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 years ended December 31, 2017 and 2016 and should be read together with Shawcor's audited consolidated financial statements and accompanying notes for the same periods. 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 audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("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 13 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 December 31, 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 88% of consolidated revenue for the year ended December 31, 2017. This segment includes the Bredero Shaw, Pipeline and Pipe Services Products, 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.
- Pipeline and Pipe Services Products, which includes Canusa-CPS that manufactures heat shrinkable sleeves, adhesives, liquid coatings for pipeline joint protection applications; and Dhatec that designs and assembles engineered pipe logistics products and services.
- Flexpipe Systems manufactures spoolable and stick composite pipe systems and high density polyethylene ("HDPE") pipe 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 12% of consolidated revenue for the year ended December 31, 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. The Connection Systems division was formed from the 2015 integration of the DSG-Canusa and Shawflex divisions.

- 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.

1.2 Vision and Objectives

Shawcor's vision and business strategy is to be a market leader and technology innovator with a primary focus on the global pipeline industry and to use this base as a platform to build a global integrated energy services company while achieving the following key performance objectives:

- generate a Return on Invested Capital ("ROIC") of 15% over the full business cycle;
- generate average annual net income growth of 15% over the full business cycle;
- continuously improve health, safety and environmental ("HSE") performance, as measured by recordable injuries per million person hours worked, to support the Company's commitment to an Incident and Injury Free ("IIF") workplace.

1.3 Key Performance Drivers

The Company believes the following key performance drivers are critical to the success of its businesses:

- demand for the Company's products and services that is primarily determined by investment in new energy infrastructure necessary to supply global energy needs;
- current and forecasted oil and gas commodity prices and availability of capital to enable customers to finance energy infrastructure investment;
- the Company's competitive position globally and its ability to maintain operations in each of the major oil and gas producing regions;
- the Company's technology and its ability to research and commercialize innovative products that provide added value to customers and provide competitive differentiation;
- the Company's operational effectiveness and its ability to maintain efficient utilization of productive capacity at each geographic location;
- access to capital and maintenance of sufficient available liquidity to support continuing operations and finance growth activities;
- the ability to identify and execute successful business acquisitions that result in strategic global growth; and
- the ability to attract and retain key personnel.

1.4 Key Performance Indicators

Several of the drivers identified above are beyond the Company's control; however, there are certain key performance indicators that the Company utilizes to monitor its progress in achieving its vision and performance objectives. These indicators are detailed below.

Certain of the following key performance indicators used by Shawcor are not measurements in accordance with GAAP, should not be considered as an alternative to net income or any other measure of performance under GAAP and may not necessarily be comparable to similarly titled measures of other entities. Refer to *Section 12 – Reconciliation of Non-GAAP Measures*, for additional information with respect to Non-GAAP measures used by the Company.

Net Income Growth

As part of its performance objectives, the Company has set a goal for average annual net income growth of 15% over the full business cycle, as described in *Section 1.2 – Vision and Objectives*. Net income (attributable to shareholders of the Company) increased by $252.3 million from a net loss of $181.0 million for the year ended December 31, 2016 to a net income of $71.3 million for the year ended December 31, 2017. This was mainly due to the $299.4 million increase in operating income, partially offset by a $19.2 million arbitration award recorded in 2016 and a $27.8 million increase in income tax expense.

Return on Invested Capital

Return on Invested Capital ("ROIC"), a non-GAAP measure, is defined as net income for the year adjusted for after tax interest expense divided by average invested capital for the most recently completed year. ROIC does not have a standardized meaning under GAAP and may not necessarily be comparable to similar titled measures used by other entities. ROIC is used by the Company to assess the efficiency of generating profits from each unit of invested capital. *See section 12.0 - Reconciliation of Non-GAAP Measures*. As part of its performance objectives, the Company has set an ROIC target of 15%, as described in *Section 1.2 – Vision and Objectives.* The Company's ROIC for the years ended December 31, 2017 and 2016 was 6.5% and (11.8%), respectively. This increase was primarily due to an increase of $249.6 million in net income for the most recent year, adjusted for after-tax interest expense.

Safety and Environmental Stewardship

The Company maintains a comprehensive HSE management system in place within each of its eight operating divisions and is committed to being an IIF workplace with no damage to the environment. For the years ended December 31, 2017 and December 31, 2016, the Company had recordable injuries per million person hours worked of 4.5 and 4.5, respectively. During 2017, the Company completed 13 HSE audits at manufacturing and service locations across all eight divisions and developed action plans to correct any deficiencies identified in the audits.

1.5 Capability to Deliver Results

Capital Resources

The Company operates in the global energy industry and, as a result, the operations of the Company tend to be cyclical. In addition, the Company can undertake major pipe coating projects anywhere in the world as part of its normal operations. These factors, as well as the Company's growth initiatives, can result in variations in the amount of investment in property, plant and equipment, working capital and project guarantees required to support the Company's businesses. The Company's policy is to manage its financial resources, including debt facilities, so as to maintain sufficient financial capacity to fund these investment requirements.

Capital expenditures decreased by $48.2 million from $89.3 million for the year ended December 31, 2016 to $41.1 million for the year ended December 31, 2017. The Company believes it has sufficient available resources and capacity to meet the market demand for its products and services in the markets where the Company operates. The Company may, however, incur new capital expenditures to respond to market demand growth and to facilitate growth in new markets.

The Company expects the current level of net working capital will be sufficient to support the level of business activity projected in 2018; however, unexpected increases in business activity or specific project requirements may result in higher investment in working capital. Any such increase in requirements will be financed from the Company's cash balances and available committed credit facilities. The Company had cash and cash equivalents and short term investments of $289.1 million and $196.7 million as at December 31, 2017 and 2016, respectively, and had unutilized lines of credit available of $389.1 million and $399.2 million, as at December 31, 2017 and 2016, respectively.

As described in *Section 5.5 – Credit Facilities*, the Company negotiated amendments to the terms of its debt covenants with respect to its Credit Facility and Senior Notes in 2016, to ensure that it remained in compliance with the terms of these agreements in 2016 and for the first half of 2017. The term of its Credit Facility was extended to December 6, 2019.

Please refer to *Section 5.0 – Liquidity and Capitalization,* for additional information with respect to the Company's liquidity and financial position.

Non-Capital Resources

The Company considers its people as the most significant non-capital resource required in order to achieve the vision and objectives identified above. The Company's executives are comprised of senior business leaders who bring a broad range of experience and skill sets in the oil and gas industry, finance, tax, law and corporate governance. The leadership team's experience combined with the employees' knowledge and dedication to excellence has resulted in a long history of proven financial success and stability, with the resulting creation of value for the Company's stakeholders.

On an ongoing basis, the Company monitors its succession planning program in order to mitigate the impact of planned or unplanned departures of key personnel. As at December 31, 2017, the Company believes it has sufficient human resources to continue to operate its businesses and execute its strategic plan.

Systems and Processes

Management regularly reviews the Company's operational systems and processes and develops new ones as required. Key operational programs utilized by the Company during the year ended December 31, 2017 included systems and controls over project bidding, capital expenditures, internal controls over financial reporting, product development, HSE management and human resource development. In addition, the Shawcor Management System program has been implemented to increase operating efficiency and achieve significant cost savings in each of the Company's eight divisions.

As at December 31, 2017, the Company believes it has sufficient systems and processes in place to continue to operate its businesses and execute its strategic plan.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars)	Year Ended December 31, **2017**	2016	2015
Revenue	**$ 1,566,652**	$ 1,209,259	$ 1,810,648
Cost of Goods Sold and Services Rendered	**980,919**	816,775	1,204,306
Gross Profit	**585,733**	392,484	606,342
Selling, general and administrative expenses	**342,991**	320,643	371,954
Research and development expenses	**10,536**	13,239	13,664
Foreign exchange gains	**(249)**	(1,386)	(7,868)
Amortization of property, plant and equipment	**77,267**	57,255	58,019
Amortization of intangible assets	**19,170**	23,035	21,368
Gain on sale of land	**(311)**	(6,493)	(814)
Impairment	**8,073**	157,311	590
Income (Loss) from Operations	**128,256**	(171,120)	149,429
Loss from investments in associates	**(6,271)**	(3,536)	(114)
Finance costs, net	**(16,817)**	(15,915)	(18,244)
Costs associated with repayment and modification of long-term debt	**–**	(3,009)	–
Gain from arbitration award	**–**	19,221	–
Income (Loss) before Income Taxes	**105,168**	(174,359)	131,071
Income taxes	**33,988**	6,207	31,551
Net Income (Loss)	**$ 71,180**	$ (180,566)	$ 99,520
Net Income (Loss) Attributable to:			
Shareholders of the Company	**71,307**	(180,960)	98,244
Non-controlling interests	**(127)**	394	1,276
Net Income (Loss)[(a)]	**71,180**	(180,566)	99,520
Per Share Information:			
Earnings (Loss) per Share			
Basic	**$ 1.02**	$ (2.80)	$ 1.52
Diluted	**$ 1.02**	$ (2.80)	$ 1.52
Cash Dividend per Share:			
Common Shares	**$ 0.600**	$ 0.600	$ 0.600

(a) Please refer to *Section 4.1 – Consolidated Information* for further details on the variance to net income for 2017 compared to 2016. Please refer to the Company's 2016 MD&A for further details on the variance in net income for 2016 compared to 2015.

