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**SHAWCOR LTD.**
**(TSX: SCL)**

**PRESS RELEASE**

# SHAWCOR LTD. ANNOUNCES THIRD QUARTER 2017 RESULTS

- Third quarter 2017 revenue was $397 million, an increase of 3% from the $384 million reported in the second quarter of 2017 and also 53% higher than the $259 million reported in the third quarter of 2016.
- Adjusted EBITDA[1] in the third quarter of 2017 was $64 million, an increase of 19% from the $53 million reported in the second quarter of 2017 and also higher compared to $7 million reported in the third quarter of 2016.
- Net income (attributable to shareholders of the Company) in the third quarter of 2017 was $20.5 million (or earnings per share of $0.29 diluted) compared with net income of $16.1 million (or $0.23 per share diluted) in the second quarter of 2017 and a net loss of $174 million (or $2.69 loss per share diluted) in the third quarter of 2016.
- The Company's order backlog was $482 million at September 30, 2017, down compared to the backlog of $572 million at June 30, 2017.

Mr. Steve Orr, Chief Executive Officer of Shawcor Ltd. remarked "We are very pleased with the solid performance and the continued positive trend in our financial results, quarter over quarter. Adjusted EBITDA[1] for the third quarter of 2017 was positively impacted by the very strong execution across the Company, particularly in the concrete weight coating for the Sur de Texas – Tuxpan project in Altamira, Mexico that contributed over $110 million of revenue, as well as the increased demand for our products and services in North America."

Mr. Orr added "As a result of the continued positive trend in our North American base business and the execution of the remaining concrete coating work for the Sur de Texas – Tuxpan pipeline project, the Company expects to deliver EBITDA in the fourth quarter 2017 within the range reported in the previous two quarters. Although the Company's order backlog has declined to $482 million, it does highlight our success in winning new work, which partially offset the revenue from the Sur de Texas project during the quarter. In addition, the Company expects to see continued strengthening in orders that are executed over a shorter time scale and therefore not visible in the backlog. With increasing confidence in our base business and the multiple large project opportunities that are being pursued, and our strong financial position, the Company has resumed its growth strategy involving both organic and potential inorganic investment."

[1] See *section 6.0 – Reconciliation of Non-GAAP Measures* for further details and a reconciliation for Adjusted EBITDA.

## Selected Financial Highlights

| (in thousands of Canadian dollars, except per share amounts and percentages) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| **Revenue** | **$ 397,078** | $ 259,139 | **$ 1,140,592** | $ 880,077 |
| **Gross profit** | **150,739** | 86,977 | **424,447** | 284,782 |
| **Gross profit %** | **38.0%** | 33.6% | **37.2%** | 32.4% |
| **Adjusted EBITDA[(a)]** | **63,504** | 6,867 | **159,740** | 23,199 |
| **Income (Loss) from Operations** | **40,311** | (167,975) | **94,355** | (192,817) |
| **Net Income (Loss) for the period[(b)]** | **$ 20,462** | $ (174,019) | **$ 51,658** | $ (208,236) |
| **Earnings (Loss) per share:** | | | | |
| **Basic** | **$ 0.29** | $ (2.69) | **$ 0.74** | $ (3.22) |
| **Fully diluted** | **$ 0.29** | $ (2.69) | **$ 0.74** | $ (3.22) |

(a) Adjusted 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 net finance costs, income taxes, amortization of property, plant, equipment and intangible assets, gains from sale of land, costs associated with repayment and modification of long-term debt and impairment of assets. Adjusted EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. Adjusted EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. It is also considered important by lenders to the Company. It 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.

(b) Attributable to shareholders of the Company.

## 1.0 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 ("EMAR")***

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.

## 2.0 CONSOLIDATED INFORMATION AND RESULTS FROM OPERATIONS

### 2.1 Revenue

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

| | 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 |
| 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 EMAR and Asia Pacific regions. See *section 3.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

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 – 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 3.1 – 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 – 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 3.1 – 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 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

## 2.2 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** **September 30, 2017** | Three Months Ended June 30, 2017 | Three Months Ended September 30, 2016 | **Nine Months Ended** **September 30, 2017** | Nine Months Ended 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.

## 2.3 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 of 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.

## 2.4 Income Taxes

The following table sets forth the income taxes 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 |
| 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.

## 2.5 Foreign Exchange Impact

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

| | **Three Months Ended 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.

