Shawcor Ltd.
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A") is a discussion of the consolidated financial position and results of operations of Shawcor Ltd. ("Shawcor" or the "Company") for the three months ended March 31, 2019 and 2018 and should be read together with Shawcor's interim unaudited consolidated financial statements and accompanying notes for the same periods and MD&A included in the Company's 2018 Annual Report. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This MD&A and the interim unaudited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to Section 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 one of the world's largest applicators 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 March 31, 2019, 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 84% of consolidated revenue for the quarter ended March 31, 2019. This segment includes the Bredero Shaw, Pipeline and Pipe Services Products, Flexpipe Systems, Guardian, Shaw Pipeline Services, Shawcor Inspection Services 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 includes Canusa-CPS, that manufactures heat shrinkable sleeves, adhesives and 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 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 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 16% of consolidated revenue for the quarter ended March 31, 2019. Operations within this segment utilize polymer and adhesive technologies that were developed for the Pipeline and Pipe Services segment and are now being applied to applications in Petrochemical and Industrial markets.

- Connection Systems is a global manufacturer of heat-shrinkable products including thin, medium and heavy-walled tubing, sleeves and molded products as well as heat-shrink accessories and equipment.
- Connection Systems also manufactures wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars, except per share amounts)		Three Months Ended March 31, 2019		2018[(a)]
Revenue	**$**	**349,578**	$	350,767
Cost of Goods Sold and Services Rendered		**251,374**		233,915
Gross Profit		**98,204**		116,852
Selling, general and administrative expenses		**67,877**		79,354
Research and development expenses		**3,310**		3,104
Foreign exchange gains		**(1,225)**		(847)
Amortization of property, plant and equipment		**11,933**		19,939
Amortization of intangible assets		**4,624**		4,537
Amortization of right-of-use assets		**4,051**		–
Income from Operations		**7,634**		10,765
Loss from investments in associates		**(743)**		(116)
Finance costs, net		**(3,457)**		(2,666)
Cost associated with repayment of long-term debt and credit facilities		**(12,308)**		–
Net monetary loss		**(651)**		(475)
(Loss) Income before Income Taxes		**(9,525)**		7,508
Income tax (recovery) expense		**(604)**		3,547
Net (Loss) Income	**$**	**(8,921)**	$	3,961
Net (Loss) Income attributable to:				
Shareholders of the Company		**(9,074)**		3,829
Non-controlling interests		**153**		132
Net (Loss) Income		**(8,921)**		3,961
Per Share Information:				
Earnings per Share ("EPS")				
Basic	**$**	**(0.13)**	$	0.05
Diluted	**$**	**(0.13)**	$	0.05
Cash Dividend per Share:				
Common Shares	**$**	**0.15**	$	0.15

(in thousands of Canadian dollars)		March 31, 2019		December 31, 2018[(a)]
Total Assets	**$**	**1,641,163**	$	1,702,125
Total Non-Current Liabilities	**$**	**276,623**	$	343,229

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

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 Canadian dollars, for the following periods:

	Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
US Dollar	**1.3272**	1.3246	1.2635
Euro	**1.5121**	1.5087	1.5461
British Pounds	**1.7386**	1.6965	1.7542

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)	**Q1-2019 Versus Q4-2018**	**Q1-2019 Versus Q1-2018**
Revenue	**$ 544**	**$ (3,249)**
Income from operations	**108**	**(757)**
Net income (attributable to shareholders of the Company)	**97**	**(497)**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $1.2 million in the first quarter of 2019, compared to a foreign exchange gain of $0.9 million for the comparable period 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, primarily in Latin America.

3.0 Business Developments

BP Tortue Project

On May 3, 2019, the Company announced that its pipe coating division had been awarded a conditional contract from Sumitomo Corporation Europe Limited valued at approximately C$30 million to provide anticorrosion and concrete weight coating services for the BP Tortue Phase 1A Project development, located offshore Senegal and Mauritania, West Africa. The contract is scheduled to be executed from the Kabil, Indonesia facility during 2020.

Shawcor Acquires ZCL Composites Inc. ("ZCL")

On April 2, 2019, the Company completed the acquisition of ZCL that the Company previously announced on January 20, 2019. The Company acquired all of the shares of ZCL by way of a statutory plan of arrangement for $10.00 per share in cash. The price per share implied an aggregate fully diluted equity value for ZCL of approximately $308 million. The acquisition was funded through the Company's cash balances and credit facility. 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 and wastewater and oil and gas markets.

Shawcor Closes New Credit Facility

On March 13, 2019, the Company announced that it had closed on the previously announced credit facility (the "Credit Facility") with The Toronto-Dominion Bank and National Bank of Canada as co-lead arrangers and HSBC Bank Canada, JPMorgan Chase Bank, The Bank of Nova Scotia and Export Development Bank as lenders.

The Credit Facility replaced Shawcor's existing credit facility and provides for a US$500 million, four-year senior unsecured revolving facility. The Credit Facility was used to fund the acquisition of ZCL and will be used for other general corporate purposes. On March 7, 2019, Shawcor also repaid its Senior Notes debt, including accrued interest and make whole payment, in the total amount of US$205 million.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2019**	December 31, 2018[b]	March 31, 2018[b]
Pipeline and Pipe Services	**$ 295,093**	$ 306,854	$ 300,214
Petrochemical and Industrial	**54,923**	47,625	51,007
Elimination[a]	**(438)**	(331)	(454)
Consolidated revenue	**$ 349,578**	$ 354,148	$ 350,767

(a) Represents the elimination of the inter-segment sales between the Pipeline and Pipe Services segment and the Petrochemical and Industrial segment.
(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

First Quarter 2019 versus Fourth Quarter 2018

Consolidated revenue decreased $4.6 million, from $354.2 million during the fourth quarter of 2018 to $349.6 million during the first quarter of 2019, due to a $11.8 million decrease in the Pipeline and Pipe Services segment, partially offset by a $7.3 million increase in the Petrochemical and Industrial segment.