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016	December 31 2015
Total Assets	**$ 1,698,201**	**$** 1,777,791	$ 2,145,705
Total Non-Current Liabilities	**$ 322,235**	**$** 339,298	$ 579,839

2.2 Foreign Exchange Impact

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

	Year Ended December 31	
	2017	2016
US Dollar	**1.2999**	1.3284
Euro	**1.4700**	1.4633
British Pound	**1.6829**	1.7991

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

(in thousands of Canadian dollars)		Year Ended December 31, 2017
Revenue	**$**	**(31,464)**
Income from operations		**(2,955)**
Net income (attributable to shareholders of the Company)		**(2,298)**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $0.2 million in 2017, compared to a foreign exchange gain of $1.4 million in the prior year, as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities.

3.0 Business Developments

Contract to Provide Pipe Coating Services for Thailand's Fifth Transmission Pipeline Project

On April 7, 2017, the Company announced that its pipe coating division had received a contract in excess of $40 million from Marubeni-Itochu Tubulars Asia Pte Ltd, a 100% subsidiary of Marubeni-Itochu Steel Inc., to provide internal lining and three layer polyethylene anti-corrosion pipeline coatings for Thailand's Fifth Transmission Pipeline project.

This project is owned by PTT Public Company Limited, a Thai state enterprise company. The pipeline will run through 8 provinces in Thailand and is aimed at reducing risks to electrical power security and easing the delivery of gas from the LNG Terminal in Rayong, Thailand to the Western region.

This contract will be executed in Shawcor's coating facilities in Malaysia, commenced in the fourth quarter of 2017 and is expected to be completed by the fourth quarter of 2018.

Contract to Provide Pipe Coating Services for an Offshore Qatar Pipeline Project

On February 22, 2018, the Company announced that its pipe coating division has received a conditional contract with a value in excess of C$50 million from the EEW Group to provide anti-corrosion and concrete weight coatings in connection with the replacement and upgrading of an offshore pipeline located in Qatar.

The contract is expected to be finalized shortly, will be executed in Shawcor's coating facilities in Italy, and is expected to commence in Q3 2018 and to be completed by Q1 2020.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

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

(in thousands of Canadian dollars)		**2017**		2016		Change
Pipeline and Pipe Services	**$**	**1,373,709**	$	1,023,312	$	350,397
Petrochemical and Industrial		**194,207**		187,418		6,789
Elimination		**(1,264)**		(1,471)		207
Consolidated		**1,566,652**		1,209,259		357,393

Consolidated revenue increased by $357.4 million, or 30%, from $1,209.3 million for the year ended December 31, 2016 to $1,566.7 million for the year ended December 31, 2017, due to increases of $350.4 million, or 34%, in the Pipeline and Pipe Services segment and $6.8 million, or 4%, in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment during 2017 was $1,373.7 million, or $350.4 million higher than in 2016, due to higher activity levels in Latin America, North America and Asia Pacific, partially offset by lower revenue in Europe, Middle East, Africa and Russia ("EMAR"). See Section 4.2.1 – Pipeline and Pipe Services Segment for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased by $6.8 million during 2017 compared to 2016, due to higher activity levels in EMAR and Asia Pacific regions, partially offset by lower revenue in North America. See Section 4.2.2 – Petrochemical and Industrial Segment for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

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

The following table sets forth operating income (loss) and operating margin for the following periods:

(in thousands of Canadian dollars)		**2017**		2016		Change
Operating income (loss)	**$**	**128,256**	$	(171,120)	$	299,376
Operating margin[(a)]		**8.2%**		(14.2%)		22.4%

(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 and are not necessarily comparable to similar measures provided by other companies. See *section 12.0 - Reconciliation of Non-GAAP Measures*.

Operating income increased by $299.4 million from the year ended December 31, 2016, to an operating income of $128.3 million in 2017. Operating income was impacted by a year over year increase in gross profit of $193.2 million, a decrease in research and development expenses of $2.7 million and a reduction in impairment charges of $149.2 million. This was partially offset by increases of $22.3 million in selling, general and administrative ("SG&A") expenses and $16.1 million in amortization of property, plant, equipment and intangible assets, a reduction in net foreign exchange gain of $1.1 million and a $6.2 million decrease in 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 gross margin. The increase in the gross margin was attributable to changes in product and project mix, labour efficiencies due to higher facility utilization and increased manufacturing overhead absorption compared to the prior year, particularly in the Pipeline and Pipe Services segment.

SG&A expenses increased by $22.3 million in the year ended December 31, 2017 compared to 2016, primarily due to an increase of $26.5 million in compensation expenses and other related personnel costs, including an increase in government mandated employee profit sharing on large project activity in Latin America, and a $4.7 million reduction in provision for import duties recorded in the fourth quarter of 2016. This was partially offset by a $5.5 million decrease in rental and building costs and a $2.5 million reduction in legal provisions and professional fees.

Finance Costs, Net

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

(in thousands of Canadian dollars)		**2017**		2016		Change
Interest income on short-term deposits	**$**	**(1,556)**	$	(3,108)	$	1,552
Interest expense, other		**5,539**		4,739		800
Interest expense on long-term debt		**12,834**		14,284		(1,450)
Finance costs, net	**$**	**16,817**	$	15,915	$	902

For the year ended December 31, 2017, net finance costs were $16.8 million, compared to net finance costs of $15.9 million for 2016. The increase in net finance costs was primarily a result of lower interest income on short term deposits and higher interest expense on other borrowings and accretion costs on decommissioning obligation. This was partially offset by lower interest expense on long-term debt due to lower debt balances as a result of the repayment of Senior Notes (see *section 5.6 – Long-Term Debt*) in the prior year.

Income Taxes

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

(in thousands of Canadian dollars)		**2017**		2016		Change
Income tax expense	$	**33,988**	$	6,207	$	27,781

The Company recorded an income tax expense of $34.0 million (32% of income before income taxes) during the year ended December 31, 2017, compared to an income tax expense of $6.2 million during the year ended December 31, 2016. The effective tax rate in 2017 was higher than the 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.

On December 22, 2017, the United States (US) enacted the Tax Cuts and Jobs Act. While the changes are broad and complex, the most significant change to the Company is the reduction in the US corporate federal income tax rate from 35% to 21% for its US subsidiaries. The Company has recorded a net impact of $0.8 million expense in its 2017 income tax provision related to the reduction in the US federal income tax rate. The impact reflects a $25.7 million decrease to its US deferred tax assets, partially offset by a $24.9 million decrease to its valuation allowance for certain US deferred tax assets existing at December 31, 2017. The Company has recognized these tax impacts and included these amounts in its consolidated financial statements for the year ended December 31, 2017.

Net Income (attributable to shareholders of the Company)

Net income increased by $252.3 million, from a net loss of $181.0 million during the year ended December 31, 2016 to net income of $71.3 million during the year ended December 31, 2017. This was mainly due to the $299.4 million increase in operating income, as explained above, and a $3.0 million cost associated with the repayment and modification of long term debt recorded in 2016. This was partially offset by a $2.7 million higher loss from investments in associates, a $0.9 million increase in finance costs, a $27.8 million increase in income tax expenses and $19.2 million arbitration award in favour of the Company recorded in the fourth quarter of 2016.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

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

(in thousands of Canadian dollars, except operating margin)		**2017**		2016		Change
North America	**$**	**621,646**	$	491,567	$	130,079
Latin America		**383,538**		56,149		327,389
EMAR		**203,465**		365,291		(161,826)
Asia Pacific		**165,060**		110,305		54,755
Total Revenue	**$**	**1,373,709**	$	1,023,312	$	350,397
Operating income (loss)	**$**	**125,701**	$	(186,163)	$	311,864
Operating margin[(a)]		**9.2%**		(18.2%)		27.4%

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 and are not necessarily comparable to similar measures provided by other companies. See *section 12.0 - Reconciliation of Non-GAAP Measures.*

Revenue in the Pipeline and Pipe Services segment for the year ended December 31, 2017 was $1,373.7 million, an increase of $350.4 million from $1,023.3 million in the prior year. Segment revenue was impacted by higher activity levels in Latin America, North America and Asia Pacific, partially offset by lower volumes in EMAR and the impact on translation of foreign operations, as noted in *section 2.2 above*:

- North America revenue increased by $130.1 million, or 26%, primarily due to increases in volumes of flexible composite pipe, tubular management services in Canada, pipe weld inspection services revenue in the USA and higher activity levels for small pipe coatings in Canada and the USA. This was partially offset by lower activity levels in large diameter pipe coating in the USA and Canada.

- Revenue in Latin America was higher by $327.4 million, or 583%, primarily as a result of higher activity levels in Altimira, Mexico for the Sur de Texas - Tuxpan project.

- In EMAR, revenue decreased by $161.8 million, or 44%, primarily due to decreased pipe coating activity levels for the Shah Deniz project in the Caspian, lower activity levels at the Leith, Scotland, Ras Al Khaimah, UAE (“RAK”), Orkanger, Norway and Italian facilities of the Company. This was partially offset by higher activity levels for field joint projects in the region.

- Revenue in Asia Pacific increased by $54.8 million, or 50%, due to higher volumes from the Sur de Texas-Tuxpan, Woodside Greater Enfield and other projects at the Kuantan, Malaysia and Kabil, Indonesia facilities of the Company.

