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SHAWCOR LTD.
(TSX: SCL)

PRESS RELEASE

SHAWCOR LTD. ANNOUNCES FOURTH QUARTER 2018 RESULTS

- Fourth quarter 2018 revenue was $354 million, an increase of 1% from the $351 million reported in the third quarter of 2018 and 17% lower than the $427 million reported in the fourth quarter of 2017.
- Adjusted EBITDA[1] in the fourth quarter of 2018 was $24 million, a decrease of 37% from the $38 million reported in the third quarter of 2018 and 64% lower compared to $67 million reported in the fourth quarter of 2017.
- Net income (attributable to shareholders of the Company) in the fourth quarter of 2018 was $4.4 million (or earnings per share of $0.06 diluted) compared with net income of $10.4 million (or $0.15 per share diluted) in the third quarter of 2018 and a net income of $20.3 million (or $0.29 per share diluted) in the fourth quarter of 2017.
- The Company's order backlog was $459 million at December 31, 2018, up 16% compared to the backlog of $395 million at September 30, 2018.

Mr. Steve Orr, Chief Executive Officer of Shawcor Ltd. remarked "Fourth quarter revenue and Adjusted EBITDA[1] were in line with expectations given the typical seasonal slowdown in several of our businesses and the negative impact of lower activity and investments being made in our pipe coating business. Our annual 2018 results demonstrated the Company's ability to deliver positive results from our diversified portfolio despite not having any contribution from a large pipe coating project and are aligned with expectations we communicated one year ago."

Mr. Orr added "Future growth in earnings will be underpinned by the continued stability of our diversified base business, particularly in North America, and the strengthening of our backlog from the securing of projects that are now visible and are under bid. The strengthening of the offshore capex cycle coupled with a demonstrated base business and solid long-term industry fundamentals are providing us with increased confidence to continue to invest in opportunities to deliver our long-term growth strategy. This confidence is demonstrated in the recently announced arrangement agreement to acquire ZCL Composites Inc., which will further expand our base business."

[1] *EBITDA and Adjusted EBITDA are Non-GAAP measures and do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies. See Section 6.0 – Reconciliation of Non-GAAP Measures for further details and a reconciliation of EBITDA and Adjusted EBITDA.*

Selected Financial Highlights

(in thousands of Canadian dollars, except per share amounts and percentages)	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017[c]	**2018[d]**	2017[c]
Revenue	**$ 354,148**	$ 426,816	**$ 1,408,872**	$ 1,565,499
Gross profit	**99,788**	161,857	**434,077**	585,478
Gross profit %	**28.2%**	37.9%	**30.8%**	37.4%
Adjusted EBITDA[a]	**24,223**	67,015	**134,870**	225,929
Income from Operations	**9,326**	34,472	**50,613**	128,001
Net Income for the period[b]	**$ 4,366**	$ 20,345	**$ 25,876**	$ 71,155
Earnings per share:				
Basic	**$ 0.06**	$ 0.29	**$ 0.37**	$ 1.02
Fully diluted	**$ 0.06**	$ 0.29	**$ 0.37**	$ 1.02

(a) Adjusted EBITDA is a non-GAAP measure calculated by adding back to net income the sum of net finance costs, income taxes, amortization of property, plant, equipment and intangible assets, impairment loss, gains from sale of land, and hyperinflationary adjustments. Adjusted EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. See *Section 6.0 – Reconciliation of Non GAAP Measures.*

(b) Attributable to shareholders of the Company.

(c) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.

(d) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

1.0 KEY DEVELOPMENTS

Shawcor to acquire ZCL Composites

On January 20, 2019, the Company announced that it had entered into an arrangement agreement ("Arrangement") to acquire all of the shares of ZCL Composites Inc. ("ZCL") for $10.00 per share in cash and by way of a statutory plan of arrangement. The price per share implies an aggregate fully diluted equity value for ZCL of approximately $308 million. ZCL is North America's largest manufacturer and supplier of environmentally friendly fiberglass reinforced plastic underground storage tanks. ZCL has two plants in Canada, four in the US and one in The Netherlands serving the Fuel, Water & Wastewater and Oil & Gas markets. The arrangement will be considered by ZCL shareholders on March 26, 2019 and requires the approval of 66 2/3rd % of the votes cast at the meeting. Subject to receipt of shareholder and court approval, closing of the transaction is expected in early April 2019.

Shawcor has entered into a commitment letter with the Toronto-Dominion Bank and National Bank of Canada as co-lead arrangers providing a US$500 million, four-year senior unsecured revolving credit facility (the "Credit Facility"). The Credit Facility will be used to fund the Arrangement and replace Shawcor's existing senior credit facility. Shawcor anticipates that a portion of the Credit Facility will be syndicated to other banks or financial institutions. It is anticipated that the Credit Facility will be entered into prior to the end of the first quarter of 2019.

On January 30, 2019, the Company gave notice to the Senior Note holders that it will repay on March 7, 2019 the entire principal amount outstanding with a accrued interest, approximately US$199.8 million, and a make whole amount estimated at approximately US$5.2 million.

Offshore Guyana Deepwater Projects

On October 4, 2018, the Company announced that its pipe coating division had been assigned work from Saipem valued at approximately C$110 million to provide thermal insulation and anticorrosion coating services for the Liza I and II deepwater development projects located offshore Guyana.

Coating work under the Liza I project commenced in March 2018 at Shawcor's Channelview, Texas facility and additional work will be completed at Shawcor's Veracruz, Mexico facility. Work on Liza I is expected to be completed during the first quarter of 2019. Coating work under the larger Liza II project, which is conditional on a Final Investment Decision, or "FID", by the pipeline operator, is expected to be executed at the Veracruz and Channelview facilities.

1.1 OUTLOOK

Shawcor's financial performance is correlated with oil and gas infrastructure spending and the resultant demand for the Company's products and services. Adjusted EBITDA[1] for the fourth quarter of 2018 was in line with expectations and reflected typical seasonal slowdowns in several of the Company's businesses along with the ongoing investments in the pipe coating business for idle assets and project pursuit costs in preparation for the expected increase in activity in the second half of 2019 and beyond. The fourth quarter saw continued momentum in North American demand for Shawcor's products and services, specifically in composite pipe technologies, pipe coating products and integrity management field services. Full year 2018 results were slightly better than the expectations the Company communicated a year ago, based on the annualized Adjusted EBITDA[1] run rate of the fourth quarter of 2016.

2018 was a pivotal year as it demonstrated that the Company can deliver profitable results on its diversified base business despite having no contribution from the core pipe coating business or a large pipe coating project. The Company expects that its operating results in the first half of 2019 will be negatively impacted by the continued lower pipe coating activity, higher costs for idle assets and large project pursuits and a very soft winter drilling and completion season in Western Canada. The Company expects revenues to sequentially improve throughout 2019, particularly in the second half of the year, and to deliver improved annual operating results over 2018. This expectation reflects stable demand throughout the year for the base business, particularly in North America, and increased activity in pipe coating in the second half of the year from international and offshore projects.