## 2.6 Net Income (attributable to shareholders of the Company)

### *Third Quarter 2017 versus Second Quarter 2017*

Net income increased by $4.4 million, from a net income of $16.1 million during the second quarter of 2017 to a net income of $20.5 million during the third quarter of 2017. This was mainly due to the $12.1 million increase in operating income, as explained in *section 2.2* above, and a $1.9 million decrease in net finance costs. This was partially offset by a $7.6 million increase in income tax expense and a $1.9 million higher loss from investment in associates, which included the Company's $3.0 million share of impairment losses recorded by an associate.

*Third Quarter 2017 versus Third Quarter 2016*

Net income increased by $194.5 million, from a $174.0 million net loss during the third quarter of 2016 to a $20.5 million net income during the third quarter of 2017. This was mainly due to the $208.3 million increase in operating income, as explained in *section 2.2* above, and a $1.5 million decrease in net finance costs. This was partially offset by a $12.0 million increase in income tax expense and a $2.0 million higher loss from investment in associates, which included the Company's $3.0 million share of impairment losses recorded by an associate.

*Nine Months ended September 30, 2017 versus Nine Months ended September 30, 2016*

Net income increased by $259.9 million, from a $208.2 million net loss during the nine-month period ended September 30, 2016 to a net income of $51.7 million during the nine-month period ended September 30, 2017, mainly due to the $287.2 million increase in operating income, as explained in *section 2.2* above, and $2.1 million of costs associated with repayment and modification of long term debt recorded in the second quarter of 2016. This was partially offset by a $24.6 million increase in income tax expense and a $4.1 million higher loss from investment in associates, which included the Company's $3.0 million share of impairment losses recorded by an associate.

## 3.0 SEGMENT INFORMATION

### 3.1 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 isolation 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 2.5* 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 2.5* 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 2.2* 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 2.5* 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 2.2* above.

### 3.2 Petrochemical and Industrial Segment

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

| (in thousands of Canadian dollars, except percentages) | Three Months Ended **September 30, 2017** | Three Months Ended June 30, 2017 | Three Months Ended September 30, 2016 | Nine Months Ended **September 30, 2017** | Nine Months Ended 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 2.5* 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.

### 3.3 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 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.

Shawcor will be hosting a Shareholder and Analyst Conference Call and Webcast on Monday November 13th, 2017 at 10:00AM ET, which will discuss the Company's third Quarter Financial Results.

To participate via telephone, please dial 1-877-776-4039 or 1-315-625-6955 and enter passcode 3099479; alternatively, please go to the following website address to participate via webcast:
https://edge.media-server.com/m6/p/y8cgqwui

## 5.0 Additional Information

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

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

For further information, please contact:

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Website: www.shawcor.com

# Shawcor Ltd.

## Interim Consolidated Balance Sheets (Unaudited)

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

# Shawcor Ltd.
## Interim Consolidated Statements of Income (Loss) (Unaudited)

| (in thousands of Canadian dollars, except per share amounts) | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sale of products | **$ 128,678** | $ 97,386 | **$ 381,100** | $ 285,978 |
| Rendering of services | **268,400** | 161,753 | **759,492** | 594,099 |
| | **397,078** | 259,139 | **1,140,592** | 880,077 |
| **Cost of Goods Sold and Services Rendered** | **246,339** | 172,162 | **716,145** | 595,295 |
| **Gross Profit** | **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) |
| **Earnings (Loss) per Share ("EPS")** | | | | |
| Basic | **$ 0.29** | $ (2.69) | **$ 0.74** | $ (3.22) |
| Diluted | **$ 0.29** | $ (2.69) | **$ 0.74** | $ (3.22) |
| **Weighted Average Number of Shares Outstanding (000's)** | | | | |
| Basic | **69,935** | 64,611 | **69,922** | 64,577 |
| Diluted | **70,235** | 64,611 | **70,063** | 64,577 |

# Shawcor Ltd.
## Interim Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

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

# Shawcor Ltd.

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

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

# Shawcor Ltd.
## Interim Consolidated Statements of Cash Flows (Unaudited)

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

## 6.0 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. These 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 provide further information and assist readers in understanding the results of the Company's operations and financial position. 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*

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA is also a non-GAAP measure defined as EBITDA adjusted for non-operational items. The Company believes that EBITDA and Adjusted EBITDA are useful supplemental measures that provide a meaningful indication of the Company's results from principal business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions. The Company presents Adjusted EBITDA as a measure of EBITDA that excludes the impact of transactions that are outside the Company's normal course of business.

| (in thousands of Canadian dollars) | Three Months Ended September 30, 2017 | 2016 | Nine Months Ended September 30, 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.