Operating income for the year ended December 31, 2017 was $125.7 million compared to an operating loss of $186.2 million for the prior year, an increase of $311.9 million. The increase in operating income is primarily due to an increase in gross profit of $189.1 million, driven by an increase in revenue of $350.4 million, as explained above, and a 5.3 percentage point increase in gross margin. The increase in gross margin was due to favourable project mix, labour efficiencies due to higher facility utilization and increased manufacturing overhead absorption. In addition, $149.2 million in higher impairment charges were recorded in 2016. This was partially offset by increases in SG&A expenses and amortization of property, plant and equipment, and lower gain on sale of land, as explained in *section 4.1 above*.

4.2.2 Petrochemical and Industrial Segment

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

(in thousands of Canadian dollars, except operating margin)		**2017**		2016		Change
North America	**$**	**113,973**	$	114,512	$	(539)
EMAR		**67,857**		61,263		6,594
Asia Pacific		**12,377**		11,643		734
Total Revenue	**$**	**194,207**	$	187,418	$	6,789
Operating income	**$**	**31,825**	$	29,987	$	1,838
Operating margin[(a)]		**16.4%**		16.0%		0.4%

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 and are not necessarily comparable to similar measures provided by other companies. See *section 12.0 - Reconciliation of Non-GAAP Measures.*

Revenue increased in the year ended December 31, 2017 by $6.8 million, or 4%, to $194.2 million, compared to 2016, primarily due to increased heat shrink tubing product sales, particularly in the automotive sector in the EMAR region, partially offset by lower activity levels for wire and cable products in North America.

Operating income for the year ended December 31, 2017 was $31.8 million compared to $30.0 million in 2016, an increase of $1.8 million, or 6%. The increase was primarily due to an increase in gross profit of $4.2 million as a result of the increase in revenue, as explained above and 1.1 percentage point gain in gross margin. The increase in gross margin was primarily due to product mix. This was partially offset by an increase in SG&A expenses, as explained in section 4.1 above.

4.2.3 Financial and Corporate

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

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

(in thousands of Canadian dollars)		**2017**		2016		Change
Financial and corporate expenses	**$**	**(29,830)**	$	(22,823)	$	(7,007)

Financial and corporate costs increased by $7.0 million from the year ended December 31, 2016 to $29.8 million in 2017. The increase was primarily due to increases of $8.0 million in compensation expenses and other related personnel costs and $1.9 million in restructuring costs. This was partially offset by a reduction in stock based and long term management incentive expenses of $3.1 million.

5.0 Liquidity and Capitalization

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

(in thousands of Canadian dollars)		**2017**		2016
Net Income (Loss)	**$**	**71,180**	$	(180,566)
Non-cash items		**132,549**		234,048
Settlement of decommissioning obligations		**(765)**		(292)
Settlement of other provisions		**(3,791)**		(16,288)
Net change in employee future benefits		**3,152**		56
Net change in non-cash working capital and foreign exchange		**(23,879)**		94,935
Cash provided by operating activities		**178,446**		131,893
Cash used in investing activities		**(31,958)**		(111,360)
Cash used in financing activities		**(44,960)**		(72,556)
Foreign exchange impact on cash and cash equivalents		**(7,287)**		(13,798)
Net Change in Cash and Cash Equivalents		**94,241**		(65,821)
Cash and cash equivalents at beginning of Year		**194,824**		260,645
Cash and Cash Equivalents at End of Year	**$**	**289,065**	$	194,824

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. Access to credit facilities is dependent on the Company's compliance with its debt covenants as outlined in *Section 5.5*. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures as noted in *Section 5.4*. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

5.1 Cash Provided by Operating Activities

Cash provided by operating activities was $178.4 million in 2017, an increase of $46.6 million compared to the prior year. The increase in cash provided by operating activities was primarily due to an increase in net income of $251.7 million and lower settlements of other provisions of $15.1 million, a decrease in cash provided by non-cash items of $101.5 million and lower cash provided by non-cash working capital and foreign exchange of $118.8 million. Net income increased due to the reasons discussed in *Section 4.1* while the change in non-cash items was primarily driven by the higher impairment charges recorded in 2016.

The decrease in cash provided by non-cash working capital and foreign exchange reflected decreases of $104.2 million in deferred revenue, $73.9 million in accounts receivable and $50.0 million in inventory. This was partially offset by increases of $75.4 million in accounts payable and accrued liabilities, $14.2 million in taxes receivable, $13.8 million in other current liabilities, $2.7 million in prepaid expenses and a change in the movement of foreign currency items of $3.8 million.

5.2 Cash Used in Investing Activities

Cash used in investing activities was $32.0 million, a decrease of $79.4 million compared to the prior year. The decrease was primarily due to no business acquisition investments in 2017 compared to $32.3 million in the prior year, a $48.2 million decrease in the purchase of property, plant and equipment, a $5.0 million decrease in loan receivable and a $3.6 million decrease in other assets. This was partially offset by a decrease of $10.4 million in proceeds on disposal of property, plant and equipment.

5.3 Cash Used in Financing Activities

Cash used in financing activities during 2017 was $45.0 million, a decrease of $27.6 million compared to the prior year. The change was primarily driven by the 2016 repayments of long-term debt of $202.6 million, partially offset by lower net proceeds of $166.8 million from the issuance of common shares compared to 2016. In addition, there was a decrease of $4.9 million in bank indebtedness and $3.2 million increase in dividend payment in 2017 resulting from the increase from 2016 in the number of shares of the Company outstanding in 2017.

5.4 Liquidity and Capital Resource Measures

Accounts Receivables

The following table sets forth the Company's average trade accounts receivable – net balance and days sales outstanding in trade accounts receivables (″DSO″) as at December 31:

(in thousands of Canadian dollars, except DSO)		**2017**		2016		Change
Average trade accounts receivable	**$**	**208,104**	$	182,331	$	25,773
DSO[(a)]		**44**		50		(6)

(a) The Company calculates DSO as the average number of days that trade accounts receivables-net (which excludes unbilled and other receivables) are outstanding based on a 90 day cycle. DSO is a non-GAAP measure and does not have a standardized meaning and the Company's method of calculating may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 12.0 – Reconciliation of Non-GAAP Measures*.

Average trade accounts receivables increased by $25.8 million or 14% as at December 31, 2017 compared to December 31, 2016, due to an increase in revenue in the fourth quarter of 2017 compared with a year ago. DSO decreased by 6 days from 50 days during 2016 to 44 days during 2017, primarily due to the timing of sales and collection of receivables in 2017 compared to the prior year.

Inventory

The following table sets forth the Company's inventory balance as at December 31:

(in thousands of Canadian dollars)		**2017**		2016		Change
Inventory	**$**	**115,479**	$	113,485	$	1,994

Inventories increased by $2.0 million or 2% as at December 31, 2017 compared to December 31, 2016, due to a $7.0 million increase in finished goods and a $3.9 million reduction in inventory obsolescence provision. This was partially offset by a decrease of $4.7 million in raw materials and supplies and a $4.2 million decrease in work in progress inventory.

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 December 31:

(in thousands of Canadian dollars, except DPO)		**2017**		2016		Change
Average accounts payable and accrued liabilities	**$**	**203,497**	$	205,602	$	(2,105)
DPO[(a)]		**69**		84		(15)

(a) The Company calculates DPO as 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. DPO is a non-GAAP measure, and does not have a standardized meaning and the Company's method of calculating may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 12.0 – Reconciliation of Non-GAAP Measures*.

Average accounts payable and accrued liabilities decreased by $2.1 million or 1% as at December 31, 2017 compared to December 31, 2016. DPO decreased by 15 days from 2016 levels, due to an increase in the cost of goods sold and changes in the timing of purchases in the fourth quarter of 2017 compared with the prior year.

5.5 Credit Facilities

(in thousands of Canadian dollars)		2017		2016
Bank indebtedness	$	–	$	2,463
Standard letters of credit for performance, bid and surety bonds		**71,175**		90,898
Total utilized credit facilities		**71,175**		93,361
Total available credit facilities[(a)]		**460,251**		492,610
Unutilized credit facilities	**$**	**389,076**	$	399,249

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

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by US$100 million from US$150 million to US$250 million, with an option to increase the credit limit to US$400 million with the consent of the lenders. On June 16, 2014, the option to increase the credit limit to US$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to US$550 million with the consent of the lenders was added. The Company pays a floating interest rate on this 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. During 2016, the Company and the lenders agreed to certain amendments to the Credit Facility These amendments are described below in the section captioned "Amendments to Senior Notes Agreement and Credit Facility".

Amendments to Senior Notes Agreement and Credit Facility

On May 10, 2016, the Company entered into amending agreements with the holders of its Senior Notes and the syndicate of lenders under the Credit Facility. Subsequently, on December 6, 2016, the Company entered into further amending agreements with the holders of its Senior Notes and the syndicate of lenders under the Credit Facility, with the latest principal amendments as follows:

a) an extension of the term of the Credit Facility from March 20, 2018 to December 6, 2019 and a reduction in the size of the Credit Facility from US$325 million to US$317 million;

b) the elimination of the requirement for the Company to meet a Total Debt to EBITDA covenant (the "Leverage Ratio") for the quarter ending December 31, 2016 ("Q4 2016");

c) the creation of a minimum EBITDA covenant of Cdn$15 million in respect of Q4 2016;

d) an increase in the maximum Leverage Ratio to 3.50 to 1.00 and 3.25 to 1.00 for the quarters ending March 31, 2017 ("Q1 2017") and June 30, 2017 ("Q2 2017"), respectively; with EBITDA for Q1 2017 to be calculated by multiplying the EBITDA for such quarter by 4 and with EBITDA for Q2 2017 to be calculated by adding the EBITDA for Q1 2017 and the EBITDA for Q2 2017 and then multiplying such sum by 2;

e) a decrease in the minimum Interest Coverage Ratio/Fixed Charge Ratio (currently 2.5 to 1.0) to 1.5 to 1.0 for Q4 2016;

f) an amendment to the method of calculation of the Interest Coverage Ratio/Fixed Charge Ratio for Q1 2017 and Q2 2017 such that each of the components of such ratio (EBITDA, interest expense and rental payments) is calculated on a basis similar to the calculation of the Leverage Ratio for such quarters; and

g) increased interest rates and standby and other fees payable to Senior Note holders and under the Credit Facility during Q4 2016 and in any period when the Company is permitted an increased Leverage Ratio.

