(12)

(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. Non-GAAP measures do not have standardized meanings under IFRS. 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. Non-GAAP measures should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP. Refer to *section 9.0 – Reconciliation of non-GAAP Measures* for additional information with respect to non-GAAP measures used by the Company.

Average accounts payable and accrued liabilities decreased by $9.0 million, from $205.6 million as at December 31, 2016, to $196.6 million as at September 30, 2017. DPO decreased by 12 days from 2016 levels, due to changes in the timing of purchases and payments in the third quarter of 2017 compared with the fourth quarter of 2016.

4.5 Credit Facilities

(in thousands of Canadian dollars)		**September 30, 2017**		December 31, 2016
Bank indebtedness	**$**	**–**	$	2,463
Standard letters of credit for performance and bid bonds		**69,347**		90,898
Total utilized credit facilities		**69,347**		93,361
Total available credit facilities[a]		**457,866**		492,610
Unutilized credit facilities	**$**	**388,519**	$	399,249

(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.

4.6 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 *section 4.8* below.

In respect of the long-term debt, the Company is required to maintain certain covenants that are consistent with the debt covenants described in *section 4.5 – Credit Facilities*. The Company was in compliance with these covenants as at September 30, 2017.

4.7 Contingencies and Off Balance Sheet Arrangements

Commitments and Contingencies

As part of the Company’s normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future.

The following table summarizes these future payments required in respect of the Company's contractual obligations:

(in thousands of Canadian dollars)	2017	2018	2019	2020	2021	After 2021	Total
Purchase commitments	$ 54,210	$ 140	$ –	$ –	$ –	$ –	$ 54,350
Accounts payable	94,955	–	–	–	–	–	94,955
Deferred purchase consideration	3,833	–	–	–	–	–	3,833
Long-term debt	–	–	–	76,694	–	168,943	245,637
Finance costs on long-term debt	2,197	8,715	8,715	6,998	6,429	19,684	52,738
Obligations under finance leases	394	1,897	1,693	1,672	1,646	8,423	15,725
Operating leases	12,385	18,709	19,175	12,551	6,680	12,070	81,570
Total contractual obligations	**$ 167,974**	**$ 29,461**	**$ 29,583**	**$ 97,915**	**$ 14,755**	**$ 209,120**	**$ 548,808**

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 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 utilizes its credit facilities to support the Company's standby letters for credit and performance and bid bonds. The Company had utilized 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).

4.8 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 that reflect market data obtained from independent sources, while unobservable inputs reflect 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 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
Assets				
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
Liabilities				
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.

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 $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 net investment hedge in one of its US dollar based subsidiaries, 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 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 loss 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
Financial assets				
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
Financial Liabilities				
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 its 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 s*ection 4.5 – Credit Facilities*. As at September 30, 2017, the Company had cash and cash equivalents totaling $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).

Outstanding Share Capital

As at November 9, 2017, the Company had 69,935,927 common shares outstanding and stock options and share units outstanding to purchase up to 2,322,585 common shares.

4.9 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, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

4.10 Transactions with Related Parties

The Company had no material transactions with related parties in the first nine months of 2017. All related party transactions were in the normal course of business.

5.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

5.1 Critical Judgments

The following are critical judgments management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the interim unaudited consolidated financial statements.

Materiality

Management must make assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the financial statement notes.

Determination of Reportable Operating Segments

Management has exercised judgement in evaluating the defined aspects of its operating segments, aggregation criteria, and quantitative thresholds that form the reportable operating segments of the Company. Management has also exercised professional judgement in determining that the Company's Chief Executive Officer ("CEO") is the Company's Chief Operating Decision Maker ("CODM").

Determination of Cash Generating Unit ("CGU")

Management has exercised judgement in identifying the CGUs of the Company. In performing impairment assessments of long-lived assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determination of CGUs is also required for impairment testing of goodwill.

Business Acquisitions

Significant judgments and assumptions are made in compiling the purchase price allocation for acquired companies. Management has exercised professional judgement in determining the total consideration paid in an acquisition, including any contingent consideration, and in determining the assets and liabilities that should be part of the purchase price accounting. Management has also exercised judgement in identifying intangible assets and in choosing the appropriate valuation models and techniques to determine their fair values. Management has also exercised professional judgement in characterizing the composition of any residual goodwill.

Provisions and Contingent Liabilities

As at September 30, 2017, the Company had $61.2 million of provisions; of this amount $24.4 million was included in current liabilities and $36.8 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 judgement 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 into account changing facts and circumstances.

The Company is required to determine whether a loss is probable based on judgement and interpretation of laws and regulations and whether the loss can be reliably measured. When a loss is determined, it is charged to the consolidated statements 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

Management is required to apply judgement in determining whether any legal or constructive obligations exist to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its properties. Management is required to make significant assumptions in determining the obligation for decommissioning liabilities. There are numerous factors that will affect the liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates.