Revenue decreased by 4% in the Pipeline and Pipe Services segment, or $11.8 million, from $306.9 million in the fourth quarter of 2018 to $295.1 million in the first quarter of 2019. The decrease was primarily due to lower activity levels in North America and the negative impact from the accounting for IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina, as discussed in *Section 12.0.* This was partially offset by higher volumes in the Europe, Middle East, Africa and Russia ("EMAR") region. 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.

In the Petrochemical and Industrial segment, revenue was higher by $7.3 million, or 15%, in the first quarter of 2019, compared to the fourth quarter of 2018, primarily due to higher activity levels in the EMAR and North America regions. 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.

First Quarter 2019 versus First Quarter 2018

Consolidated revenue decreased by $1.2 million, from $350.8 million during the first quarter of 2018, to $349.6 million during the first quarter of 2019, reflecting a $5.1 million revenue decrease in the Pipeline and Pipe Services segment, partially offset by a $3.9 million revenue increase in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the first quarter of 2019 was $295.1 million, or 2% lower than in the first quarter of 2018, primarily due to lower activity levels in Latin America and Asia Pacific, partially offset by higher revenue levels in North America.

In the Petrochemical and Industrial segment, revenue was $3.9 million higher during the first quarter of 2019, compared to $51.0 million in the first quarter of 2018, primarily due to increased activity levels in the North America and EMAR regions. 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 from Operations ("Operating Income")

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

	Three Months Ended		
(in thousands of Canadian dollars, except percentages)	**March 31, 2019**	December 31, 2018[b]	March 31, 2018[b]
Operating income	**$ 7,634**	$ 9,326	$ 10,765
Operating margin[a]	**2.2%**	2.6%	3.1%

(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 10.0 – Reconciliation of Non-GAAP Measures.*

(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

The Company adopted IFRS 16 in the first quarter of 2019. This new accounting standard requires the Company to recognize a lease right-of-use ("ROU") asset and a lease liability to reflect the benefit the Company obtains from the underlying asset in the lease and the requirement to pay the amounts included in the lease contract. Under the previous standard, IAS 17 Leases, costs relating to operating leases were recognized on a straight-line basis as a selling, general and administrative ("SG&A") expense. Under IFRS 16, the Company records an amortization expense as amortization of ROU assets and records an interest expense relating to the lease liability. The amount of the amortization and interest recorded for the three months ended March 31, 2019 was $4.1 million and $0.7 million, respectively. The standard was adopted prospectively from January 1, 2019, and accordingly the 2018 results have not been affected.

First Quarter 2019 versus Fourth Quarter 2018

Operating income decreased by $1.7 million, from $9.3 million in the fourth quarter of 2018 to $7.6 million in the first quarter of 2019. Operating income was negatively impacted by a decrease of $1.6 million in gross profit, a $0.8 million increase in amortization of property, plant, equipment, intangible and ROU assets and a $0.6 million increase in research and development expenses. This was partially offset by a $4.5 million decrease in SG&A expenses. Operating income was negatively impacted by the accounting for IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as discussed in *Section 12.0*.

The decrease in gross profit resulted primarily from the decrease in revenue compared to the fourth quarter of 2018, as explained above, while gross margin percentage was in-line with the fourth quarter of 2018.

SG&A expenses decreased by $4.5 million, from $72.3 million in the fourth quarter of 2018 to $67.9 million in the first quarter of 2019, primarily due to decreases of $4.9 million in equipment costs and professional consulting and legal fees and $4.1 million due to the implementation of IFRS 16, as these lease costs are now reported as amortization of ROU assets and interest expense. This was partially offset by an increase of $4.9 million in compensation and other personnel related costs, primarily related to higher incentive based compensation.

First Quarter 2019 versus First Quarter 2018

Operating income decreased by $3.1 million, from $10.8 million in the first quarter of 2018 to $7.6 million during the first quarter of 2019. Operating income was negatively impacted by a $18.7 million decrease in gross profit. This was partially offset by a decrease of $11.5 million in SG&A expenses and a $3.9 million decrease in amortization of property, plant, equipment, intangible and ROU assets.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 5.2 percentage point decrease in the gross margin from the first quarter of 2018. The decrease in the gross margin percentage was primarily due to lower large project load out activity in Latin America compared to a year ago, lower utilization in Asia Pacific facilities and the related impact on the absorption of manufacturing overheads.

SG&A expenses in the first quarter of 2019 decreased by $11.5 million compared to the first quarter of 2018, primarily due to decreases of $3.9 million in equipment costs and professional consulting and legal fees, $4.1 million due to the implementation of IFRS 16, as lease costs are now reported as amortization of ROU assets and interest expense, and $5.4 million in insurance, decommissioning obligations, product development and other costs. This was partially offset by a $1.9 million increase in compensation and other personnel related costs.