[1] *EBITDA and Adjusted EBITDA are Non-GAAP measures and do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies. See Section 6.0 – Reconciliation of Non-GAAP Measures for further details and a reconciliation of EBITDA and Adjusted EBITDA.*

The Company believes that 2018 represented the bottom of the offshore global oil & gas capex cycle and that this market is poised for consistent growth over the next several years. The likelihood of large projects being sanctioned to replace production in the near to medium term is strengthening, driven by several years of absent investment or short cycle investment prioritization in the industry now coming to an end as key reservoirs are no longer able to sustain peak production levels, the increase in high decline rate shale production and geopolitical challenges which are affecting several important producing regions. Additionally, the increased demand for greener technology will be supportive of investments in gas, specifically LNG. The Company continues to see demand growth in North America land markets and an increased level of activity in the international and offshore markets, as evidenced in its current bids outstanding. The Company remains well positioned to capitalize on this continuing positive trend in project activity through its global footprint, technology portfolio and execution history.

The Company continued its strategic efforts to position itself as the partner of choice in the pursuit of several large projects, which are characterized as greater than $100 million in revenue. In the fourth quarter of 2018, the Liza I & II awards, representing approximately $110 million of work related to deep water development projects located offshore Guyana, provided further evidence that the low point in the offshore pipe coating cycle has been reached. Liza I and II is a multi-phase project, and characteristic of the type of project planning that the Company is seeing with greater frequency. In an effort to reduce large project costs, operators are engaging large global Engineering-Procurement-Contracting (EPC) companies, who are utilizing standardized engineering approaches and selecting preferred suppliers to participate in the planning process significantly earlier than in the past. This new contracting approach gives Shawcor greater visibility and awareness on future possible project wins. Recently, this same process was followed in an as yet unsanctioned offshore Australia project where a conditional, non-binding letter of award was signed between the selected EPC company and Shawcor for a scope of work that is estimated at over $100 million in revenue for 2020. Although the exact timing of when large projects are sanctioned is difficult to predict, the Company believes that there is still a strong likelihood that some of these projects will be sanctioned in 2019 and beyond because they are not directly linked to oil and gas commodity prices as they involve energy security or reservoir access considerations. Based on this, the Company believes that its diversified base business and expected higher pipe coating activity in 2019 will deliver improved operating results, particularly in the second half of the year. However, the Company has confidence to deliver stronger results in 2020 from the expected build in backlog in 2019.

As confidence has increased that the investment in international projects will be sanctioned with a positive impact on the offshore pipe coating business, Shawcor continued its growth strategy of diversifying the base business through organic and inorganic initiatives. Investments in expanding the composite product offering (both in operating envelope and geographic reach), deployment of next generation inspection technology and capacity expansion in the automotive heat shrink market have been made. In addition, the Company announced that it had entered into an arrangement agreement to acquire all of the shares of ZCL Composites Inc., North America’s largest manufacturer and supplier of environmentally friendly fiberglass reinforced plastic underground storage tanks. This inorganic investment is supported by long-term fundamental drivers similar to those which support Shawcor, such as aging infrastructure, and it leverages Shawcor’s material science expertise in advanced composite materials to provide customers with superior systems for both their conveyance and storage needs. It further demonstrates Shawcor’s commitment to diversifying its portfolio and increasing its base business to provide a foundation for long-term technology developments and profitable base business growth.

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 completions and the build out of new and the repair/replacement of old transmission pipeline infrastructure. These activities drive 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. It is expected that demand in North American land activity will continue in line with rig counts and wells completed, particularly in the United States; however, the rate of growth will slow down in the first half of 2019 due to the lack of take-away capacity in the Permian basin and early indications that suggest a soft winter season in Western Canada, and resume in the second half of 2019 as take-away capacity in the Permian is addressed through several transmission pipeline projects currently underway. The increased breadth of the Company's portfolio, as well as the continued adoption rate of Shawcor's composite pipe systems technology over traditional steel products, is helping to absorb these slight headwinds. In addition, the Company continues to experience strong demand for its pipe coating capabilities from increased activity in the Gulf of Mexico and larger diameter onshore transmission line projects, which is improving the utilization of our U.S. based coating facilities.

Pipeline and Pipe Services Segment - Latin America

The Company continues to expect increased activity in the recently reactivated facilities in Mexico and Brazil related to the continued activity in the Gulf of Mexico and smaller offshore Brazilian projects. This is supported by the Liza II project that is now under contract, which is expected to be executed in the Company's Veracruz facility and contribute positive results in the second half of 2019.

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

Shawcor's EMAR Pipeline region continues to be negatively impacted by reduced capital spending by national and international energy companies. The Company will continue executing work on the awarded contract to provide anti-corrosion and concrete weight coatings related to an offshore Qatar pipeline. The Company continues to pursue several large projects in the region that, if won, could provide significant work beyond 2019.

Pipeline and Pipe Services Segment - Asia Pacific

The region's project activity will continue to be depressed due to the lack of offshore project investments. The Company is actively pursuing several large projects that are related to the development of gas reservoirs that could be awarded in 2019. In addition, composite products have recommenced their penetration in the Australian onshore market and are gaining traction in several other countries in the region as composites gain further acceptance.

Petrochemical and Industrial Segment

Shawcor's Petrochemical and Industrial segment businesses continue to deliver solid revenue and operating income based on stable demand in the global automotive market and European and North American industrial markets. These markets generally follow GDP activity; however, the Segment is well positioned to capture the growing trend of electrification on automobiles with specified sealing, water blocking and insulating systems along with customized application equipment for Tier I assembly customers. Demand for wire and cable products continues to be strong and supply chain constraints for drawn wire from copper rods have eased from the third quarter of 2018.

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 $459 million as at December 31, 2018 was above the $395 million order backlog as at September 30, 2018, reflecting the inclusion of the Liza II project and other awards moving from bid to backlog.

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids is over $1.0 billion, up $160 million from last quarter due to increasing bidding activity for pipe coating in the offshore and international markets. Included in the firm bid is an as yet unsanctioned offshore Australia project where a conditional, non-binding letter of award was signed between the selected EPC company and Shawcor for a scope of work that is estimated at over $100 million in revenue for 2020. The Company is also working with customers on a number of other projects and the budgetary estimates at the end of the fourth quarter were almost $1.9 billion. Although the timing of these projects remains uncertain, the Company's bid and budgetary figures represent a diverse portfolio of opportunities to sustain and build the backlog through 2019 and beyond.

2.0 CONSOLIDATED INFORMATION AND RESULTS FROM OPERATIONS

2.1 Revenue

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

	Three Months Ended			**Year Ended**	
(in thousands of Canadian dollars)	**December 31, 2018**	September 30, 2018	December 31, 2017[b]	**December 31, 2018[c]**	December 31, 2017[b]
Pipeline and Pipe Services	**$ 306,854**	$ 302,039	$ 382,549	**$ 1,208,247**	$ 1,372,556
Petrochemical and Industrial	**47,625**	49,010	44,361	**202,254**	194,207
Elimination[a]	**(331)**	(460)	(94)	**(1,629)**	(1,264)
Consolidated revenue	**$ 354,148**	$ 350,589	$ 426,816	**$ 1,408,872**	$ 1,565,499

(a) Represents the elimination of the inter-segment sales between the Pipeline and Pipe Services segment and the Petrochemical and Industrial segment.
(b) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.
(c) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Fourth Quarter 2018 versus Third Quarter 2018

Consolidated revenue increased $3.6 million, from $350.6 million during the third quarter of 2018 to $354.2 million during the fourth quarter of 2018, due to a $4.8 million increase in the Pipeline and Pipe Services segment, partially offset by a $1.4 million decrease in the Petrochemical and Industrial segment.