Income Taxes

The calculation of income taxes requires judgement in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. The tax filings also are subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that is currently available.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Management judgement is used to determine the amounts of deferred tax assets and liabilities to be recognized, based upon the likely timing and the level of future taxable profit together with future tax planning strategies. In particular, judgement is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

5.2 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 interim unaudited consolidated financial statements include:

Long-lived Assets and Goodwill

As at September 30, 2017, the Company had $933.3 million of long-lived assets and goodwill. The Company evaluates the carrying values of the Cash Generating Units' goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these

assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

As at September 30, 2017, the Company had $21.5 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 interim unaudited consolidated financial statements includes 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.

Decommissioning Liabilities

As at September 30, 2017, the Company had decommissioning liabilities in the amount of $28.9 million; of this amount $5.7 million was included in the current provisions account and $23.2 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.

Financial Instruments

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

Income Taxes

The recording of income tax expense includes certain estimations related to the impact in the current year of future events. Differences between the estimated and actual impact of these events could impact tax expense, current taxes payable or deferred taxes. In particular, income and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the losses can be utilized.

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 domicile of the respective entities.

5.3 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.

5.4 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.

6.0 Outlook

The Company believes that the decline in global oil and gas activity that followed the decrease in oil and gas prices in the second half of 2014 is past the low point and is in the early stages of recovery. Shawcor's financial performance is closely correlated with oil and gas infrastructure spending and the resultant market demand for the Company's products and services. The continued increase in customer spending has enabled the Company to report quarter over quarter gains in revenue and operating income since the trough of the cycle in the second quarter of 2016. The current level of market demand combined with Shawcor's booked order backlog is expected to enable the Company to deliver strong growth in financial performance in 2017.

If activity levels remain steady in 2018, solid profitable results are expected in 2018. Although, without the announcement of a large project win in the near term, it is becoming more likely that there could be a shortfall in major project activity in 2018. This shortfall could lead to a temporary decline in EBITDA in 2018 before what the Company anticipates will be strong activity levels and superior financial results in 2019 and 2020.

Beyond 2017, the Company's performance will be impacted by three primary elements; North American land drilling and completion activity, overall industry capital spending and large projects.

Despite the decelerating rig count growth, North American land drilling activity related to the number of oil and gas wells being drilled and completed and/or worked over continues to be robust. Operators in North America are switching their investment focus from production growth to financial returns and cash flow. This trend is expected to positively impact demand for the Company's gathering line pipeline products and services, and OCTG tubular services as they are strongly aligned to the monetization of new and existing assets. In addition, investments to transport increased production volumes in both new and aging transmission infrastructure will support increased demand for the Company's transmission pipeline products and services.

With the global oil market showing signs of balance, as evidenced by the lower global oil inventories seen in the quarter, there is increasing need to resume investments internationally and offshore aimed at addressing reservoir depletion to meet the expected global supply challenge. The Company is seeing a resumption in capital spending activity in these markets which is manifested in the number of projects being sanctioned due to improved investment returns from reduced supplier costs and configuration standardization. The number of Final Investment Decisions (FID) has increased from 2016, specifically for projects with shorter investment return profiles that involve tie-ins, brownfields and step outs. The Company's pipeline and pipe services segment is well positioned to capitalize on this growing trend.

The Company continues to gain greater visibility on large projects (characterized as greater than $100 million in revenue for the Company), with increasing likelihood that several will be sanctioned for commencement beyond 2018. In many cases, these projects are not directly linked to oil and gas commodity prices as they also involve energy security objectives. These projects involve a high degree of execution risk driven by complexity of work scope and geographic challenges. Examples of such projects include the Company's Sur de Texas - Tuxpan undersea natural gas pipeline project in Mexico that is currently being executed and the PTT 5th Transmission pipeline project in Thailand which has been awarded to the Company. The Company is well positioned to capture a significant share of these large project opportunities due to its global footprint, technological expertise, execution history and balance sheet strength, which together represent a compelling competitive advantage. The tracking of such projects is captured in the Company's bid and budgetary number of $2.3 billion, although there is still uncertainty as to when such projects will proceed and the Company's level of success in securing the available scope of work.

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

Market demand in Shawcor's North American Pipeline segment businesses is closely tied to well completion activity in North America, which drives the demand for small diameter pipe coating and joint protection, composite pipe for gathering line applications, OCTG pipe inspection and refurbishment and gathering line girth weld inspection. Demand for these products and services is expected to fluctuate with changes in global oil and gas prices and the resulting volume of wells drilled and completed. The North American Pipeline segment businesses continue to perform well due to continued improvement in drilling rig counts in North America since the second quarter of 2016. With increasing visibility on the capital spending plans of our customers, the demand is expected to continue into 2018. The Company's products and services related to production are well positioned to support our customers with their short term return on investment and cash flow objectives.