Throughout 2017, the Company was in compliance with the requirements of the amended Senior Notes Agreement and Credit Facility, and beginning with the third quarter of 2017 returned to a Leverage Ratio that was in compliance with non-amended covenants.

For the fourth quarter of 2017, the Company was required to maintain an Interest Coverage Ratio of more than 2.50 to 1.00 and a Leverage Ratio of less than 3.00 to 1.00.

The Company was in compliance with the covenants as at December 31, 2017 and 2016.

5.6 Long-Term Debt

On March 20, 2013, the Company issued Senior Notes for total gross proceeds of US$350 million (Cdn$358.3 million at the March 20, 2013 foreign exchange rate) to institutional investors as follows:

(in millions of Canadian dollars)	Due Date	Interest Rate	**December 31 2017 (US$)**	December 31 2016 (US$)	**December 31 2017 (Cdn$)**	December 31 2016 (Cdn$)
Senior Notes, Series A	March 31, 2020	2.98%	**62**	62	**77**	83
Senior Notes, Series B	March 31, 2023	3.67%	**57**	57	**71**	76
Senior Notes, Series C	March 31, 2025	3.82%	**52**	52	**66**	70
Senior Notes, Series D	March 31, 2028	4.07%	**26**	26	**33**	35
			197	197	**247**	264

Repurchase of Senior Notes

In the second quarter of 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US$78 million of its Senior Notes at a purchase price of approximately US$79 million ($101.8 million at the then current exchange rate) plus accrued interest.

In the fourth quarter of 2016, the Company utilized a portion of its $172.6 million public offering proceeds to repurchase US$75 million of its Senior Notes at a purchase price of US$75 million ($100.7 million at the then current exchange rate) plus accrued interest.

The total long-term debt balance as at December 31, 2017 is $246.2 million (US$196.8 million) (2016 – $263.5 million (US$196.8 million)). The long-term debt has been designated as a hedge of the Company's net investment in its US dollar functional currency subsidiary as described in note 7 of the Consolidated Financial Statements.

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 5.5* above for the Credit Facility. The Company was in compliance with these covenants as at December 31, 2017 and December 31, 2016.

5.7 Use of Net Proceeds from Share Issuance in 2016

In December 2016, the Company completed a bought public offering of common shares. The following table highlights the use of the net proceeds from the share offering:

(in millions of Canadian dollars)	Planned	Actual
Proceeds From Share Issuance		
Gross Proceeds from issuance of 4,575,000 common shares	150.1	150.1
Gross Proceeds from issuance of over-allotment of 686,250 common shares	22.5	22.5
Commissions and share issuance costs	(7.3)	(7.3)
Net proceeds from December 2016 share issuance	165.3	165.3
Use of Net Proceeds From Share Issuance		
Repay outstanding revolving debt	100.7	100.7
Investments in working capital and general corporate purposes	64.6	64.6
	165.3	165.3

5.8 Commitments, Leases, Contingencies and Off Balance Sheet Arrangements

(in thousands of Canadian dollars)	**2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
	$	$	$	$	$	$	$
Purchase commitments	61,084	–	–	–	–	–	61,084
Accounts payable	72,466	–	–	–	–	–	72,466
Deferred purchase consideration	3,914	–	–	–	–	–	3,914
Long-term debt	–	–	77,093	–	–	169,822	246,915
Finance costs on long-term	8,760	8,760	7,034	6,463	6,463	13,324	50,804
Obligations under finance lease	1,729	1,420	1,397	1,375	1,375	8,367	15,663
Operating lease commitments	23,877	15,118	12,680	8,893	7,357	10,351	78,276
	171,830	**25,298**	**98,204**	**16,731**	**15,195**	**201,864**	**529,122**

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 sets forth the Company's future minimum finance lease payments as at December 31:

(in thousands of Canadian dollars)		**2017**
Total future minimum lease payments	**$**	**15,663**
Less: imputed interest		**(3,712)**
Balance of obligations under finance leases		**11,951**
Less: current portion		**1,111**
Non – current obligations under finance leases	**$**	**10,840**

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.

In the fourth quarter of 2016, the Company recorded a gain of $19.2 million resulting from an arbitration award in favour of the Company.

Performance, Bid and Surety Bonds

The Company provides standby letters of credit for 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 bond as compensation for the Company's failure to perform. The contracts which these performance 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 bonds.

The Company's utilizes its credit facilities to support its bonds. The Company has utilized total credit facilities of $71.2 million as at December 31, 2017 (2016 – $90.9 million for support of its bonds). In addition, as at December 31, 2017, the Company had $48.4 million of outstanding surety bonds through insurance companies (2016 – $107.2 million).

5.9 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 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 December 31, 2017:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ **289,065**	$ **289,065**	$ **–**	$ **–**
Loans receivable	**4,731**	**–**	**4,731**	**–**
Derivative financial instruments	**382**	**–**	**382**	**–**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
Deposit guarantee	**109**	**–**	**109**	**–**
	$ **304,287**	$ **289,065**	$ **5,222**	$ **10,000**
Liabilities				
Deferred purchase consideration	$ **3,914**	$ **–**	$ **3,914**	$ –
Long-term debt	**232,389**	**–**	**232,389**	–
Derivative financial instruments	**1,915**	**–**	**1,915**	–
	$ **238,218**	$ **–**	$ **238,218**	$ **–**

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 of the underlying contract (contracted rate for a forward contract or an exercise price for an option) to the year-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 risk 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 the Company's management. Material risks are monitored and are regularly reported to the Board of Directors.

Market Risk

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are denominated 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 amounts are translated into Canadian dollars. As at December 31, 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 year then ended by approximately $57.1 million, $6.6 million and $3.8 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 $65.8 million, $14.3 million and $51.5 million, respectively.

The objective of the Company’s foreign exchange risk management activities is to minimize transaction exposures associated with the Company’s foreign currency denominated cash streams and the resulting variability of the Company’s income. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange forward contracts for speculative purposes. With the exception of the Company’s US dollar based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

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

The following table sets out the notional amounts outstanding under foreign exchange forward contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2017:

(in thousands, except weighted average rate amounts)	
Canadian Dollars Sold for US Dollars	
Less than one year	Cdn$ 4,483
Weighted average rate	0.78
US Dollars Sold for Euros	
Less than one year	US$ 34,656
Weighted average rate	0.83
Australian Dollars Sold for US Dollars	
Less than one year	AUD 1,627
Weighted average rate	0.80
Norwegian Kroner Sold for US Dollars	
Less than one year	NOK 35,336
Weighted average rate	0.11
Euros Sold for US Dollars	
Less than one year	€ 19,141
Weighted average rate	1.15

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

As at December 31, 2017, the Company had notional amounts of $83.8 million of foreign exchange forward contracts outstanding (2016 – $113.7 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totaling $1.5 million (2016 – $1.1 million net gain).

Net Investment Hedge

The US dollar denominated 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 year ended December 31, 2017, a gain of $17.4 million (2016 – gain of $18.5 million) on the translation of the long-term debt was transferred to other comprehensive (loss) income to offset the loss on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2017.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2017:

(in thousands of Canadian dollars)	Non-Interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial Assets				
Cash equivalents	$ –	$ –	$ 41,929	$ 41,929
Loans receivable	56	4,675	–	4,731
Convertible preferred shares	10,000	–	–	10,000
	$ 10,056	$ 4,675	$ 41,929	$ 56,660
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	$ 71,175	$ –	$ –	$ 71,175
Long-term debt	–	–	246,175	246,175
	$ 71,175	$ –	$ 246,175	$ 317,350

The Company's interest rate risk arises primarily from its floating rate credit facility and the long-term debt 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.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company is subject to considerable concentration of credit risk since the majority of its customers operate within the global energy industry and are therefore affected to a large extent by the same macroeconomic conditions and risks. The Company manages this credit risk by assessing the creditworthiness of all counterparties, taking into account their financial position, past experience and other factors. Management also establishes and regularly reviews credit limits of counterparties and monitors utilization of those credit limits on an ongoing basis.

For the year ended December 31, 2017, there was one customer in the Pipeline and Pipe Services Segment who generated approximately 22% of total consolidated revenue (2016 – one customer generated approximately 13% of total consolidated revenue). As at December 31, 2017, no customer accounted for more than 10% of the Company's total trade accounts receivable.

The carrying value of accounts receivable is reduced through the use of an allowance for doubtful accounts, and the amount of the loss is recognized in the consolidated statements of income (loss) with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses.

As at December 31, 2017, $8.1 million, or 5%, of trade accounts receivable was more than 90 days overdue, compared to $11.6 million, or 7%, as at December 31, 2016. The Company expects to receive full payment on accounts receivable that are neither past due nor impaired.