Revenue increased by 2% in the Pipeline and Pipe Services segment, or $4.8 million, from $302.0 million in the third quarter of 2018 to $306.9 million in the fourth quarter of 2018. The increase is primarily due to the positive impact from the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina , as discussed in *Section 7.0* and higher activity levels in Latin America. This is partially offset by lower volumes in North America and EMAR regions. See *Section 3.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was lower by $1.4 million, or 3%, in the fourth quarter of 2018, compared to the third quarter of 2018, primarily due to lower activity levels in the EMAR region. See

Section 3.2 – Petrochemical and Industrial Segment for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Fourth Quarter 2018 versus Fourth Quarter 2017

Consolidated revenue decreased by $72.7 million, or 17%, from $426.8 million during the fourth quarter of 2017, to $354.2 million during the fourth quarter of 2018, reflecting a $75.7 million revenue decrease in the Pipeline and Pipe Services segment, partially offset by a $3.3 million revenue increase in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the fourth quarter of 2018 was $306.9 million, or 20% lower than in the fourth quarter of 2017, primarily due to lower large project activity in Latin America and decreased activity levels in Asia Pacific and EMAR, partially offset by higher revenue levels in North America. In addition, this was partially offset by a positive impact on the quarter by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as discussed in *Section 7.0*. See *Section 3.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was $3.3 million higher during the fourth quarter of 2018, compared to $44.4 million in the fourth quarter of 2017, primarily due to increased activity levels in the North America and EMAR regions. See *Section 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Year ended December 31, 2018 versus Year ended December 31, 2017

Consolidated revenue decreased by $156.6 million, or 10%, from $1,565.5 million for the twelve month period ended December 31, 2017 to $1,408.9 million for the twelve month period ended December 31, 2018, reflecting a decrease of $164.3 million, or 12%, in the Pipeline and Pipe Services segment, partially offset by a $8.1 million, or 4%, increase in revenue in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment during the twelve month period ended December 31, 2018 was $1,208.3 million, or $164.3 million lower than in the comparable period in 2017, primarily due to lower large project activity in Latin America and decreased activity levels in Asia Pacific and EMAR, partially offset by higher revenue in the North American region. In addition, revenue was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as discussed in *Section 7.0*. See *Section 3.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased by $8.1 million in the twelve month period ended December 31, 2018 compared to the same period in 2017, due to higher activity levels in EMAR and North America, partially offset by lower revenue in Asia Pacific. See *Section 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

2.2 Income from Operations ("Operating Income")

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

(in thousands of Canadian dollars, except percentages)	Three Months Ended			Year Ended	
	December 31, 2018	September 31, 2018	December 31, 2017[(b)]	**December 31, 2018[(c)]**	December 31, 2017[(b)]
Operating income	**$ 9,326**	$ 17,057	$ 34,472	**$ 50,613**	$ 128,001
Operating margin[(a)]	**2.6%**	4.9%	8.1%	**3.6%**	8.2%

(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 6.0 – Reconciliation of Non-GAAP Measures.*

(b) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.

(c) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Fourth Quarter 2018 versus Third Quarter 2018

Operating income decreased by $7.7 million, from $17.1 million in the third quarter of 2018 to $9.3 million in the fourth quarter of 2018. Operating income was negatively impacted by a decrease of $3.7 million in gross profit, a $3.7 million increase in selling, general and administrative ("SG&A") expenses and a $2.6 million increase in amortization of property, plant, equipment and intangible assets, partially offset by a $2.2 million increase in net foreign exchange gains. In addition, operating income was positively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as discussed in *Section 7.0*.

The decrease in gross profit resulted from a 1.3 percentage point decrease in the gross margin from the third quarter of 2018, partially offset by the increase in revenue, as explained above. The decrease in the gross margin percentage was primarily due to product and project mix and lower utilization in EMAR and Asia facilities and the related impact on the absorption of manufacturing overheads.

SG&A expenses increased by $3.7 million, from $68.6 million in the third quarter of 2018 to $72.3 million in the fourth quarter of 2018, primarily due to increases of $0.3 million in compensation and other personnel related costs, $2.9 million in advertisement, equipment costs and professional consulting and legal fees and $0.5 million in insurance and other costs.

Fourth Quarter 2018 versus Fourth Quarter 2017

Operating income decreased by $25.2 million, from $34.5 million in the fourth quarter of 2017 to $9.3 million during the fourth quarter of 2018. Operating income was negatively impacted by a $62.1 million decrease in gross profit. This was partially offset by a decrease of $21.0 million in SG&A expenses, a $3.5 million increase in net foreign exchange gains, a $8.1 million impairment charge recorded in the fourth quarter of 2017 and a $5.1 million decrease in amortization of property, plant, equipment and intangible assets primarily related to the substantial completion of the Sur de Texas – Tuxpan project demobilization. In addition, operating income was positively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as discussed in *Section 7.0*.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 9.7 percentage point decrease in the gross margin from the fourth quarter of 2017. The decrease in the gross margin percentage was primarily due to lower large project activity in Latin America, lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads.

SG&A expenses in the fourth quarter of 2018 decreased by $21.0 million compared to the fourth quarter of 2017, primarily due to a $16.3 million decrease in compensation and other personnel related costs, where the prior year period included an increase in government mandated employee profit sharing on large project activity in Latin

America, and decreases of $0.8 million in professional consulting and legal fees and $3.9 million in insurance, management information systems, product development and other costs.

Year ended December 31, 2018 versus Year ended December 31, 2017

Operating income decreased by $77.4 million, from $128.0 million in the twelve month period ended December 31, 2017, to $50.6 million in the twelve month period ended December 31, 2018. Operating income was negatively impacted by a year-over-year decrease in gross profit of $151.4 million and a $1.3 million increase in research and development expenses. This was partially offset by decreases of $42.7 million in SG&A expenses and $13.2 million in amortization of property, plant, equipment and intangible assets, a $11.7 million increase in net foreign exchange gains and a $8.1 million impairment charge recorded in the fourth quarter of 2017. In addition, operating income was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as discussed in *Section 7.0*.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 6.6 percentage point decrease in the gross margin from the prior year. The decrease in the gross margin percentage was primarily due to lower large project activity in Latin America and lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads.

SG&A expenses decreased by $42.7 million in the twelve month period ended December 31, 2018 compared to the comparable period in 2017, primarily due to a $36.6 million decrease in compensation and other personnel related costs, where the prior year period included an increase in government mandated employee profit sharing on large project activity in Latin America, a $2.2 million decrease in professional consulting and legal fees and a $3.9 million decrease in insurance, management information systems, product development and other costs.