Finance costs, Net

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2019**	December 31, 2018[a]	March 31, 2018[a]
Interest income	**$ (924)**	$ (696)	$ (841)
Interest expense on long-term debt	**2,273**	2,336	2,215
Interest expense, other	**1,378**	1,956	1,292
Interest expense on ROU assets	**730**	–	–
Finance costs, net	**$ 3,457**	$ 3,596	$ 2,666

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

First Quarter 2019 versus Fourth Quarter 2018

In the first quarter of 2019, net finance costs were $3.5 million, compared to net finance costs of $3.6 million during the fourth quarter of 2018. The decrease in net finance costs was primarily due to a $0.2 million increase in interest income and a $0.6 million reduction in other financing expenses. This was partially offset by a $0.7 million increase in interest expense on ROU assets on adoption of IFRS 16.

First Quarter 2019 versus First Quarter 2018

In the first quarter of 2019, net finance costs were $3.5 million, compared to net finance costs of $2.7 million during the first quarter of 2018. The increase in net finance costs was primarily due to a $0.7 million increase in interest expense on ROU assets on adoption of IFRS 16.

Income Taxes

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2019**	December 31, 2018[a]	March 31, 2018[a]
Income tax (recovery) expense	**$ (604)**	$ (1,434)	$ 3,547

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

First Quarter 2019 versus Fourth Quarter 2018

The Company recorded an income tax recovery of $0.6 million (6% of loss before income taxes) in the first quarter of 2019, compared to an income tax recovery of $1.4 million (54% of income before income taxes) in the fourth quarter of 2018. The effective tax rate in the first quarter of 2019 was lower than the Company's statutory income tax rate of 27% primarily due to the mix of jurisdictions where the income was earned, improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets and tax benefits associated with the net release of uncertain tax positions.

First Quarter 2019 versus First Quarter 2018

The Company recorded an income tax recovery of $0.6 million (6% of loss before income taxes) in the first quarter of 2019, compared to an income tax expense of $3.5 million (47% of income before income taxes) in the first quarter of 2018. The effective tax rate in the first quarter of 2019 was lower than the Company's statutory income tax rate of 27% primarily due to the mix of jurisdictions where the income was earned, improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets and tax benefits associated with the net release of uncertain tax positions.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

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

	Three Months Ended		
(in thousands of Canadian dollars, except percentages)	**March 31, 2019**	December 31, 2018[b]	March 31, 2018[b]
North America	**$ 197,787**	$ 219,704	$ 174,197
Latin America	**29,803**	34,750	37,620
EMAR	**56,441**	39,720	52,548
Asia Pacific	**11,062**	12,680	35,849
Total revenue	**$ 295,093**	$ 306,854	$ 300,214
Operating income	**$ 4,553**	$ 209	$ 8,205
Operating margin[a]	**1.5%**	0.1%	2.7%

(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 10.0 - Reconciliation of Non-GAAP Measures*.
(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

First Quarter 2019 versus Fourth Quarter 2018

Revenue in the first quarter of 2019 decreased by $11.8 million to $295.1 million, from $306.9 million in the fourth quarter of 2018. Revenue was negatively impacted by lower activity levels in North America, Latin America and Asia Pacific, partially offset by higher volumes in EMAR:

- In North America, revenue decreased by $21.9 million, or 10%, primarily as a result of lower demand for the Company's products and services in Western Canada and lower activity in pipe weld inspection and engineering services in the USA.

- Latin America revenue decreased by $5.0 million, or 14%, primarily as a result of the accounting for IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina. See *Section 12.0 - Financial*

Reporting in Hyperinflationary Economies, partially offset by increased activity levels at the Company's Brazil facility.

- In EMAR, revenue increased by $16.7 million, or 42%, primarily due to higher activity levels at the Company's Ras Al Khaimah, UAE ("RAK"), Leith, Scotland and Italian facilities and higher revenue for field joints activity and pipe weld services in the region. This was partially offset by lower revenue levels at the Orkanger, Norway facility.

- Revenue in Asia Pacific decreased by $1.6 million, or 13%, primarily due to decreased activity levels at the Kuantan, Malaysia facility, partially offset by higher pipe coating project activity at the Kabil, Indonesia facility.

In the first quarter of 2019, operating income was $4.6 million compared to $0.2 million in the fourth quarter of 2018, an increase of $4.3 million. Operating income was positively impacted by a reduction in SG&A expenses as explained in *Section 4.1* above, partially offset by a $4.2 million decrease in gross profit. The gross profit decreased due to the lower revenue, as explained above, and a 0.3 percentage point decrease in gross margin. The decrease in gross margin percentage was primarily due to product and project mix and lower utilization in the North America facilities and the related impact on the absorption of manufacturing overheads.

First Quarter 2019 versus First Quarter 2018

Revenue in the first quarter of 2019 was $295.1 million, a decrease of $5.1 million, or 2%, from $300.2 million in the comparable period of 2018. Segment revenue was negatively affected by the impact on translation of foreign operations, as noted in *Section 2.2* above, and a decrease in project activity in Latin America and Asia Pacific, partially offset by higher revenue in North America and EMAR:

- North America revenue increased by $23.6 million, or 14%, primarily due to higher volumes of large diameter pipe coating in the region and higher revenue in flexible composite pipe products and pipe weld inspection services in the USA. This was partially offset by lower demand for the Company's products and services, excluding large diameter pipe coating, in Western Canada.

- In Latin America, revenue decreased by $7.8 million, or 21%, primarily as a result of the substantial completion of the load out activity for the Sur de Texas – Tuxpan project by the fourth quarter of 2018, partially offset by higher activity levels at the Company's Brazilian facility.

- Revenue in EMAR increased by $3.9 million, or 7%, primarily due to higher activity levels at the Italian and RAK facilities and field joint activity in the region. This was partially offset by lower volume at the Orkanger, Norway facility.