The Company continues to have visibility on future projects in the Gulf of Mexico related to the build of new pipeline infrastructure in the form of tie-back infrastructure and new onshore large diameter transmission lines to support increasing production of shale oil and the export of liquid natural gas to Mexico and internationally. The Company continues to be engaged in bidding on a large diameter onshore transmission line project, but this project

may be delayed due to a number of regulatory and legal challenges that need to be overcome before it can be awarded and the work commence.

Pipeline and Pipe Services Segment - Latin America

The Latin American Pipeline segment region continues to benefit from the solid execution of the concrete weight coating work in our operations in Altamira, Mexico related to the Sur de Texas – Tuxpan project. The Company expects continued revenue growth in the Latin American Pipeline segment region from full production at the two mobile plants for the remainder of the year. At September 30, 2017, the Company's order backlog reflects approximately 30% of the concrete weight coating work which remains to be completed on the Sur de Texas - Tuxpan project, the majority of which will be executed in the fourth quarter of 2017, with a small portion in 2018.

Pipeline and Pipe Services Segment – Europe, Middle East, Africa and Russia

Shawcor's EMAR Pipeline segment region continues to be the region most negatively impacted by the continued deferral of capital spending on new pipeline infrastructure by national and international oil companies. On a positive note, the Company has been successful in securing work during the quarter related to girth weld inspection, pipeline joint protection and pipe end preservation on both the Turk Stream and Nord Stream 2 pipelines, although this will likely not benefit revenue until 2018 or later.

Pipeline and Pipe Services Segment - Asia Pacific

The activity of the Company's Asia Pacific region in the quarter continues to be low as the flow assurance work for the Shah Deniz 2 project and the anti-corrosion coating for pipe destined for Mexico for the Sur de Texas – Tuxpan project was completed in the first quarter of 2017. The region's project activity in the fourth quarter of 2017 will be limited to commencement of the work on the PTT 5th Transmission pipeline project.

Petrochemical and Industrial Segment

Shawcor's Petrochemical and Industrial segment businesses continue to deliver solid revenue and earnings based on consistent demand growth in the North American and European automotive, industrial and nuclear refurbishment markets served by the segment. The growth trend is expected to continue for the balance of 2017 and beyond as new capacity for control cable and sealing and insulation products enters production and relieves capacity constraints.

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, 2017 of $482 million was lower than the order backlog of $572 million at June 30, 2017. The decrease reflects revenue generated in the quarter from backlog orders, which includes the Sur de Texas – Tuxpan project, partially offset by new orders and other project wins moving from bid into backlog. Based on the current order backlog, projected continued activity levels in North America and improved plant utilization, the Company expects to deliver EBITDA in the fourth quarter of 2017 within the range reported in the previous two quarters.

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids is currently in excess of $600 million. In addition, the Company has provided budgetary estimates and is currently working with customers on projects with aggregate values of approximately $1.7 billion. Although the Company cannot be certain on the timing of these projects, they do represent a diverse portfolio of opportunities to sustain and grow the backlog in 2018 and beyond.

Although bid and budgetary activity continues to increase, it is becoming more likely that the Company could experience several quarters in 2018 with no contribution from a large project as no recent large award

announcements have been made. Despite this, and assuming that there is no major pull back in the current activity levels in North America and the continued sanctioning of projects, the Company expects to deliver solid results in 2018. In addition, there are several large projects, over $100 million, included in the bid and budgetary figures which could commence before the end of 2018. The Company expects to win a sizable portion of these awards and deliver superior results in 2019 and 2020 due to our geographic footprint and our proven capabilities to win and execute these types of projects.

7.0 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. A more complete outline of the risks and uncertainties facing the Company is included in the annual MD&A contained in the Company's 2016 Annual Report. There were no other material changes in the nature or magnitude of such business risks during the nine-month period ended September 30, 2017.

8.0 Environmental Matters

As at September 30, 2017, the provisions on the consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $28.9 million. The Company believes these provisions to be sufficient to fully satisfy all liabilities related to known environmental matters.

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $42.0 million as at September 30, 2017. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.14% and 6.72%. 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)	**September 30, 2017**
2017	**5,892**
2018	**1,904**
2019	**3,015**
2020	**3,666**
2021	**4,551**
More than five years	**22,986**
	42,014

9.0 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 under IFRS and are not necessarily comparable to similar measures provided by other companies. The Company discloses these measures because it believes that they assist readers in understanding the results of the Company's operations and financial position and are meant to provide further information about its financial results to readers. These measures should not be considered in isolation or used in substitution for other measures of performance prepared in accordance with GAAP. The following is a reconciliation of the non-GAAP measures reported by the Company.