2.3 Finance Costs, net

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

	Three Months Ended			**Year Ended**	
(in thousands of Canadian dollars)	**December 31, 2018**	September 31, 2018	December 31, 2017	**December 31, 2018[(a)]**	December 31, 2017
Interest income	**$ (696)**	$ (664)	$ (333)	**$ (2,990)**	$ (1,556)
Interest expense, other	**1,956**	1,235	1,661	**5,986**	5,539
Interest expense on long-term debt	**2,336**	2,274	2,234	**9,096**	12,834
Finance costs, net	**$ 3,596**	$ 2,845	$ 3,562	**$ 12,092**	$ 16,817

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Fourth Quarter 2018 versus Third Quarter 2018

In the fourth quarter of 2018, net finance costs were $3.6 million, compared to net finance costs of $2.9 million during the third quarter of 2018. The increase in net finance costs was primarily due to a $0.7 million increase in other financing expenses.

Fourth Quarter 2018 versus Fourth Quarter 2017

In the fourth quarter of 2018, net finance costs were $3.6 million, in line with the finance costs in the fourth quarter of 2017. In the fourth quarter of 2018, interest income on short term deposits increased by $0.4 million, partially offset by a $0.3 million increase in other financing expenses compared to the fourth quarter of 2017.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

For the twelve months ended December 31, 2018, net finance costs were $12.1 million, compared to $16.8

million in the prior year. The decrease in net finance costs was primarily a result of $3.7 million in lower interest expense on long term debt due to lower interest rates and $1.4 million in higher interest income on short term deposits. This was partially offset by a $0.5 million increase in other financing expenses.

2.4 Income Taxes

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

(in thousands of Canadian dollars)	Three Months Ended			Year Ended	
	December 31, 2018	September 30, 2018	December 31, 2017(a)	**December 31 2018(b)**	December 31, 2017(a)
Income tax (recovery) expense	**$ (1,434)**	$ 3,237	$ 9,998	**$ 7,828**	$ 33,885

(a) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017.
(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Fourth Quarter 2018 versus Third Quarter 2018

The Company recorded an income tax recovery of $1.4 million (54% of income before income taxes) in the fourth quarter of 2018, compared to an income tax expense of $3.2 million (23% of income before income taxes) in the third quarter of 2018. The effective tax rate in the fourth quarter of 2018 was lower than the Company's statutory income tax rate of 27% primarily due to the mix of jurisdictions where the income is earned and improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets.

Fourth Quarter 2018 versus Fourth Quarter 2017

The Company recorded an income tax recovery of $1.4 million (54% of income before income taxes) in the fourth quarter of 2018, compared to an income tax expense of $10.0 million (33% of income before income taxes) in the fourth quarter of 2017. The effective tax rate in the fourth quarter of 2018 was lower than the Company's statutory income tax rate of 27% primarily due to the mix of jurisdictions where the income is earned and improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets.

Year ended December 31, 2018 versus Year ended December 31, 2017

The Company recorded an income tax expense of $7.8 million (23% of income before income taxes) during the twelve month period ended December 31, 2018, compared to an income tax expense of $33.9 million (32% of income before income taxes) during the twelve month period ended December 31, 2017. The effective tax rate for the twelve month period ended December 31, 2018 was lower than the Company's statutory income tax rate of 27%, primarily due to the mix of jurisdictions where the income was earned and the impact of improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets.

2.5 Foreign Exchange Impact

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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	**2018**	2017
U.S. dollar	**1.3246**	1.2702	**1.2958**	1.2999
Euro	**1.5087**	1.5035	**1.5290**	1.4700
British Pounds	**1.6965**	1.7044	**1.7273**	1.6829

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

(in thousands of Canadian dollars)	**Q4-2018 versus Q3-2018**	**Q4-2018 versus Q4-2017**	**2018 versus 2017**
Revenue	**$ (741)**	**$ (14,859)**	**$ (20,577)**
Income from operations	**$ 66**	**$ (978)**	**$ (7,091)**
Net income (attributable to shareholders of the Company)	**$ 571**	**$ 2,407**	**$ (2,651)**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $4.4 million in the fourth quarter of 2018 (year ended December 31, 2018 – gain of $11.9 million), compared to a foreign exchange gain of $0.9 million for the comparable period in the prior year (year ended December 31, 2017 – gain of $0.2 million), as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities, primarily in Latin America.

2.6 Net Income (attributable to shareholders of the Company)

Fourth Quarter 2018 versus Third Quarter 2018

Net income decreased by $6.0 million, from $10.4 million during the third quarter of 2018 to $4.4 million during the fourth quarter of 2018. This was mainly due to the $7.7 million decrease in operating income, as explained in *Section 2.2* above, and increases of $1.9 million in net monetary loss from hyperinflationary accounting, $0.8 million in net finance costs and $0.8 million in loss from investment in associates. This was partially offset by a $4.7 million decrease in income tax expense.

Fourth Quarter 2018 versus Fourth Quarter 2017

Net income decreased by $16.0 million, from $20.3 million during the fourth quarter of 2017 to $4.4 million during the fourth quarter of 2018. This was mainly due to the $25.2 million decrease in operating income, as explained in *Section 2.2* above, and a $2.7 million increase in net monetary loss from hyperinflationary accounting. This was partially offset by a decrease of $11.4 million in income tax expense.

Year ended December 31, 2018 versus Year ended December 31, 2017

Net income decreased by $45.3 million, from $71.2 million during the twelve month period ended December 31, 2017 to $25.9 million during the twelve month period ended December 31, 2018, mainly due to the $77.4 million decrease in operating income, as explained in *Section 2.2* above, and a $4.8 million increase in net monetary loss from hyperinflationary accounting. This was partially offset by a $26.1 million decrease in income tax expense, a $6.6 million increase in net gain from investments in associates and a $4.7 million decrease in finance costs.

3.0 SEGMENT INFORMATION

3.1 Pipeline and Pipe Services Segment

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

	Three Months Ended			**Year Ended**	
(in thousands of Canadian dollars, except percentages)	**December 31, 2018**	September 30, 2018	December 31, 2017(b)	**December 31, 2018(c)**	December 31, 2017(b)
North America	**$ 219,704**	$ 229,527	$ 163,900	**$ 822,465**	$ 621,825
Latin America	**34,750**	17,403	130,445	**118,102**	383,538
EMAR	**39,720**	42,665	53,889	**181,240**	203,437
Asia Pacific	**12,680**	12,444	34,315	**86,440**	163,756
Total revenue	**$ 306,854**	$ 302,039	$ 382,549	**$ 1,208,247**	$ 1,372,556
Operating income	**$ 209**	$ 12,329	$ 36,808	**$ 29,129**	$ 125,446
Operating margin(a)	**0.1%**	4.1%	9.6%	**2.4%**	9.1%

(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 6.0 - Reconciliation of Non-GAAP Measures*.
(b) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.
(c) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Fourth Quarter 2018 versus Third Quarter 2018

Revenue in the fourth quarter of 2018 increased by $4.8 million to $306.9 million, from $302.0 million in the third quarter of 2018. Revenue was positively impacted by higher activity levels in Latin America and Asia Pacific, partially offset by lower volumes in EMAR and North America:

- In North America, revenue decreased by $9.8 million, or 4%, primarily as a result of lower revenues in large diameter pipe coating revenue in the USA and Canada and small diameter coating in the USA, and lower activity levels in tubular management and engineering services, partially offset by increased activity levels in pipe weld inspection services.