- Asia Pacific revenue decreased by $24.8 million, or 69%, mainly due to lower pipe coating project activity at the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the first quarter of 2019, operating income was $4.6 million compared to $8.2 million in the first quarter of 2018, a decrease of $3.7 million. The decrease in operating income was primarily due to the $18.6 million decrease in gross profit resulting from the decrease in revenue, as explained above, and a 5.7 percentage point decrease in gross margin. The decrease in gross margin percentage was primarily due to lower utilization in Asia Pacific and EMAR facilities and lower large project load out activity in Latin America and the related impact on the absorption of manufacturing overheads. This was partially offset by the decrease in SG&A expenses and lower amortization of property, plant, equipment, intangibles and ROU assets, as explained in *Section 4.1* above.

4.2.2 Petrochemical and Industrial Segment

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

	Three Months Ended		
(in thousands of Canadian dollars, except percentages)	**March 31, 2019**	December 31, 2018	March 31, 2018
North America	**$ 31,655**	$ 27,352	$ 28,245
EMAR	**20,896**	17,635	19,876
Asia Pacific	**2,372**	2,638	2,886
Total revenue	**$ 54,923**	$ 47,625	$ 51,007
Operating income	**$ 9,349**	$ 7,166	$ 8,868
Operating margin[a]	**17.0%**	15.0%	17.4%

(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 10.0 - Reconciliation of Non-GAAP Measures.*

First Quarter 2019 versus Fourth Quarter 2018

In the first quarter of 2019, revenue increased by $7.3 million, or 15%, to $54.9 million, compared to the fourth quarter of 2018, primarily due to increased shipments of heat shrink tubing products, particularly in the automotive sector in EMAR and North America, and wire and cable products in North America.

Operating income of $9.4 million in the first quarter of 2019 was $2.2 million, or 31%, higher than in the fourth quarter of 2018. The increase in operating income was primarily due to a $2.6 million increase in gross profit resulting from the increased revenue, as explained above, and a 1.1 percentage point increase in gross margin. The increase in gross margin was primarily due to favourable product mix.

First Quarter 2019 versus First Quarter 2018

Revenue in the first quarter of 2019 increased by $3.9 million, or 8%, compared to the first quarter of 2018. 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 first quarter of 2019 was $9.4 million compared to $8.9 million in the first quarter of 2018, an increase of $0.5 million, or 5%. The increase in operating income was primarily due to a decrease in SG&A expenses, as explained above, partially offset by a decrease in gross profit of $0.1 million. The gross profit decreased primarily from a 2.4 percentage point decrease in gross margin related to an unfavourable product mix, partially offset by the increase in revenue, 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:

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2019**	December 31, 2018	March 31, 2018
Financial and corporate expenses	**$ (7,493)**	$ (2,431)	$ (7,155)

First Quarter 2019 versus Fourth Quarter 2018

Financial and corporate costs increased by $5.1 million from $2.4 million during the fourth quarter of 2018 to $7.5 million in the first quarter of 2019. The increase was primarily due to a $6.0 million increase in compensation and other related personnel costs, partially offset by a decrease of $0.8 million in professional consulting and legal fees.

First Quarter 2019 versus First Quarter 2018

Financial and corporate costs increased by $0.3 million from the first quarter of 2018 to $7.5 million in the first quarter of 2019. The increase was primarily due to an increase of $2.2 million in compensation and other related personnel costs partially offset by decreases of $0.7 million in professional consulting and legal fees and $1.2 million in management information system and other expenses.

5.0 Liquidity and Capitalization

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

	Three Months Ended March 31,	
(in thousands of Canadian dollars)	**2019**	2018(a)
Net (Loss) Income	**$ (8,921)**	$ 3,961
Non-cash items	**28,837**	22,740
Settlement of decommissioning liabilities	**(148)**	–
Settlement of other provisions	**(1,356)**	(3,882)
Net change in future employee benefits	**189**	(51)
Net change in non-cash working capital and foreign exchange	**(656)**	(52,240)
Cash provided by (used in) operating activities	**17,945**	(29,472)
Cash used in investing activities	**(17,405)**	(8,571)
Cash used in financing activities	**(117,717)**	(9,474)
Effect of foreign exchange on cash and cash equivalents	**(2,189)**	6,831
Net Change in Cash and Cash Equivalents	**(119,366)**	(40,686)
Cash and cash equivalents at beginning of period	**217,264**	289,065
Cash and Cash Equivalents at End of Period	**$ 97,898**	$ 248,379

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

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

First Quarter 2019 versus First Quarter 2018

Cash provided by operating activities was $17.9 million in 2019, an increase of $47.4 million compared to the prior year. The change in cash provided by operating activities was primarily due to increases of $51.6 million in net change in non-cash working capital and foreign exchange, $4.8 million due to the adoption of IFRS 16 whereby the lease payments are classified as financing activities and $2.5 million in settlement of other provisions. This was partially offset by a decrease of $12.9 million in net income.

5.2 Cash Used in Investing Activities

First Quarter 2019 versus First Quarter 2018

Cash used in investing activities was $17.4 million, an increase of $8.8 million compared to the prior year. This was primarily due to increases of $6.0 million in the purchase of property, plant and equipment, mainly due to an increase in growth capital spend in the Company's pipe coating, composite products and integrity inspection field services businesses and $3.1 million in short term investment.

5.3 Cash Used in Financing Activities

First Quarter 2019 versus First Quarter 2018

Cash used in financing activities during 2019 was $117.7 million, an increase of $108.2 million compared to the prior year. The change was primarily due to the $269.4 million repayment of long-term debt, $7.9 million of payments related to lease liabilities due to the adoption of IFRS 16 and disposal of finance leases and a decrease of $1.0 million in the value of shares issued related to executive compensation in the first quarter of 2019. This was partially offset by an increase of $170.1 million in bank indebtedness.