The following is an analysis of the change in the allowance for doubtful accounts for the years ended December 31:

(in thousands of Canadian dollars)		**2017**		2016
Balance - Beginning of Year	**$**	**(4,865)**	$	(5,004)
Bad debt expense		**(910)**		(1,317)
Recovery of amounts previously provided for		**2,015**		265
Bad debts written off		**519**		1,014
Impact of change in foreign exchange rates		**432**		177
Balance - End of Year	**$**	**(2,809)**	$	(4,865)

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2017, the Company had cash and cash equivalents totalling $289.1 million (2016 – $194.8 million) and had unutilized lines of credit available to use of $389.1 million (2016 – $399.2 million).

5.10 Outstanding Share Capital

As at February 27, 2018, the Company had 70,043,628 common shares outstanding. In addition, as at February 27, 2018, the Company had stock options and share units outstanding to purchase up to 2,091,685 common shares.

5.11 Transactions with Related Parties

The Company had no material transactions with related parties in the year ended December 31, 2017. All related party transactions were in the normal course of business.

6.0 Quarterly Selected Financial Information

7The following tables set forth the Company's summary of selected financial information for the four quarters of 2017 and 2016:

(in thousands of Canadian dollars except per share amounts)	Q1-2017	Q2-2017	Q3-2017	**Q4-2017**
Operating Results				
Revenue	$ 359,732	$ 383,782	$ 397,078	**$ 426,060**
Income from operations	25,810	28,234	40,311	**33,901**
Net income[(a)]	15,132	16,064	20,462	**19,649**
Earnings per share				
Basic	$ 0.22	$ 0.23	$ 0.29	**$ 0.28**
Diluted	0.22	0.23	0.29	**0.28**

(a) Attributable to shareholders of the Company.

(in thousands of Canadian dollars except per share amounts)	Q1-2016	Q2-2016	Q3-2016	Q4-2016
Operating Results				
Revenue	$ 365,579	$ 255,359	$ 259,139	$ 329,182
Income (loss) from operations	15,950	(40,792)	(167,975)	21,697
Net income (loss)[(a)]	7,461	(41,678)	(174,019)	27,276
Earnings (Loss) per share				
Basic	$ 0.12	$ (0.65)	$ (2.69)	$ 0.42
Diluted	0.12	(0.65)	(2.69)	0.42

(a) 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 88% of the Company's consolidated revenue in 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 segment.
- Over 80% of the Company's revenue in 2017 was transacted in currencies other than Canadian dollars, with a majority transacted in US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of revenue when it is translated into Canadian dollars. Please refer to *Section 2.2 - Foreign Exchange Impact*, for additional information with respect to the effects of foreign exchange fluctuations on the results of the Company.

6.1 Fourth Quarter Highlights

Highlights of the Company's 2017 fourth quarter include:

FOURTH QUARTER 2017 VERSUS THIRD QUARTER 2017

- **Revenue:** Consolidated revenue increased 7%, or $29.0 million, from $397.1 million during the third quarter of 2017 to $426.1 million during the fourth quarter of 2017, due to an increase of $33.8 million in the Pipeline and Pipe Services segment, partially offset by a decrease of $5.0 million in the Petrochemical and Industrial segment.

  Revenue increased by 10% in the Pipeline and Pipe Services segment, or $33.8 million, from $348.0 million in the third quarter of 2017 to $381.8 million in the fourth quarter of 2017, due to higher activity levels in all regions and:

  - North America revenue increased by $4.1 million, or 3%, as a result of higher activity levels for flexible composite pipe and small diameter pipe coatings in the USA and Canada, partially offset by lower revenue for large diameter pipe coatings.

  - In Latin America, revenue increased by $6.0 million, or 5%, primarily as a result of higher activity levels in Altamira, Mexico for the Sur de Texas - Tuxpan project and higher revenue at the Company's Argentina facilities.

  - EMAR revenue was higher by $16.0 million, or 42%, primarily due to higher activity levels from the Orkanger, Norway and Italian facilities of the Company and pipe weld inspection services in the region. This was partially offset by lower activity levels at the Leith, Scotland facility and in field joint projects in the region.

  - Asia Pacific revenue increased by $7.7 million, or 28%, mainly due to higher pipe coating project volumes at the Kabil, Indonesia and Kuantan, Malaysia facilities of the Company.

  In the Petrochemical and Industrial segment, revenue was lower by $5.0 million, or 10%, in the fourth quarter of 2017, compared to the third quarter of 2017, primarily due to lower shipments of wire and cable products in North America and slightly lower shipments of heat shrink tubing product, particularly in the automotive sector in North America.

- **Operating Income:** Operating income decreased by $6.4 million, from $40.3 million in the third quarter of 2017 to $33.9 million during the fourth quarter of 2017. Operating income was impacted by an increase of $8.4 million in SG&A expenses, a $8.1 million impairment charge recorded in the fourth quarter of 2017 and a $2.1 million decrease in net foreign exchange gains. This was partially offset by an increase in gross profit of $10.5 million, a $0.7 million decrease in research and development expenses and a $0.9 million reduction in amortization of property, plant, equipment and intangible assets.

  The increase in gross profit resulted from the higher revenue, as explained above, partially offset by a 0.1 percentage point decrease in the gross margin from the third quarter of 2017. The decrease in the gross margin percentage was primarily due to product and project mix, partially offset by labour cost efficiencies due to higher facility utilization and increased absorption of manufacturing overheads.

  SG&A expenses in the fourth quarter of 2017 increased by $8.4 million, primarily due to increases of $2.2 million in compensation expenses and other related personnel costs, $5.5 million in restructuring costs, $1.1 million in legal provisions and professional fees and $1.9 million in losses from disposal of fixed assets. This was partially offset by a $2.2 million decrease in decommissioning obligation expenses and other costs.

- **Finance costs:** In the fourth quarter of 2017, net finance costs were $3.6 million, compared to net finance costs of $2.8 million during the third quarter of 2017. The increase in net finance costs was primarily a result of higher interest expense on other borrowings and accretion costs on decommissioning obligations.

- **Income taxes:** The Company recorded an income tax expense of $10.1 million (34% of income before income taxes) in the fourth quarter of 2017, compared to an income tax expense of $14.5 million (42% of income before income taxes) in the third quarter of 2017. The effective tax rate in the fourth quarter of 2017 was higher than the 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. In addition, the US Tax Cuts and Jobs Act resulted in additional tax expense of $0.8 million in the fourth quarter of 2017. Refer to section 4.0 for further details.

- **Net Income:** Net income decreased by $0.8 million, from $20.5 million during the third quarter of 2017 to $19.6 million during the fourth quarter of 2017. This was mainly due to the $6.4 million decrease in operating income, as explained above, and higher net finance costs of $0.7 million, partially offset by a $2.2 million lower loss from investments in associates and a $4.4 million decrease in income tax expense.

FOURTH QUARTER 2017 VERSUS FOURTH QUARTER 2016

- **Revenue:** Consolidated revenue increased by $96.9 million, or 29%, from $329.2 million during the fourth quarter of 2016, to $426.1 million during the fourth quarter of 2017, due to increases of $95.6 million in the Pipeline and Pipe Services segment and $1.0 million in the Petrochemical and Industrial segments.

  In the Pipeline and Pipe Services segment, revenue in the fourth quarter of 2017 was $381.8 million, or 33% higher than in the fourth quarter of 2016, due to increased activity levels in North America and Latin America, partially offset by lower activity levels in EMAR and Asia Pacific:

  - North America revenue increased by $16.4 million, or 11%, primarily due to higher flexible composite pipe sales, an increase in tubular management services and higher activity levels in small diameter pipe coating in the USA and Canada. This was partially offset by decreased activity levels in pipe weld inspection services and large diameter pipe coatings in the USA.

  - In Latin America, revenue increased by $119.2 million, primarily as a result of higher activity levels in Altamira, Mexico for the Sur de Texas - Tuxpan project and also positively impacted by higher revenue at the Company's Argentina facilities.

  - Revenue in EMAR decreased by $27.5 million, or 34%, primarily due to lower activity levels on the Shah Deniz project in the Caspian and at the Leith, Scotland, RAK and Orkanger, Norway facilities of the Company.

  - Asia Pacific revenue decreased by $12.5 million, or 26%, mainly due to lower pipe coating project volumes from the Sur de Texas - Tuxpan and Shah Deniz projects at the Kabil, Indonesia facility. This was partially offset by increased volumes at the Kuantan, Malaysia facility.

  In the Petrochemical and Industrial segment, revenue increased by $1.0 million, or 2%, during the fourth quarter of 2017, compared to the fourth quarter of 2016. Revenue was impacted by higher shipments of heat shrink tubing product, particularly in the automotive sector, partially offset by lower activity levels for wire and cable products in North America.

- **Operating Income:** Operating income increased by $12.2 million, from $21.7 million during the fourth quarter of 2016 to $33.9 million in the fourth quarter of 2017. Operating income was positively impacted by an increase in gross profit of $53.6 million and a $0.3 million decrease in research and development expenses. This was partially offset by increases of $21.6 million in SG&A expenses, $5.9 million in amortization of property, plant, equipment and intangible assets and a $8.1 million impairment charge recorded in the fourth quarter of 2017. Foreign exchange gains were lower by $0.5 million and a $5.6 million gain on sale of land was recorded in the fourth quarter of 2016.