- Latin America revenue increased by $17.4 million, or 100%, primarily as a result of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

- In EMAR, revenue decreased by $3.0 million, or 7%, primarily due to lower activity levels at the Company's Ras Al Khaimah, UAE ("RAK") facility and lower revenue for field joints activity in the region. This was partially offset by higher revenue levels at the Orkanger, Norway and Italian facilities and increased activity levels for pipe weld services in the region.

- Revenue in Asia Pacific increased by $0.2 million, or 2%, primarily due to increased activity levels at the Kuantan, Malaysia facility, partially offset by lower pipe coating project activity at the Kabil, Indonesia facility.

In the fourth quarter of 2018, operating income was $0.2 million compared to $12.3 million in the third quarter of 2018, a decrease of $12.1 million. Operating income was negatively impacted by a $2.9 million decrease in gross profit due to a 1.4 percentage point decrease in gross margin, partially offset by the higher revenue, as explained above. The decrease in gross margin percentage was primarily due to product and project mix and lower utilization in EMAR and Asia facilities and the related impact on the absorption of manufacturing overheads. In addition, SG&A expenses and amortization of property, plant and equipment were higher, as explained in *Section 2.2* above.

Fourth Quarter 2018 versus Fourth Quarter 2017

Revenue in the fourth quarter of 2018 was $306.9 million, a decrease of $75.7 million, or 20%, from $382.6 million in the comparable period of 2017. Segment revenue was adversely affected by the impact on translation of foreign operations, as noted in *Section 2.5* above, and a decrease in large project activity in Latin America and lower volumes in Asia Pacific and EMAR, partially offset by higher revenue in North America:

- North America revenue increased by $55.8 million, or 34%, primarily due to higher revenue of flexible composite pipe products, higher volumes of large diameter pipe coating in Canada and small diameter pipe coating in the USA, and increased activity levels in pipe weld inspection services.

- In Latin America, revenue decreased by $95.7 million, or 73%, primarily as a result of the substantial completion of the load out activity for the Sur de Texas – Tuxpan project by the third quarter of 2018, partially offset by higher activity levels at the Company's Argentina and Brazilian facilities.

- Revenue in EMAR decreased by $14.2 million, or 26%, primarily due to lower activity levels at the Orkanger, Norway and Leith, Scotland facilities. This was partially offset by higher volume at the Italian and RAK facilities.

- Asia Pacific revenue decreased by $21.6 million, or 63%, mainly due to lower pipe coating project activity at the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the fourth quarter of 2018, operating income was $0.2 million compared to $36.8 million in the fourth quarter of 2017, a decrease of $36.6 million. The decrease in operating income was primarily due to the $62.9 million decrease in gross profit resulting from the decrease in revenue, as explained above, and a 10.9 percentage point decrease in gross margin. The decrease in gross margin percentage was primarily due to lower large project activity in Latin America, lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads. This was partially offset by the decrease in SG&A expenses, lower amortization of property, plant and equipment and the $8.1 million impairment charge recorded in the fourth quarter of 2017, as explained in *Section 2.2* above.

Year ended December 31, 2018 versus Year ended December 31, 2017

Revenue in the Pipeline and Pipe Services segment for the twelve month period ended December 31, 2018 was $1,208.3 million, a decrease of $164.3 million, from $1,372.6 million in the prior year. Segment revenue was adversely affected by the impact on translation of foreign operations, as noted in *Section 2.5* above, and by lower activity levels in Latin America, EMAR and Asia Pacific, partially offset by higher revenue in North America:

- In North America revenue increased by $200.6 million, or 32%, primarily due to increased revenue from flexible composite pipe sales, pipe weld inspection services, large diameter pipe coating in Canada, small diameter pipe coating in the USA and engineering services. This was partially offset by lower activity levels in large diameter pipe coating in the USA and small diameter pipe coating in Canada.

- Latin America revenue was lower by $265.4 million, or 69%, mainly due to lower large project activity related to Sur de Texas-Tuxpan project, partially offset by higher volumes at the Company's Argentina and Brazilian facilities.

- Revenue in EMAR decreased by $22.2 million, or 11%, primarily due to decreased pipe coating activity levels in the Orkanger, Norway and Leith, Scotland facilities, and the absence of the Shah Deniz project work in the Caspian. This was partially offset by higher volumes at the Italian and RAK facilities and increased revenue in pipe weld inspection services.

- Asia Pacific revenue decreased by $77.3 million, or 47%, mainly due to lower pipe coating project activity at the Kabil, Indonesia and Kuantan, Malaysia facilities.

Operating income for the twelve month period ended December 31, 2018 was $29.1 million compared to $125.5 million for the twelve month period ended December 31, 2017, a decrease of $96.3 million. The decrease in operating income is primarily due to the $151.6 million decrease in gross profit as a result of the decrease in revenue, as explained above, and a 7.3 percentage point decrease in gross margin. The decrease in gross margin percentage was primarily due to lower large project activity in Latin America, lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads. This was partially offset by decreases in amortization of property, plant and equipment and SG&A expenses, as explained in *Section 2.2* above, and the $8.1 million impairment charge recorded in the fourth quarter of 2017.

3.2 Petrochemical and Industrial Segment

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

(in thousands of Canadian dollars, except percentages)	Three Months Ended			Year Ended	
	December 31, 2018	September 30, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
North America	**$ 27,352**	$ 27,653	$ 24,769	**$ 115,069**	$ 113,973
EMAR	**17,635**	18,600	16,540	**76,070**	67,857
Asia Pacific	**2,638**	2,757	3,052	**11,115**	12,377
Total revenue	**$ 47,625**	$ 49,010	$ 44,361	**$ 202,254**	$ 194,207
Operating income	**$ 7,166**	$ 7,888	$ 5,342	**$ 32,658**	$ 31,825
Operating margin[(a)]	**15.0%**	16.1%	12.0%	**16.1%**	16.4%

(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 6.0 - Reconciliation of Non-GAAP Measures*.

Fourth Quarter 2018 versus Third Quarter 2018

In the fourth quarter of 2018, revenue decreased by $1.4 million, or 3%, to $47.6 million, compared to the third quarter of 2018, primarily due to decreased shipments of heat shrink tubing products, particularly in the automotive sector in EMAR and North America, partially offset by increased shipments of wire and cable products in North America.

Operating income of $7.2 million in the fourth quarter of 2018 was $0.7 million, or 9%, lower than in the third quarter of 2018. The decrease in operating income was primarily due to a decrease in gross profit of $0.8 million resulting from the decreased revenue, as explained above, and a 0.8 percentage point decrease in gross margin. The decrease in gross margin was primarily due to unfavourable product mix.

Fourth Quarter 2018 versus Fourth Quarter 2017

Revenue in the fourth quarter of 2018 increased by $3.3 million, or 7%, compared to the fourth quarter of 2017. Revenue was positively impacted by increased shipments of wire and cable products in North America and higher activity levels for heat shrink tubing products, particularly in the automotive sector in EMAR.