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

(in thousands of Canadian dollars, except DSO)		**March 31, 2019**		December 31, 2018		Change
Average trade accounts receivable	**$**	**204,527**	$	221,911	$	(17,384)
DSO[a]		**53**		56		(3)

(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 DSO may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 10.0 – Reconciliation of Non-GAAP Measures*.

Average trade accounts receivables decreased by $17.4 million or 7.8% as at March 31, 2019 compared to December 31, 2018 and DSO decreased by 3 days, primarily as a result of the decrease in revenue in the first quarter of 2019 compared to the fourth quarter in the prior year and the timing of billing and collections.

Inventory

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

(in thousands of Canadian dollars)		**March 31, 2019**		December 31, 2018[a]		Change
Inventory	**$**	**144,222**	$	136,997	$	7,225

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

Inventories increased by $7.2 million or 5.3% as at March 31, 2019 compared to December 31, 2018 reflecting current activity levels. This increase reflects a $6.4 million increase in finished goods and the positive impact of

$4.1 million decrease in inventory obsolescence, partially offset by decreases of $3.0 million in raw materials and supplies and $0.3 million in work in process.

Accounts Payable

The following table sets forth the Company's average accounts payable balance and days of purchases outstanding in accounts payable and accrued liabilities ("DPO") as at:

(in thousands of Canadian dollars, except DPO)		**March 31, 2019**		December 31, 2018		Change
Average accounts payable and accrued liabilities	**$**	**204,668**	$	197,695	$	6,973
DPO[(a)]		**73**		70		3

(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 DPO may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 10.0 – Reconciliation of Non-GAAP Measures*.

Average accounts payable and accrued liabilities increased by $7.0 million or 3.5% as at March 31, 2019 compared to December 31, 2018. DPO increased by 3 days from 2018 levels, due to the timing of purchases and payments in the first quarter of 2019 compared with the fourth quarter of 2018.

5.5 Bank Indebtedness and Senior Notes

The following table sets forth the Company's total long-term debt as at:

(in thousands of Canadian dollars)		**March 31, 2019**		December 31, 2018
Bank indebtedness	**$**	**168,915**	$	–
Senior Notes		–		267,781
Total long-term debt	**$**	**168,915**	$	267,781

Credit Facilities

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

(in thousands of Canadian dollars)		**March 31, 2019**		December 31, 2018
Borrowings on Credit Facility	**$**	**172,000**	$	–
Deferred transaction costs		**(3,085)**		–
Bank indebtedness – long-term	**$**	**168,915**	$	–
Other bank indebtedness – current		**1,155**		–
Total bank indebtedness		**170,070**		–
Standard letters of credit for financial guarantees, performance and bid bonds		**38,017**		43,879
Total utilized credit facilities		**208,087**		43,879
Total available credit facilities[(a)]		**734,965**		500,498
Unutilized Credit Facilities	**$**	**526,878**	$	456,619

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

On March 13, 2019, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of four years, with the maximum borrowing limit of US$500 million, an increase of US$183 million over the previous Credit Facility's borrowing limit. The increase in the Credit Facility was intended, in part, to fund the acquisition of ZCL. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), and before foreign exchange gains or losses, and non-recurring and one-time items. The Company is required to maintain an Interest Coverage Ratio of more than 3.00:1.00 and a Net Leverage Ratio of less than 3.50:1.00. For calculating the Net Leverage Ratio, Net Debt excludes the first $100 million of performance and bid bond letters of credit and all standard letters of credit that are guaranteed by Export Development Canada (EDC).

The Company wrote off the remaining deferred financing costs of $0.8 million pertaining to its previous Credit Facility in the first quarter of 2019.

The Company was in full compliance with financial covenants as at March 31, 2019 and December 31, 2018.

Senior Notes

On March 7, 2019, the Company used a combination of cash and bank debt to repay the entire principal amount outstanding and accrued interest of $266.5 million (US$199.8 million) and a make whole amount of $7.0 million (US$5.2 million). In addition, the Company wrote off $0.7 million of the remaining deferred financing costs and $3.9 million of cash flow hedge losses previously recorded in other comprehensive income ("OCI") in the first quarter of 2019.

5.6 Commitments, Leases, Contingencies and Off-Balance Sheet Arrangements

(in thousands of Canadian dollars)	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Purchase commitments	95,638	909	–	–	–	–	96,547
Accounts payable	115,343	–	–	–	–	–	115,343
Bank indebtedness	1,155	–	–	–	–	–	1,155
Long-term debt	–	–	–	–	168,915	–	168,915
Obligations under leases[(a)]	13,320	13,790	9,484	8,435	6,265	15,195	66,489
Low value/short term leases[(a)]	2,370	1,675	1,671	1,671	1,834	7,692	16,913
Other obligations	1,448	1,763	1,517	1,294	944	4,118	11,084
Total contractual obligations	229,274	18,137	12,672	11,400	177,958	27,005	476,446

(a) See *IFRS 16 Leases in Section 6.4 – New Accounting Standards Adopted.*

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 interim consolidated financial position 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 letters of credit or bond as compensation for the Company's failure to perform. The contracts that these letters of credit and bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of letters of credit and bonds.

The Company utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of $38.0 million as at March 31, 2019 (December 31, 2018 – $43.9 million) for support of its bonds. In addition, as at March 31, 2019, the Company had $64.9 million of outstanding surety bonds through insurance companies (December 31, 2018 – $66.3 million).