The increase in gross profit resulted from the higher revenue, as explained above, and a 5.1 percentage point increase in gross margin. The increase in the gross margin percentage was primarily attributable to a $4.8 million reduction in the carrying value of inventory recorded in the fourth quarter of 2016, product and project mix, labour efficiencies due to higher facility utilization and increased absorption of manufacturing overheads.

SG&A expenses increased by $21.6 million, from $71.8 million in the fourth quarter of 2016 to $93.4 million in the fourth quarter of 2017, primarily due to increases of $7.6 million in compensation expenses and other related personnel costs, including an increase in government mandated employee profit sharing on large project activity in Latin America, $7.1 million in restructuring costs and $2.5 million in losses from disposal of fixed assets and a $4.7 million reduction in provision for import duties recorded in the fourth quarter of 2016.

- **Finance costs:** In the fourth quarter of 2017, net finance costs were $3.6 million, compared to net finance costs of $2.9 million during the fourth quarter of 2016. The increase in net finance costs was primarily a result of lower interest income on short term deposits. This was partially offset by lower interest costs on long term debt due to lower debt balances and interest rates.

- **Income taxes:** The Company recorded an income tax expense of $10.1 million (34% of income before income taxes) in the fourth quarter of 2017, compared to an income tax expense of $7.0 million (20% of income before income taxes) in the fourth quarter of 2016. The effective tax rate in the fourth quarter of 2017 was higher than the 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. In addition, the US Tax Cuts and Jobs Act resulted in additional tax expense of $0.8 million in the fourth quarter of 2017. Refer to section 4.0 for further details.

- **Net Income:** Net income decreased by $7.6 million, from $27.3 million during the fourth quarter of 2016 to $19.6 million during the fourth quarter of 2017. This was mainly due to the $19.2 million arbitration award in favour of the Company recorded in the fourth quarter of 2016 and higher finance costs in the fourth quarter of 2017 of $0.7 million. This was partially offset by the $12.2 million increase in operating income, as explained above, a $1.4 million lower loss from investments in associates and a $0.9 million cost associated with the repayment and modification of long term debt recorded in the fourth quarter of 2016.

7.0 Disclosure Controls and Internal Controls Over Financial Reporting

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with the management of the Company, have evaluated the effectiveness of the Company's Disclosure Controls and Procedures ("DC&Ps") (as defined in the rules of the Canadian Securities Administrators) and the effectiveness of Internal Controls Over Financial Reporting ("ICFR"). Based on that evaluation, they have concluded that the Company's DC&Ps were effective as at December 31, 2017. Furthermore, they have concluded that the Company's ICFR was effective as at December 31, 2017. There were no changes in the Company's ICFR during 2017 that had or are reasonably likely to have a material impact on the Company's ICFR.

8.0 Critical Accounting Judgements, Estimates and Accounting Policy Developments

8.1 Critical judgements

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

Materiality

Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements or 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"). Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM is responsible for allocating resources and assessing the performance of the operating segments.

Determination of Cash-generating Units ("CGUs")

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 judgements 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 and its allocation to CGUs benefiting from the goodwill.

Provisions and Contingent Liabilities

As at December 31, 2017, the Company had $63.9 million of provisions; of this amount $27.4 million was included in current liabilities and $36.6 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 obligations 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.

8.2 Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

As at December 31, 2017, the Company had $912.0 million of long-lived assets and goodwill. The Company evaluates the recoverable amounts of its CGUs with 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 recoverable amounts of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, at each reporting date. Further, at each reporting date, the Company evaluates whether there are indicators of impairment or reversal of impairment for long-lived assets or groups of long-lived assets. If indicators are noted, the Company evaluates the recoverable amount of the asset or CGU to which the asset belongs, to determine if an impairment charge or reversal of impairment is warranted. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use or fair value less costs of disposal calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

As at December 31, 2017, the Company had $18.6 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 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 December 31, 2017, the Company had decommissioning liabilities in the amount of $29.2 million; of this amount $5.3 million was included in the current provisions account and $23.9 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 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 complexity and duration of contracts, 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 entity.

8.3 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. The Company has adopted the new standard effective January 1, 2018. During 2017, the Company performed an impact assessment on the classification and measurement of the amendments and determined that there is no material 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 has adopted the new standard effective January 1, 2018. During 2017, the Company performed an impact assessment of all aspects of IFRS 9 and determined that there is no material impact on its consolidated financial statements on adoption of this standard.

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. The Company has adopted the standard using the full retrospective method, effective January 1, 2018.

The Company has performed contract reviews in all divisions to identify the impact of the new standard and concluded that the sale of products will continue to be recognized at a point in time and rendering of services will be recognized over time. The Company has identified minor changes in how revenue is allocated to performance obligations and the resulting timing of revenue recognition from some contracts originating in the Pipeline and Pipe Services segment, primarily related to field joint contracts. Previously, tasks associated with customer contract requirements were recognized into revenue based on task completion outlined in contracts. Under the new standard, some of these tasks are not defined as distinct performance obligations but rather are recognized as part of the primary performance obligation. The Company also concluded that some costs incurred in those contracts meet the definition of costs to fulfill.

We have quantified the impact of the changes described above and the adoption of the standard is not expected to have a material impact on the Company's 2016 and 2017 net revenue or net income.

The adoption of the standard is not expected to have a material impact on the Company's consolidated balance sheets. The impact primarily relates to reclassifications among financial statement accounts to align with the new standard. Most notably, contracts in process for which the Company has rendered service in advance of billing will be presented as contract assets as opposed to unbilled revenue asset within accounts receivable, based on amounts unbilled. Additionally, capitalized costs to fulfill contracts will be included within contract assets. Advance payments and deferred revenue will be combined and presented as contract liabilities.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* 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 adopted this standard on January 1, 2018 and has determined that there is no material impact of adopting 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 in the process of initiating data collection and will provide incremental disclosure leading up to its adoption of this standard in its interim and annual 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.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments,* 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 adopting this standard on the consolidated financial statements.

8.4 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. The Company's adoption of these amendments did not have a material impact on the consolidated financial statements.

9.0 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 that the recovery in the market will continue through 2018. Shawcor's financial performance is closely correlated with oil and gas infrastructure spending and the resultant demand for the Company's products and services. The continued increase in market demand has enabled the Company to deliver quarter on quarter gains in both revenue and Adjusted EBITDA[1] throughout 2017. However, as no large project win was announced in the fourth quarter, it is likely that the Company will

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[1] *Adjusted EBITDA is a non-GAAP measure and does not have standardized meanings under GAAP and is not necessarily comparable to similar measures provided by other companies. See section 12.0 – Reconciliation of Non-GAAP Measures for further details and a reconciliation of Adjusted EBITDA*

experience a significant decline in financial results in 2018 compared to 2017. Assuming there is no major pull back in current activity levels and commodity prices, the Company expects to deliver positive Adjusted EBITDA[2] results in the first quarter of 2018 similar to the level achieved in the fourth quarter of 2016 and to continue at that approximate rate for the remainder of 2018. The Company expects to deliver these solid results from steady activity in North America, continued improvements in asset utilization and the strength and diversification of the Company's projects and service offering, while at the same time rebuilding its backlog by securing work that it is currently pursuing.

The Company's performance continues to be primarily affected by three elements: North American land drilling and completion activity, overall industry capital spending and large projects.

Rig counts and associated completion activity in North American land have shown signs of stability in the current oil and gas price environment. In 2017, operators in North America continued to switch their focus away from solely production growth to a more balanced objective that considers financial returns and cash flow. This trend is expected to positively impact demand for the Company's products and services related to gathering line pipe systems and OCTG inspection and repair services. Additionally, with expected future increases in production fluid volumes, including water; investments will be required in new pipeline capacity and rehabilitation of aging infrastructure, which in turn will support increased demand for the Company's pipeline products and services.

As the global oil market continues to show signs of balance, there is increasing need to resume investments, both internationally and offshore, aimed at addressing reservoir depletion to meet the expected future global supply challenge. The Company is seeing further evidence of the increase in capital spending activity which is manifested in the number of projects being sanctioned and projects moving from budgetary estimates to firm bids. The number of Final Investment Decisions (FIDs) has also increased throughout 2017, particularly for projects with shorter investment return profiles that involve 'tie ins' to existing infrastructure. The Company's pipeline and products businesses are well positioned to capitalize on this trend through their global footprint, technology portfolio and execution history.

The Company is gaining greater visibility on large projects (characterized as greater than $100 million in revenue for the Company) with increasing likelihood that several will be sanctioned in 2018 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 or reservoir access considerations. These projects involve a high degree of execution risk driven by more complex scopes. As such, the Company expects to capture its share of these projects due to its global footprint, technological expertise, execution track record and strong balance sheet which together represent a compelling competitive advantage. At the close of the fourth quarter, the Company had several project bids outstanding that have revenue potential greater than $100 million each. The tracking of such projects is captured in the Company's firm bids and budgetary estimates of approximately $2.4 billion at December 31, 2017. 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. In the North American Pipeline segment businesses, revenue levels were significantly higher than in 2016 and have shown sequential growth across all four quarters in 2017. With a stable rig count in both Canada and the US supported by the current oil and gas price environment, the Company expects demand levels

[2] *Adjusted EBITDA is a non-GAAP measure and does not have standardized meanings under GAAP and is not necessarily comparable to similar measures provided by other companies. See section 12.0 – Reconciliation of Non-GAAP Measures for further details and a reconciliation of Adjusted EBITDA*

to continue to increase throughout 2018. The Company's products and services are well positioned to support our customers in their return on investment and cash flow objectives.