Operating income in the fourth quarter of 2018 was $7.2 million compared to $5.3 million in the fourth quarter of 2017, an increase of $1.8 million, or 34%. The increase in operating income was primarily due to an increase in gross profit of $0.8 million and a decrease in SG&A expenses, as explained in *Section 2.2* above. The gross profit increased primarily from the increase in revenue, as explained above, partially offset by a 0.3 percentage point decrease in gross margin. The decrease in gross margin was primarily due to unfavourable product mix.

Year ended December 31, 2018 versus Year ended December 31, 2017

Revenue increased in the twelve months ended December 31, 2018 by $8.1 million, or 4%, to $202.3 million compared to the comparable period in 2017, due to increased shipments of heat shrink products in EMAR and North America, partially offset by lower activity levels for wire and cable products in North America.

Operating income increased $0.8 million for the twelve months ended December 31, 2018 to $32.7 million compared to the twelve months ended December 31, 2017. The increase in operating income was primarily due to an increase in gross profit of $0.2 million and a decrease in SG&A expenses, as explained in *Section 2.2* above. Gross profit was higher as a result of the increase in revenue, as explained above, partially offset by a 1.1 percentage point decrease in gross margin. The decrease in gross margin was mainly due to unfavourable product mix.

3.3 Financial and Corporate

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

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

	Three Months Ended			**Year Ended**	
(in thousands of Canadian dollars)	**December 31, 2018**	September 30, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Financial and corporate expenses	**$ (2,431)**	$ (5,326)	$ (8,557)	**$ (23,103)**	$ (29,830)

Fourth Quarter 2018 versus Third Quarter 2018

Financial and corporate costs decreased by $2.9 million from $5.3 million during the third quarter of 2018 to $2.4 million in the fourth quarter of 2018. The decrease was primarily due to a decrease of $3.9 million in compensation and other related personnel costs, partially offset by increases of $0.7 million in professional consulting and legal fees and $0.3 million in advertisement and other costs.

Fourth Quarter 2018 versus Fourth Quarter 2017

Financial and corporate costs decreased by $6.1 million from the fourth quarter of 2017 to $2.4 million in the fourth quarter of 2018. The decrease was primarily due to a decrease of $6.2 million in compensation and other related personnel costs.

Year ended December 31, 2018 versus Year ended December 31, 2017

Financial and corporate costs decreased by $6.7 million from the twelve month period ended December 31, 2017 to $23.1 million for the twelve month period ended December 31, 2018. The decrease was primarily due to a $6.1 million decrease in compensation and other related personnel costs and a decrease of $1.3 million in professional consulting and legal fees, partially offset by an increase of $0.6 million in building and management information system costs.

4.0 FORWARD-LOOKING INFORMATION

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward looking information in the Outlook Section and elsewhere in respect of, among other things, the establishment of a manufacturing facility in the Middle East by the Flexpipe Systems division, the level of investment therein, its impact on production capacity and the timing thereof, the achievement of key performance objectives, the completion of the acquisition by the Company of ZCL and the timing thereof, the entering into of the new Credit Facility and the terms and timing thereof, the voluntary repayment of the Senior Notes and the timing thereof, the timing to complete the Liza I project, the timing of Final Investment Decisions on Liza II and additional large projects, , the sanctioning of large projects in 2019 and the impact thereof on the Company's business, the level of financial performance in the first quarter of 2019 and throughout the balance of 2019, the effect of the Company's diversified portfolio of products on revenue and operating income, growth in revenue and operating income in the Petrochemical and Industrial segment of the Company's business, the demand for the Company's products in the North American Pipeline and Pipe Services segment and the Petrochemical and Industrial segment of the Company's business, the sufficiency of resources, capacity and capital to meet market demand, to meet contractual obligations and to execute the Company's development and growth strategy, the sufficiency of the Company's processes and systems to operate its business and execute its strategic plan, the expected development of the Company's order backlog and the impact thereof on the Company's revenue and operating income, including the award of contracts on outstanding bids, the impact of global economic activity on the demand for the Company's products, the impact of continuing demand for oil and gas and prior years' absence of investments in larger projects on the level of industry investment in oil and gas infrastructure, the impact of global oil and gas commodity prices, the impact of changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation and tax matters and other claims generally, and the level of payments under the Company's performance bonds.

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; and fluctuations in foreign exchange rates, as well as other risks and uncertainties described under "Risks and Uncertainties" in the Company's annual MD&A and in the Company's Annual Information Form under "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, including , increases in expenditures on natural gas infrastructures, modest global economic growth, 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 segment, the Company's ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company, increases in rail and transportation costs, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations in major oil and gas producing regions, the successful completion of the acquisition of ZCL, the repayment of the Senior Notes, the entering into of the Credit Facility on the anticipated terms, and the ability of the Company to satisfy all covenants under the Credit Facility. The Company believes that the expectations reflected in the forward looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward looking information included in this document and the Company can give no assurance that such expectations will be achieved.

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

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

Shawcor will be hosting a Shareholder and Analyst Conference Call and Webcast on Thursday March 7th, 2019 at 10:00AM ET, which will discuss the Company's Fourth Quarter and Year End 2018 Financial Results.

To participate via telephone, please dial 1-877-776-4039 or 1-315-625-6955. Conference Call ID: 5889475; alternatively, please go to the following website address to participate via webcast:
https://edge.media-server.com/m6/p/837ysv4b

5.0 Additional Information

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

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

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Shawcor Ltd.

Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)		**December 31, 2018[b]**		December 31, 2017[a]
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**217,264**	$	289,065
Short-term investments		**2,046**		–
Loans receivable		**2,492**		2,448
Accounts receivable		**241,497**		194,439
Contract assets		**31,404**		65,413
Income taxes receivable		**27,476**		20,205
Inventories		**136,997**		115,018
Prepaid expenses		**22,116**		21,931
Derivative financial instruments		**1,102**		382
Total current assets		**682,394**		708,901
Non-current Assets				
Loans receivable		**545**		2,283
Property, plant and equipment		**442,941**		417,781
Intangible assets		**155,454**		164,872
Investments in associates		**30,219**		20,188
Deferred income tax assets		**31,290**		33,979
Other assets		**8,880**		20,606
Goodwill		**350,402**		329,391
Total non-current assets		**1,019,731**		989,100
TOTAL ASSETS	**$**	**1,702,125**	$	1,698,001
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**206,860**	$	201,017
Provisions		**23,924**		27,361
Income taxes payable		**26,139**		42,904
Derivative financial instruments		**226**		1,915
Contract liabilities		**23,603**		44,826
Obligations under finance lease		**1,155**		1,111
Other liabilities		**7,339**		11,848
Total current liabilities		**289,246**		330,982
Non-current Liabilities				
Long-term debt		**267,781**		246,175
Obligations under finance lease		**10,388**		10,840
Provisions		**34,979**		36,555
Employee future benefits		**15,190**		18,552
Deferred income tax liabilities		**4,632**		6,448
Other liabilities		**10,259**		3,665
Total non-current liabilities		**343,229**		322,235
Total liabilities		**632,475**		653,217
Equity				
Share capital		**708,833**		704,956
Contributed surplus		**30,187**		27,651
Retained earnings		**271,429**		302,206
Non-controlling interests		**5,418**		5,848
Accumulated other comprehensive income		**53,783**		4,123
Total equity		**1,069,650**		1,044,784
TOTAL LIABILITIES AND EQUITY	**$**	**1,702,125**	$	1,698,001

(a) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.