5.7 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 which are used to measure fair value fall into the following three 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 March 31, 2019:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	**$ 97,898**	**$ 97,898**	**$ –**	**$ –**
Short-term investments	**5,148**	**5,148**	**–**	**–**
Loans receivable	**2,339**	**–**	**2,339**	**–**
Derivative financial instruments	**222**	**–**	**222**	**–**
Deposit guarantee	**252**	**–**	**252**	**–**
	$ 105,859	**$ 103,046**	**$ 2,813**	**$ –**
Liabilities				
Bank Indebtedness	**$ 170,070**	**$ –**	**$ 170,070**	**$ –**
Derivative financial instruments	**446**	**–**	**446**	**–**
	$ 170,516	**$ –**	**$ 170,516**	**$ –**

The derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates at the time the derivatives are acquired to the period-end rates quoted in the market.

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange 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 March 31, 2019, 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 three-month period ended March 31, 2019 by approximately $9.6 million, $1.5 million and $1.3 million, respectively, prior to foreign exchange forward contract activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by approximately $57.5 million, $13.4 million and $44.1 million, respectively, as at March 31, 2019. Please also refer to *Section 12.0 – Financial Reporting in Hyperinflationary Economies*, for the impact of adopting IAS 29 for Argentina.

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 flows and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange forward contracts for speculative purposes. With the exception of the Company's US dollar based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedged 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 contracts, the average contractual exchange rates and the settlement of these contracts as at March 31, 2019:

(in thousands, except weighted average rate amounts)	
US dollars sold for Euros	
Less than one year	**US$ 17,707**
Weighted average rate	**0.87**
Euros sold for US dollars	
Less than one year	**€ 17,065**
Weighted average rate	**1.14**
Norwegian Kroners sold for US dollars	
Less than one year	**NOK 51,436**
Weighted average rate	**0.12**

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

As at March 31, 2019, the Company had notional amounts of $57.2 million of foreign exchange forward contracts outstanding (December 31, 2018 – $60.3 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling $0.2 million (December 31, 2018 – $0.9 million net gain).

Interest Rate Risk

The following table summarizes the Company’s exposure to interest rate risk as at March 31, 2019:

(in thousands of Canadian dollars)	Non-Interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial assets				
Cash equivalents	$ –	$ –	$ 6,418	$ 6,418
Loans receivable	–	2,339	–	2,339
	$ –	$ 2,339	$ 6,418	$ 8,757
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	$ 38,017	$ –	$ –	$ 38,017
Bank Indebtedness	–	170,070	–	170,070
	$ 38,017	$ 170,070	$ –	$ 208,087

The Company’s interest rate risk arises primarily from the floating rate on loans receivable and bank indebtedness.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, foreign exchange forward contracts, as well as credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments.

For the three-month period ended March 31, 2019 and 2018, there was no customer who generated more than 10% of total consolidated revenue. As at March 31, 2019 and 2018, no customer accounted for more than 10% of the Company’s total trade accounts receivable.

Liquidity Risk

The Company’s objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. Access to credit facilities is dependent on the Company’s compliance with its debt covenants as outlined in *Section 5.5 – Bank Indebtedness and Senior Notes*. As at March 31, 2019, the Company had cash and cash equivalents totalling $97.9 million (December 31, 2018 – $217.3 million) and had unutilized lines of credit available to use of $526.9 million (December 31, 2018 – $456.6 million).

5.8 Outstanding Share Capital

As at May 13, 2019, the Company had 70,135,769 common shares outstanding and stock options and share units outstanding to purchase up to 2,682,312 common shares.

5.9 Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three-month period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5.10 Transactions with Related Parties

The Company had no material transactions with related parties in the three-month period ended March 31, 2019. All related party transactions were in the normal course of business.

6.0 Critical Accounting Judgements, Estimates and Accounting Policy Developments

6.1 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

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

Determination of Reportable Operating Segments

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

Determination of Cash Generating Unit ("CGU")

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

Business Acquisitions

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

Provisions and Contingent Liabilities

As at March 31, 2019, the Company had $52.2 million of provisions; of this amount $20.9 million was included in current liabilities and $31.3 million was included in non-current liabilities. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take into account changing facts and circumstances.

The Company is required to determine whether a loss is probable based on judgement and interpretation of laws and regulations and whether the loss can be reliably measured. When a loss is determined, it is charged to the consolidated statements of income. The Company must continually monitor known and potential contingent matters and make appropriate provisions by charges to income when warranted by circumstances.

Decommissioning Liabilities

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

Income Taxes

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

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

6.2 Critical Accounting Estimates

The preparation of the interim unaudited consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets, liabilities and contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the period. These estimates and assumptions are made with management's best judgement given the information available at the time; however, actual results could differ from the estimates.

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

As at March 31, 2019, the Company had $983.9 million of long-lived assets and goodwill. The Company evaluates the carrying values of the CGUs' goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

As at March 31, 2019, the Company had $15.3 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 March 31, 2019, the Company had decommissioning liabilities in the amount of $27.0 million; of this amount $5.5 million was included in the current provisions account and $21.5 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 long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and tax expense already recorded. The Company establishes liabilities, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such liabilities is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of the respective entities.

6.3 Accounting Standards Issued but Not Yet Applied

Definition of a Business - Amendments to IFRS 3

The IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. The Company has not yet determined the impact of the amendments to IFRS 3 on its consolidated financial statements.