The Company continues to have visibility on future projects related to the build out of existing infrastructure in offshore for infield pipelines and new infrastructure for both gathering and transmission lines for the onshore to support increasing production of shale oil and gas. The Company continues to be actively engaged in several large diameter onshore transmission line projects that have and are expected to see continued delays as a result of regulatory and legal challenges.

Pipeline and Pipe Services Segment - Latin America

As expected, the Latin American Pipeline segment benefited from the solid execution of the concrete weight coating work in Altamira, Mexico related to the Sur de Texas – Tuxpan project. The project was substantially completed ahead of schedule and demonstrated the Company's execution strength. There is a small portion of load out work to be completed in 2018. Revenue for the Latin America segment is expected to move significantly lower in 2018 as a result of the completion of the Sur de Texas – Tuxpan project. However, the Company is pursuing some smaller projects in the region that may commence in the second half of 2018 if they are sanctioned and won.

Pipeline and Pipe Services Segment – Europe, Middle East, Africa and Russia ("EMAR")

Shawcor's EMAR Pipeline segment region remains the region most negatively impacted by the continued deferral of capital spending on new pipeline infrastructure by national and international oil companies. However, the bid and budgetary activity continues to be very strong in this region with several smaller projects likely to be executed in 2018 related to girth weld inspection, pipeline joint protection and pipe end preservation on both the Turk Stream and Nord Stream 2 pipelines, and several other projects that may be awarded in 2018 and beyond.

Pipeline and Pipe Services Segment - Asia Pacific

The activity of the Company's Asia Pacific region in the quarter continued to be low as the flow assurance work for the Shah Deniz project and the anti-corrosion coating for pipe destined for Mexico for the Sur de Texas – Tuxpan project has been completed. The region's project activity over the near term will be limited largely to the PTT 5th Transmission pipeline project which commenced in the fourth quarter of 2017.

Petrochemical and Industrial Segment

Shawcor's Petrochemical and Industrial segment businesses continue to deliver solid revenue and earnings based on stable demand in the global automotive market and European and North American industrial markets. These markets follow general GDP activity. Wire and cable shipments in the fourth quarter were buoyed by demand for highly engineered Nuclear EQ cable for use in nuclear refurbishment programs in Canada, along with several Light Rail Transit (LRT) projects which continue to increase in size and scope. The growth trend is expected to continue in 2018 with increased infrastructure spending and as new capacity for 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 of $385 million at December 31, 2017 was lower than the $482 million order backlog at September 30, 2017. The decrease reflects revenue generated in the quarter from backlog orders, including the accelerated execution of the Sur de Texas – Tuxpan project, partially offset by new orders and other project wins moving from bid into backlog.

In addition to the backlog, the bid and budgetary activity remain at healthy levels and represents a diverse portfolio of opportunities to sustain and build the backlog in 2018 and beyond. The Company closely monitors its bidding activity and the value of outstanding firm bids is currently in excess of $800 million, an increase over the $600 million reported in the third quarter of 2017. This increase was expected as a large project, in excess of $100 million, moved from budgetary to firm bid during the fourth quarter. In addition, the Company is working with customers on a number of projects and has provided budgetary estimates in aggregate values of approximately $1.6 billion. There are several large projects, over $100 million, in both the bid and budgetary figures, where the award decisions are anticipated in the second half of 2018. Although the timing of these projects is uncertain, the Company expects to win its share of these awards based on its proven capabilities and geographic footprint to win and execute these types of projects and deliver superior results in 2019 and 2020, higher than 2017 levels.

10.0 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.

The following summarizes the Company’s risks and uncertainties and how it manages and mitigates each risk:

10.1 Economic Risks

A decline in global drilling activity as a consequence of lower global oil and gas prices would have a material adverse effect on the Company’s projections, business, results of operations and financial condition.

The Company’s business is materially dependent on the level of global drilling activity, which, in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the Company’s products and services, including small diameter pipe coating, composite pipe, gathering line weld inspection and tubular inspection and inventory management services. These business activities represented approximately 24% of 2017 revenues.

An economic downturn or a continued global decline in energy prices could materially adversely affect demand for the Company’s products and services and, consequently, its projections, business, results of operations and financial condition.

Demand for oil and natural gas is influenced by numerous factors, including the North American and worldwide economies as well as activities of the Organization of Petroleum Exporting Countries (“OPEC”). Economic declines impact demand for oil and natural gas and result in a softening of oil and gas prices and projected oil and gas drilling activity. If economic conditions or international markets decline to an extent or for a duration which is unexpected, the Company’s projections, business, results of operations and financial condition could be materially adversely affected. In addition, if actions by OPEC and other oil producers to increase production of oil adversely affect world oil prices or result in the maintenance of existing prices, additional declines in rig counts could result, and the Company’s projections, business, results of operations and financial condition could be materially adversely affected. Similarly, demand for the products of the Petrochemical and Industrial segment’s businesses is largely dependent on the level of general economic activity in North America and Europe. Decreases in economic activity in these regions could result in significant decreases in activity levels in these businesses.

A cyclical decline in the level of global pipeline construction could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global pipeline construction activity which in turn relates to the growth in demand for oil and natural gas and the availability of new supplies to meet this increased demand. Reductions in capital spending by producers could dampen demand for the Company’s products and services supplied in pipeline markets.

Revenue generated by the Company’s Pipeline and Pipe Services segment accounted for 88% of consolidated sales in 2017. With this proportion expected to continue, the Company’s revenue is materially dependent on the global Pipeline and Pipe Services industry. Any significant declines in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Increases in the prices and/or shortages in the supply of raw materials used in the Company’s manufacturing processes could adversely affect the competitiveness of the Company, its ability to serve its customers’ needs and its financial performance.

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants and copper and other nonferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction. While the materials required for its manufacturing operations have generally been readily available, cyclical swings in supply and demand can produce short-term shortages and/or price spikes. The Company’s ability to pass on any such price increases may be restricted in the short term.

The Company’s material financing agreements contain financial and other covenants that, if breached by the Company, may require the Company to redeem, repay, repurchase or refinance its existing debt obligations prior to their scheduled maturity. The Company’s ability to refinance such obligations may be restricted due to prevailing conditions in the capital markets, available liquidity and other factors.

The Company is party to a number of financing agreements which contain financial or other covenants. If the Company was to breach the financial or other covenants contained in its financing agreements, the Company may be required to redeem, repay, repurchase or refinance its existing debt obligations prior to their scheduled maturity and the Company’s ability to do so may be restricted or limited by the prevailing conditions in the capital markets, available liquidity and other factors. If the Company is unable to refinance any of the Company’s debt obligations in such circumstances, its ability to make capital expenditures and its financial condition and cash flows could be adversely impacted. If future debt financing is not available to the Company when required or is not available on acceptable terms, the Company may be unable to grow its business, take advantage of business opportunities, respond to competitive pressure or refinance maturing debt, any of which could have a material adverse effect on the Company’s operating results and financial condition.

Economic Risk Mitigation

The Company cannot completely mitigate economic risks. However, the Company maintains a competitive geographical presence in a diverse number of regions and has implemented several systems and processes to manage operational risks and to achieve continuous improvements in operational effectiveness, in addition to various cost reduction initiatives. Through these efforts, economic risk is mitigated.

Refer to *Section 1.5 - Capability to Deliver Results*, for additional information with respect to the Company’s systems and processes.

10.2 Litigation and Legal Risks

The Company could be subject to substantial liability claims, which could adversely affect its projections, business, results of operations and financial condition.

Some of the Company’s products are used in hazardous applications where an accident or a failure of a product could cause personal injury, loss of life, damage to property, equipment or the environment, as well as the suspension of the end-user’s operations. If the Company’s products were to be involved in any of these difficulties, the Company could face litigation and may be held liable for those losses. The Company’s insurance coverage may not be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies likely will cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company is subject to litigation and could be subject to future litigation and significant potential financial liability.

From time to time, the Company is a party to litigation and legal proceedings that it considers to be a part of the ordinary course of business. Although none of the litigation or legal proceedings in which the Company is currently involved could reasonably be expected to have a material adverse effect on the Company's projections, business, results of operations or financial condition, the Company may, however, become involved in material legal proceedings in the future. Such proceedings may include, for example, product liability claims and claims relating to the existence or use of hazardous materials on the Company's property or in its operations, as well as intellectual property disputes and other material legal proceedings with competitors, customers, employees and governmental entities. These proceedings could arise from the Company's current or former actions and operations or the actions or operations of businesses and entities acquired by the Company prior to acquisition. The Company maintains insurance it believes to be commercially reasonable and customary; however, such coverage may be inadequate for or inapplicable to particular claims.

Litigation and Legal Risk Mitigation

The Company cannot completely mitigate legal risks. However, the Company believes that it maintains adequate commercial insurance to mitigate most adverse litigation and legal risks.

10.3 HSE Risks

The Company is subject to Health, Safety and Environmental laws and regulations that expose it to potential financial liability.

The Company's operations are regulated under a number of federal, provincial, state, local and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations. The Company may be subject to material financial liability for any investigation and clean-up of such hazardous materials. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. The Company is also subject to various Canadian and US federal, provincial, state and local laws and regulations as well as foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any non-compliance, as well as potential business disruption if any of its facilities or a portion of any facility is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Demand for the Company's products and services could be adversely affected by changes to Canadian, US or other countries' laws or regulations pertaining to the emission of Carbon Dioxide and other Greenhouse Gases ("GHGs") into the atmosphere.