(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Consolidated Statements of Income (Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
(in thousands of Canadian dollars, except per share amounts)	**2018**	2017[(a)]	**2018[(b)]**	2017[(a)]
Revenue				
Sale of products	**$ 148,090**	$ 128,391	**$ 616,332**	$ 509,491
Rendering of services	**206,058**	298,425	**792,540**	1,056,008
	354,148	426,816	**1,408,872**	1,565,499
Cost of Goods Sold and Services Rendered	**254,360**	264,959	**974,795**	980,021
Gross Profit	**99,788**	161,857	**434,077**	585,478
Selling, general and administrative expenses	**72,335**	93,362	**300,294**	342,991
Research and development expenses	**2,703**	1,960	**11,876**	10,536
Foreign exchange gains	**(4,382)**	(879)	**(11,929)**	(249)
Amortization of property, plant and equipment	**15,124**	20,129	**64,789**	77,267
Amortization of intangible assets	**4,682**	4,740	**18,434**	19,170
Gain on sale of land	–	–	–	(311)
Impairment	–	8,073	–	8,073
Income from Operations	**9,326**	34,472	**50,613**	128,001
(Loss) income from investments in associates	**(347)**	(399)	**282**	(6,271)
Finance costs, net	**(3,596)**	(3,562)	**(12,092)**	(16,817)
Net monetary loss	**(2,721)**	–	**(4,796)**	–
Income before Income Taxes	**2,662**	30,511	**34,007**	104,913
Income tax (recovery)/expense	**(1,434)**	9,998	**7,828**	33,885
Net Income	**$ 4,096**	$ 20,513	**$ 26,179**	$ 71,028
Net Income (Loss) Attributable to:				
Shareholders of the Company	**$ 4,366**	$ 20,345	**$ 25,876**	$ 71,155
Non-controlling interests	**(270)**	168	**303**	(127)
Net Income	**$ 4,096**	$ 20,513	**$ 26,179**	$ 71,028
Earnings per Share ("EPS")				
Basic	**$ 0.06**	$ 0.29	**$ 0.37**	$ 1.02
Diluted	**$ 0.06**	$ 0.29	**$ 0.37**	$ 1.02
Weighted Average Number of Shares Outstanding (000s)				
Basic	**70,093**	69,937	**70,061**	69,926
Diluted	**70,323**	70,188	**70,264**	70,102

(a) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.
(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017[a]	Year Ended December 31, 2018[b]	Year Ended December 31, 2017[a]
Net Income	**$ 4,096**	$ 20,513	**$ 26,179**	$ 71,028
Other Comprehensive Income (Loss) to be Reclassified to Net Income in Subsequent Periods				
Exchange differences on translation of foreign operations	**15,580**	2,739	**28,953**	(33,446)
Other comprehensive (loss) income attributable to investments in associates	**(148)**	7	**(251)**	(280)
Net Other Comprehensive Income (Loss) to be Reclassified to Net Income in Subsequent Periods	**15,432**	2,746	**28,702**	(33,726)
Other Comprehensive Income (Loss) not to be Reclassified to Net Income in Subsequent Periods				
Actuarial gain on defined benefit plan	**1,747**	722	**1,762**	692
Income tax expense	**(472)**	(176)	**(475)**	(168)
Net Other Comprehensive Income not to be Reclassified to Net Income in Subsequent Periods	**1,275**	546	**1,287**	524
Other Comprehensive Income (Loss), Net of Income Tax	**16,707**	3,292	**29,989**	(33,202)
Total Comprehensive Income	**$ 20,803**	$ 23,805	**$ 56,168**	$ 37,826
Comprehensive Income (Loss) Attributable to:				
Shareholders of the Company	**$ 20,118**	$ 23,773	**$ 56,229**	$ 37,870
Non-controlling interests	**685**	32	**(61)**	(44)
Total Comprehensive Income	**$ 20,803**	$ 23,805	**$ 56,168**	$ 37,826

(a) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.
(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings[(a)(b)]	Non-controlling Interests[(b)]	Accumulated Other Comprehensive Income[(b)]	Total Equity[(a)(b)]
Balance – January 1, 2017	$ 703,316	$ 23,379	$ 272,997	$ 5,892	$ 37,408	$ 1,042,992
Net income (loss)[(a)]	–	–	71,155	(127)	–	71,028
Other comprehensive income (loss)	–	–	–	83	(33,285)	(33,202)
Comprehensive income (loss)	–	–	71,155	(44)	(33,285)	37,826
Issued on exercise of stock options	761	–	–	–	–	761
Compensation cost on exercised stock options	278	(278)	–	–	–	–
Compensation cost on exercised restricted share units	601	(601)	–	–	–	–
Stock-based compensation expense	–	5,151	–	–	–	5,151
Dividends declared and paid to shareholders	–	–	(41,946)	–	–	(41,946)
Balance – December 31, 2017	$ 704,956	$ 27,651	$ 302,206	$ 5,848	$ 4,123	$ 1,044,784
Hyperinflation adjustments for Argentina[(b)]	–	–	(14,624)	(369)	19,307	4,314
Adjusted Balance – January 1, 2018	$ 704,956	$ 27,651	$ 287,582	$ 5,479	$ 23,430	$ 1,049,098
Net income	–	–	25,876	303	–	26,179
Other comprehensive (loss) income	–	–	–	(364)	30,353	29,989
Comprehensive income (loss)	–	–	25,876	(61)	30,353	56,168
Issued on exercise of stock options	1,897	–	–	–	–	1,897
Compensation cost on exercised stock options	735	(735)	–	–	–	–
Compensation cost on exercised restricted share units	1,245	(1,245)	–	–	–	–
Stock-based compensation expense	–	4,516	–	–	–	4,516
Dividends declared and paid to shareholders	–	–	(42,029)	–	–	(42,029)
Balance – December 31, 2018	**$ 708,833**	**$ 30,187**	**$ 271,429**	**$ 5,418**	**$ 53,783**	**$ 1,069,650**

(a) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.