6.4 New Accounting Standards Adopted

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. This change in accounting policy is required by the new IFRS standard and is made in accordance with the transitional provisions contained within the standard. This standard eliminates the classification of leases as either operating or finance lease for a lessee, and instead, all leases are capitalized by recognizing the present value of lease payments and presenting them as lease assets. The Company has elected to use the exemptions in the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term. The service component of a lease agreement is separated from the value of the asset and is not reported on the consolidated balance sheet; however, there is a practical expedient to combine lease and non-lease components. Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of the lease liability. Lease payment liabilities do not include variable lease payments other than those that depend on an index or rate. The most significant effect of the new requirements is the recognition of the ROU leased assets and their corresponding lease obligations on the consolidated balance sheet.

The Company used the following practical expedients and recognition exemptions when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Used the exemption to not recognize ROU assets and liabilities for leases with a remaining lease term of less than 12 months as at January 1, 2019;
- Excluded initial direct costs from measuring the ROU assets at the date of initial application;
- Grandfathered the definition of a lease for existing contracts at the date of initial application;
- Used hindsight in determining lease term at the date of initial application;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application; and
- Used a portfolio application for leases with similar characteristics, such as vehicle and equipment leases.

The Company has completed its implementation plan and process for reviewing its lease contracts. A software subscription system has been obtained to assist the Company in compiling the lease information and calculating the related accounting impacts to comply with the requirements of the standard and manage its lease arrangements. On initial adoption, the Company applied the standard using the modified retrospective approach, which does not require a restatement of prior period financial information as it recognizes the cumulative effect of applying the standard to prior periods as an adjustment to opening retained earnings as at January 1, 2019.

The adoption of IFRS 16 resulted in the recognition of operating leases, mainly related to land and buildings. The Company recorded ROU assets of $58.9 million, lease liabilities of $62.2 million and a reduction of shareholders' equity of $3.0 million, as at January 1, 2019.

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate less any lease incentives. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The incremental borrowing rate used to determine the present value of the Company's lease liabilities is a critical accounting estimate. The measurement of the Company's lease liabilities depends on the interest rate implicit in the lease used to discount the remaining lease payments. If the interest rate implicit in the lease cannot be readily determined, the lease payments are discounted using the Company's incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term and security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment. Significant assumptions are required to be made on the basis for which the rate was derived. These assumptions are considered to be a key source of estimation uncertainty. When measuring the lease liabilities, the Company discounted lease payments using the incremental borrowing rate at January 1, 2019 based on the geographical location of the leased assets. This resulted in the use of an incremental borrowing rate ranging from 2.3% up to 33.1% for the hyperinflationary environment of Argentina.

The following table sets forth the carrying amounts of the Company's ROU assets and lease liabilities and the movements for the three months ended March 31:

	ROU assets				
(in thousands of Canadian dollars)	**Real Estate Property**	**Vehicles**	**Equipment**	**Total**	**Lease liabilities**
	$	**$**	**$**	**$**	**$**
As at January 1, 2019	56,976	816	1,136	58,928	62,212
Finance lease reclassified to ROU assets on January 1, 2019	5,234	–	2,752	7,986	11,081
ROU interest expense	–	–	–	–	730
Depreciation expense	(3,726)	(93)	(232)	(4,051)	–
Disposal	–	–	–	–	(3,371)
Payments	–	–	–	–	(4,875)
Foreign exchange difference	(675)	(23)	16	(682)	(635)
As at March 31, 2019	**57,809**	**700**	**3,672**	**62,181**	**65,142**

Set out below, are the amounts recognized in the Statement of (Loss) Income for the three months ended March 31:

(in thousands of Canadian dollars)	**Three Months Ended March 31, 2019**
Depreciation expense - ROU assets	$ 4,051
Interest expense on lease liabilities	730
Rent expense – short-term and low value leases	2,919
Rent expense – variable lease payments	732
Total	$ 8,432

***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 performed an impact assessment of the amendment to IAS 28 and determined that there was no material impact of adopting this standard on its 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 judgement 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 performed an impact assessment of all aspects of IFRIC 23 and determined that there was no material impact of adopting this standard on its consolidated financial statements.

7.0 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 first quarter of 2019 was marginally softer than expected due to ongoing weakness in Western Canada which resulted in lower demand for small diameter line pipe coating, joint protection and tubular inspection services in this market. The first quarter results reflected continued demand for composite products in the United States and girth weld inspection services for large diameter pipelines and international projects, along with ongoing investments in the pipe coating business for idle assets and project pursuit costs in preparation for the expected increase in activity in late 2019 and beyond. The first quarter results support the Company's continued expectation that 2019 will be a year of two halves where the results of the second half of the year will be an improvement over the first half. Although the 2019 annual results, excluding the positive impact of the ZCL acquisition, are still expected to be an improvement over 2018, individual quarterly performance will be dependent on the continued strength of our base business, particularly in the U.S., and the timing of when pipe coating activity will improve.

The Company's base business in North America is heavily tied to the spending programs of exploration and production operators. In Western Canada, limited off-take capacity in the region caused by the lack of new pipeline infrastructure is resulting in depressed spending. The first quarter results were negatively impacted by a decline in activity that was greater than expected and unusually low compared to historical performance. This market is not expected to improve until off-take is addressed. In the US land, operators are shifting from strategies to add production volumes to ones that now include capital discipline and generating returns for shareholders. This principle shift has the potential to result in a disconnect between operator drilling and completion spending and commodity price movements, and operators maintaining higher cash balances than the past. Although the first quarter results benefitted from strong US land activity and the Company's diversified portfolio of products and

[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 10.0 – Reconciliation of Non-GAAP Measures for further details and a reconciliation of EBITDA and Adjusted EBITDA .*

services is well positioned to support its customers in this market, there is short term uncertainty in how the Company will be impacted by this change in operator strategy.