EBITDA and ADJUSTED EBITDA

The following table sets forth the calculation for the Company's EBITDA and Adjusted EBITDA:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Net income (loss)	**$ 20,415**	$ (175,345)	**$ 51,363**	$ (208,905)
Add:				
Income tax expense (recovery)	**14,495**	2,481	**23,865**	(747)
Finance costs, net	**2,844**	4,330	**13,255**	13,047
Amortization of property, plant, equipment and intangible assets	**25,750**	19,939	**71,568**	61,363
EBITDA[(a)]	**$ 63,504**	$ (148,595)	**$ 160,051**	$ (135,242)
Gain on sale of land	**–**	(420)	**(311)**	(931)
Costs associated with repayment and modification of long-term debt	**–**	–	**–**	2,061
Impairment	**–**	155,882	**–**	157,311
ADJUSTED EBITDA[(a)]	**$ 63,504**	$ 6,867	**$ 159,740**	$ 23,199

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

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. The Company believes that EBITDA is a useful supplemental measure 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.

Days Sales Outstanding

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, 2017**	December 31, 2016
Revenue for the quarter	**$ 397,078**	$ 329,182
Average trade accounts receivable	**$ 222,937**	$ 182,331
DSO	**51**	50

Days Payables Outstanding

DPO is defined as the average number of days from when purchased goods and services are received by the Company until payment is made to the Company's 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, 2017**	December 31, 2016
Cost of goods sold and services rendered for the quarter	**$ 246,339**	$ 221,480
Average accounts payable and accrued liabilities	**$ 196,604**	$ 205,602
DPO	**72**	84

10.0 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					
2017	**359,732**	**383,782**	**397,078**	**–**	**–**
2016	365,579	255,359	259,139	329,182	1,209,259
2015	471,940	398,020	485,428	455,260	1,810,648
Income (loss) from operations					
2017	**25,810**	**28,234**	**40,311**	**–**	**–**
2016	15,950	(40,792)	(167,975)	21,697	(171,120)
2015	55,616	(7,078)	55,195	45,696	149,429
Net income (loss)[(a)]					
2017	**15,132**	**16,064**	**20,462**	**–**	**–**
2016	7,461	(41,678)	(174,019)	27,276	(180,960)
2015	37,774	(8,538)	38,107	30,901	98,244
Income (loss) from operations per share					
Basic					
2017	**0.37**	**0.40**	**0.58**	**–**	**–**
2016	0.25	(0.63)	(2.60)	0.33	(2.64)
2015	0.86	(0.11)	0.86	0.70	2.31
Diluted					
2017	**0.37**	**0.40**	**0.57**	**–**	**–**
2016	0.25	(0.63)	(2.60)	0.33	(2.64)
2015	0.86	(0.11)	0.86	0.71	2.32
Earnings (loss) per share					
Basic					
2017	**0.22**	**0.23**	**0.29**	**–**	**–**
2016	0.12	(0.65)	(2.69)	0.42	(2.80)
2015	0.59	(0.13)	0.59	0.48	1.52
Diluted					
2017	**0.22**	**0.23**	**0.29**	**–**	**–**
2016	0.12	(0.65)	(2.69)	0.42	(2.80)
2015	0.58	(0.13)	0.59	0.48	1.52

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

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 87% of the Company's consolidated revenue in the three-month period ended September 30, 2017, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars.

11.0 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 achievement of key performance objectives, the incurrence of additional capital expenditures as necessary to respond to market demand growth and to facilitate growth in new markets, the requirement for continued working capital investment to support revenue growth, the timing of major project activity, the expected stability in consolidated revenues and earnings for the balance of 2017 and potential fluctuations in future years, the growth in revenue and earnings in the Petrochemical and Industrial segment of the Company's business, the sufficiency of resources, capacity and capital to meet market demand, to meet contractual obligations and to execute the Company's development and growth strategy, the impact of the existing order backlog and other factors, including the level of large project activity on the Company's revenue and operating income, the impact of global economic activity on the demand for the Company's products, the impact of the improvement in global oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of North American land drilling and completion activity, the impact of industry capital spending and the impact of large project activity, 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, taxes and other claims generally, the level of payments under the Company's performance bonds 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 and the delay in the commencement of future projects, particularly large projects, whether as a result of lower investment in global oil and gas extraction and transportation activity following declines in the global price of oil and gas, long term changes in global or regional economic and regulatory activity or changes in energy supply and demand, all of which impact on the level of global pipeline infrastructure construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; and fluctuations in foreign exchange rates.

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, increases in expenditures on natural gas infrastructures, depletion of oil and gas reserves, modest global economic growth, the Company's ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations in major oil and gas producing regions, the ability of the Company to continue to satisfy all covenants under its Credit Facilities and the Senior Notes and the Company's continued ability to successfully manage foreign exchange, interest rate, credit and liquidity risks. 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.

12.0 Additional Information

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

November 10, 2017