(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017[a]	Year Ended December 31, 2018[b]	Year Ended December 31, 2017[a]
Operating Activities				
Net income	**$ 4,096**	$ 20,513	**$ 26,179**	$ 71,028
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment	**15,124**	20,129	**64,789**	77,267
Amortization of intangible assets	**4,682**	4,740	**18,434**	19,170
Amortization of long-term prepaid expenses	**385**	180	**521**	1,179
Impairment	–	8,073	–	8,073
Decommissioning liabilities expense (recovery)	**(105)**	(1,085)	**235**	(746)
Other provision expenses	**(87)**	3,997	**3,635**	12,644
Share-based compensation and incentive-based compensation	**(502)**	2,413	**8,926**	7,969
Loss (gain) on disposal of property, plant and equipment	**550**	1,773	**260**	(27)
Gain on sale of land	**–**	–	**–**	(311)
Unrealized (income) loss on derivative financial instruments	**(351)**	808	**(2,409)**	7,167
Loss (income) from investments in associates	**347**	399	**(282)**	6,271
Deferred income taxes	**3,201**	(3,904)	**1,574**	(6,210)
Other	–	–	**(4,112)**	–
Settlement of decommissioning liabilities	**(435)**	(85)	**(435)**	(765)
Settlement of other provisions	**(2,927)**	(1,643)	**(10,478)**	(3,791)
Net change in employee future benefits	**(112)**	2,204	**(183)**	3,152
Change in non-cash working capital and foreign exchange	**27,458**	37,782	**(76,109)**	(23,624)
Cash Provided by Operating Activities	**$ 51,324**	$ 96,294	**$ 30,545**	$ 178,446
Investing Activities				
Decrease in loans receivable	**–**	10	**1,420**	3,766
(Increase) decrease in short-term investments	**(2,046)**	1,768	**(2,046)**	1,890
Purchase of property, plant and equipment	**(25,211)**	(8,515)	**(76,201)**	(41,068)
Purchase of intangible assets	**–**	(5)	–	(71)
Proceeds on disposal of property, plant and equipment	**5,623**	122	**7,113**	4,361
Increase in other assets	**(926)**	(1,449)	**(3,617)**	(836)
Cash Used in Investing Activities	**$ (22,560)**	$ (8,069)	**$ (73,331)**	$ (31,958)
Financing Activities				
Decrease in bank indebtedness	–	–	**–**	(2,463)
Repayment of obligations under finance lease	**(26)**	(316)	**(880)**	(1,090)
Other liabilities – non current	**–**	–	**–**	(222)
Issuance of shares	**105**	–	**1,897**	761
Dividends paid to shareholders	**(10,503)**	(10,492)	**(42,029)**	(41,946)
Cash Used in Financing Activities	**$ (10,424)**	$ (10,808)	**$ (41,012)**	$ (44,960)
Effect of Foreign Exchange on Cash and Cash Equivalents and Net Monetary Loss	**8,673**	270	**11,977**	(7,287)
Net Increase (Decrease) in Cash and Cash Equivalents	**27,013**	77,687	**(71,801)**	94,241
Cash and Cash Equivalents - Beginning of Period	**190,251**	211,378	**289,065**	194,824
Cash and Cash Equivalents - End of Period	**$ 217,264**	$ 289,065	**$ 217,264**	$ 289,065

(a) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.

(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies.*

6.0 Reconciliation of Non-GAAP Measures

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage its 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 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.

	Three Months Ended December 31,		**Year Ended December 31,**	
(in thousands of Canadian dollars)	**2018**	2017[b]	**2018[c]**	2017[b]
Net income	**$ 4,096**	$ 20,513	**$ 26,179**	$ 71,028
Add:				
Income tax	**(1,434)**	9,998	**7,828**	33,885
Finance costs, net	**3,596**	3,562	**12,092**	16,817
Amortization of property, plant, equipment and intangible assets	**19,806**	24,869	**83,223**	96,437
EBITDA[a]	**$ 26,064**	$ 58,942	**$ 129,322**	$ 218,167
Impairment	**–**	8,073	**–**	8,073
Gain on sale of land	**–**	–	**–**	(311)
Hyperinflation adjustment for Argentina[c]	**(1,841)**	–	**5,548**	–
ADJUSTED EBITDA[a]	**$ 24,223**	$ 67,015	**$ 134,870**	$ 225,929

(a) Adjusted EBITDA and EBITDA are used by many analysts in the oil and gas industry as one of several important analytical tools.
(b) Restated due to the adoption of IFRS 15 that became effective as at January 1, 2018 but was implemented retrospectively to January 1, 2017.
(c) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 7.0 - Financial Reporting in Hyperinflationary Economies*.

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.

7.0 Financial Reporting in Hyperinflationary Economies

In July 2018, the Argentine three-year cumulative rate of inflation for consumer prices and wholesale prices reached a level in excess of 100%. As a result, in accordance with IAS 29, *Financial Reporting in Hyperinflationary Economies*, Argentina was considered a hyperinflationary economy, effective January 1, 2018. Accordingly, the presentation of IFRS financial statements includes adjustments and reclassifications for the changes in the general purchasing power of the Argentine peso.

On the application of IAS 29, the Company used the conversion coefficient derived from the consumer price index ("CPI") in the Greater Buenos Aires area published by the National Statistics and Census Institution in Argentina. The CPIs for the current and the prior year and corresponding conversion coefficient since the year when the Argentine subsidiary was acquired were as follows:

Year	Index	Conversion coefficient	CAD/ARS exchange rate
2012	117.67	6.0105	0.211471
2017	483.30	1.4634	0.067396
2018 - March	514.58	1.3744	0.063925
2018 - June	562.37	1.2576	0.045528
2018 - September	616.55	1.1471	0.031353
2018 - December	707.26	1.0000	0.036229

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at December 31, 2018. Non-monetary assets, liabilities, equity, revenue and expenses (items that are not already expressed in terms of the monetary unit as at December 31, 2018) are restated by applying the index at the end of the reporting period. The effect of inflation on the Argentine subsidiary's net monetary position is included in the consolidated statements of income as a net monetary loss.

The application of IAS 29 results in the adjustment for the loss of purchasing power of the Argentine peso recorded in the consolidated statements of income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets, liabilities and equity.

As per IAS 21, *The Effects of Changes in Foreign Exchange Rates*, all amounts (i.e. assets, liabilities, equity, revenue and expenses) are translated at the closing foreign exchange rate at the date of the most recent consolidated balance sheet, except that comparative amounts are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates. Similarly, in the period during which the functional currency of a foreign subsidiary becomes hyperinflationary and applies IAS 29 for the first time, the parent's consolidated financial statements for the comparative period are not restated for the effects of hyperinflation.

The opening equity adjustment of $4.3 million relates to the hyperinflation adjustments for non-monetary assets, liabilities and equity items in the consolidated balance sheet as at January 1, 2018. This is as a result of an increase to total assets of $4.8 million and an increase to total liabilities of $0.5 million.

The impact of IAS 29 for selected items on our consolidated statements of income for the year was as follows:

	Three months ended				Year ended
(in thousands of Canadian dollars, except per share amounts)	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**	**December 31, 2018**	**December 31, 2018**
	$	$	$	**$**	**$**
Revenue	248	(4,519)	(7,053)	**8,645**	**(2,679)**
Gross profit (loss)	66	(1,164)	(2,102)	**2,820**	**(380)**
Foreign exchange (gain) loss	(20)	1,206	2,772	**(3,237)**	**721**
(Loss) Income from operations	(672)	(2,217)	(3,670)	**2,498**	**(4,061)**
Net monetary loss	(475)	(748)	(852)	**(2,721)**	**(4,796)**
Loss before income taxes	(1,147)	(2,966)	(4,514)	**(227)**	**(8,854)**
Income tax expense (recovery)	234	(360)	(1,151)	**1,062**	**(215)**
Net Loss	(1,381)	(2,606)	(3,363)	**(1,289)**	**(8,639)**
Earnings per Share					
Basic	(0.02)	(0.04)	(0.05)	**(0.02)**	**(0.12)**
Diluted	(0.02)	(0.04)	(0.05)	**(0.02)**	**(0.12)**