Although the Company is not a large producer of GHGs, the products and services of the Company's production are mainly related to the transmission of hydrocarbons including crude oil and natural gas, whose ultimate consumption are major sources of GHG emissions. Changes in the regulations concerning the release of GHGs into the atmosphere, including the introduction of so-called carbon taxes or limitations over the emissions of GHGs, may adversely impact the demand for hydrocarbons and ultimately, the demand for the Company's products and services.

HSE Risk Mitigation

To minimize risks associated with HSE matters, the Company has implemented a comprehensive audit program and has completed detailed environmental audits at manufacturing and service locations across all eight divisions. Furthermore, the Company is committed to being an IIF workplace.

10.4 Political and Regulatory Risks

The Company's operations may experience interruptions due to political, economic or other risks, which could adversely affect the Company's projections, business, results of operations and financial condition.

During 2017, the Company derived over 36% of its total revenue from its facilities outside Canada, the US and Western Europe. In addition, part of the Company's sales from its locations in Canada and the US were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability and civil unrest;
- hostile or terrorist activities; and
- restrictions on foreign operations.

In addition, the Company is specifically exposed to risks relating to economic or political developments in Argentina, Mexico and other developing countries.

The Company's foreign operations may suffer disruptions and may incur losses that would not be covered by insurance. In particular, civil unrest in politically unstable countries may increase the possibility that the Company's operations could be interrupted or adversely affected. The impact of such disruptions could include the Company's inability to ship products in a timely and cost effective manner, its inability to place contractors and employees in various countries or regions, or result in the need for evacuations or similar disruptions.

Any material currency fluctuations, devaluations or political unrest that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.

The Company's North American operations could be affected by regulatory approval processes that could delay or prevent the construction of new pipeline infrastructure.

The Company's projections, business, results of operations and financial condition could be adversely affected by actions under Canadian, US, European or other trade or tax laws.

The Company is a Canadian-based company with significant operations in the United States. The Company also owns and operates international manufacturing operations that support its Canadian, US and European operations. If actions under Canadian, US, European or other trade or tax laws were instituted that limited the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customers' specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its customers' specifications and delivery requirements could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company has various facilities that export products to the United States and other countries. Any changes to trade or tax laws, including amendments to or the cancellation of the North American Free Trade Agreement, that negatively impact the competitiveness of the Company's exports or products could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Political and Regulatory Risk Mitigation

The Company manages political and regulatory risks by working with government, regulators and other parties to resolve issues, if any. In addition, the Company ensures that it is compliant with the laws and regulations within the jurisdictions where it operates.

11.0 Environmental Matters

As at December 31, 2017, the provisions on the annual consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $29.2 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 million as at December 31, 2017. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0% and 18%. 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)		**December 31, 2017**
2018	$	**5,302**
2019		**3,198**
2020		**5,433**
2021		**4,777**
2022		**489**
More than five years		**22,831**
	$	**42,030**

12.0 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 or items which do not impact day to day operations. 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 and for comparing its operating performance with the performance of other companies that have different financing, capital or tax structures. 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 or day to day operations. Adjusted EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools to evaluate financial performance and is a key metric in business valuations. It is also considered important by lenders to the Company and is included in the financial covenants of the Company’s debt agreements.

(in thousands of Canadian dollars)	**Three Months Ended December 31,**		**Year Ended December 31,**	
	2017	2016	**2017**	2016
Net Income (Loss)	**$ 19,817**	$ 28,339	**$ 71,180**	$ (180,566)
Add:				
Income taxes	**10,123**	6,954	**33,988**	6,207
Finance costs, net	**3,562**	2,868	**16,817**	15,915
Amortization of property, plant, equipment and intangible assets	**24,869**	18,927	**96,437**	80,290
EBITDA	**$ 58,371**	$ 57,088	**$ 218,422**	$ (78,154)
Cost associated with repayment and modification of long-term debt	**–**	948	**–**	3,009
Gain from arbitration award	**–**	(19,221)	**–**	(19,221)
Impairment	**8,073**	–	**8,073**	157,311
Gain on sale of land	**–**	(5,562)	**(311)**	(6,493)
ADJUSTED EBITDA	**$ 66,444**	$ 33,253	**$ 226,184**	$ 56,452

Operating Margin

Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. The Company believes that operating margin is a useful supplemental measure that provides meaningful assessment of the business performance of the Company and its Operating Segments. The Company uses this measure as a key indicator of financial performance, operating efficiency and cost control based on volume of business generated.

Return on Invested Capital

ROIC, a non-GAAP measure, is defined as net income adjusted for after tax interest expense divided by average invested capital over the year. Average invested capital is calculated as the average over the year of bank indebtedness, long-term debt and equity and is used by the Company to assess the efficiency of generating profits from each unit of invested capital, independent of the Company’s financing choice. Investors use this measure to evaluate how well the Company is using its invested capital to generate returns and for comparing its long term return performance to the performance of other companies.

The following table sets forth the calculation of the Company's ROIC as at:

(in thousands of Canadian dollars, except percentage)	**2017**	2016
Net income (loss)	**$ 71,307**	$ (180,960)
Add: After-tax interest expense	**13,321**	15,973
Net income (loss) adjusted for after-tax interest expense	**$ 84,628**	$ (164,987)
Average invested capital	**$ 1,301,563**	$ 1,397,722
ROIC	**6.5%**	(11.8%)

Days Sales Outstanding ("DSO")

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

(in thousands of Canadian dollars, except DSO)	**2017**	2016
Revenue for the fourth quarter	**$ 426,060**	$ 329,182
Average trade accounts receivable	**$ 208,104**	$ 182,331
DSO	**44**	50

Days Payables Outstanding ("DPO")

DPO is defined as the average number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90-day cycle and is calculated by dividing the average accounts payable and accrued liabilities for the quarter by the cost of goods sold for that same quarter, and multiplying by 90 days. DPO approximates average payment terms granted by the Company's suppliers, and an increase in DPO is generally considered an improvement in the management of accounts payable and accrued liabilities. This measure is important in assessing the Company's ability to ensure optimal cash flow management while meeting its financial obligations in a timely manner. The Company monitors this measure to manage cash flows from its operations. The following table sets forth the calculation for the Company's DPO as at:

(in thousands of Canadian dollars, except DPO)	**2017**	2016
Cost of goods sold for the fourth quarter	**$ 264,774**	$ 221,480
Average accounts payable and accrued liabilities	**$ 203,497**	$ 205,602
DPO	**69**	84

Working Capital Ratio

Working capital ratio is defined as current assets divided by current liabilities. This metric provides management with an indication of the current liquidity available to the Company before considering long-term debt. The following table sets forth the calculation for the Company's working capital ratio as at:

(in thousands of Canadian dollars)	**2017**	2016
Current assets	**$ 709,204**	$ 675,439
Current liabilities	**$ 330,982**	$ 395,453
Working capital ratio	**2.14**	1.71

13.0 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 timing of major project activity, the expected decline in consolidated revenues and earnings in 2018 from 2017 and the expected improvement in financial results in 2019 and 2020, the growth in revenue and earnings in the Petrochemical and Industrial segment of the Company's business, the increase in demand in the North American Pipeline and Pipe Services segment of the Company's business, the decline in revenues in the Latin American Pipeline and Pipe Services segment of the Company's business, the impact of the existing order backlog and other factors on the Company's revenue and operating income, including the award of contracts on outstanding bids, and in the longer term, the impact of global economic activity on the demand for the Company's products, the impact of the recovery in global oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of changing energy demand, supply and prices and the impact of investments in pipeline capacity and infrastructure rehabilitation on the Company's business.

Forward looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. We caution readers not to place undue reliance on forward looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward looking information. Significant risks facing the Company include, but are not limited to: the impact on the Company of reduced demand for its products and services, including the suspension or cancellation of existing contracts, as a result of lower investment in global oil and gas extraction and transportation activity following the previous declines in the global price of oil and gas, long term changes in global or regional economic activity and changes in energy supply and demand, which with other factors, impact on the level of global pipeline infrastructure construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; fluctuations in foreign exchange rates, as well as other risks and uncertainties, as more fully described under the heading "Risks and Uncertainties" and in the Company's Annual Information Form under the heading "Risk Factors."

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, modest global economic growth, increased investment in new pipeline capacity and in the rehabilitation of aging infrastructure, increase in capital expenditures in the oil and gas industry, stable demand in the global automotive market and in the European and North American industrial markets as such apply to the Company's Petrochemical and Industrial business segment, the Company's ability to execute projects under contract and to secure significant additional contracts and the impact thereof in 2018 and subsequent years, the continued supply of and stable pricing for commodities used by the Company, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations in major oil and gas producing regions and the ability of the Company to satisfy all covenants under its Credit Facilities and the Senior Notes. The Company believes that the expectations reflected in the forward looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward looking information included in this document and the Company can give no assurance that such expectations will be achieved.

When considering the forward looking information in making decisions with respect to the Company, readers should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not assume the obligation to revise or update forward looking information after the date of this document or to revise it to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

To the extent any forward looking information in this document constitutes future oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future oriented financial information and financial outlooks, as with forward looking information generally, are based on the assumptions and subject to the risks noted above.

14.0 Additional Information

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

March 1, 2018