The Company continues to see signs of positive momentum in the offshore global oil & gas capex cycle from the low point experienced in 2018, and believes that this market is poised for growth in late 2019 and beyond. As evidenced by the level of our current bids outstanding, the likelihood of large projects being sanctioned in the near to medium term remains strong. These investments are required to replace, maintain and rehabilitate infrastructure that is at or beyond its useful design life, replace production due to reservoir depletion and address geopolitical challenges which are affecting several important producing regions. Additionally, higher investments in gas, specifically LNG, are being supported by the increased global demand for greener technology. The Company remains well positioned to capitalize on this continuing positive trend in project activity through its global footprint, technology portfolio and execution history.

During the quarter, 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. Operators continue the trend of engaging large global Engineering-Procurement-Construction (EPC) companies to standardize engineering approaches and lower overall costs. As part of this process, EPC's are selecting preferred suppliers to participate in the planning process significantly earlier than in the past in order to ensure greater certainty of execution and costs. This new model has allowed the Company to work with several EPC's on multiple projects and provide greater visibility on future project wins in advance of final investment decisions. The project win of Liza I and II in the fourth quarter of 2018 is an example of this new contracting model and the Company expects to win additional conditional awards in the near term under the same model.

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 as they are more linked to energy security or reservoir access considerations than current oil and gas commodity prices. The Company expects that higher pipe coating activity in the second half of 2019 will assist in delivering improved annual operating results over 2018. Stronger results in 2020 are possible from the build in backlog that the Company believes it will realize in 2019.

With confidence in the expected increase in pipe coating activity in the second half of 2019, the further strengthening in 2020 and the continued strength of our diversified base business, the Company continued its growth strategy with the acquisition of ZCL Composites Inc., North America's largest manufacturer and supplier of environmentally friendly fiberglass reinforced plastic underground storage tanks. This investment was aligned with our long-term fundamental drivers, 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 transmission and storage needs. It further demonstrates Shawcor's continued commitment to diversify its portfolio and increase its base business to provide a foundation for long-term investments in technology developments and profitable base business growth. Significant integration efforts are underway and annualized run-rate cost synergies by the end of the first year are now estimated at over $8 million, which is double the amount previously communicated. In addition to the cost benefits, the combination of ZCL and Shawcor has increased the addressable market for the Company as a whole. This additional market will be addressed through synergies that improve the distribution channels to the market, the linking of discrete components into systems such as pipe and tank, and leveraging the Company's global footprint to extend the reach of tank technology. While still in the early stages, this additional addressable market will provide another lever for the Company's growth in the future.

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. The softness experienced in Western Canada in the first quarter is expected to continue as off-take capacity remains limited and there is no certainty of new pipeline infrastructure being built. Although demand in North American land activity is expected to resume in the second half of 2019 when take-away capacity constraints in the Permian are addressed through several transmission pipeline projects currently underway, activity levels in the near term may be challenged due to lower customer spending resulting from the greater focus on acquisitions and capital discipline. 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 some of these 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 – 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. Although the Company believes activity levels will increase slightly in late 2019, greater contributions from pipe coating activity are expected beyond 2019 from several large projects that could be awarded in 2019 which are related to the development of gas reservoirs.

Petrochemical and Industrial Segment

Shawcor's Petrochemical and Industrial segment businesses continue to deliver solid revenue and operating income supported by the stable European and North American industrial markets and despite some softening of European and China automotive markets. These markets generally follow GDP activity; however, the Segment continues to be well positioned to capture the growing trend of electronic content in automobiles with specified sealing, insulating and customized application equipment systems for Tier 1 assembly customers. Demand for wire and cable products continues to be strong and supply chain constraints for drawn wire from copper rods has stabilized from the fourth 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 $454 million as at March 31, 2019, excluding ZCL's orders, was basically in-line with the $459 million order backlog as at December 31, 2018. This reflects revenue generated in the quarter from backlog orders which was mostly offset by new orders on the base business and other project wins 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 $1.1 billion as at March 31, 2019, up slightly from last quarter due to increasing bidding activity for pipe coating in the offshore and international markets. Included in the firm bid, but not in the backlog, is the recently announced $30 million Tortue Project award and unsanctioned conditional awards between EPC companies and Shawcor for a scope of work that is estimated at over $150 million in revenue beyond 2019. The Company is also working with customers on a number of other projects and the budgetary estimates at the end of the first quarter remain strong at almost $1.9 billion. Although the timing of these projects is uncertain, the Company's bid and budgetary figures represent a diverse portfolio of opportunities to sustain and build the backlog through 2019 and beyond.

8.0 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 information presented in the section "Risks and Uncertainties" in the Company's Annual MD&A and Annual Information form has not materially changed since their date of publication, except for the following:

The Company may not achieve the intended benefits of the ZCL acquisition.

Achieving the benefits of the ZCL acquisition is dependent, in part, on the successful integration and consolidation of functions, operations and related personnel in a timely and efficient matter, as well as the ability to capture the expected cost synergies and revenue growth opportunities from the expanded addressable market. There can be no assurance that the Company will be able to complete its integration plans successfully and realize the anticipated cost savings and revenue growth from the acquisition in the anticipated amounts or within the anticipated timeframes. Failure to realize the expected cost synergies related to the acquisition could result in increased costs and have an adverse effect on the Company's financial results and prospects. The integration plans of the ZCL acquisition will require significant management effort, time and resources, which may divert management's focus from other strategic opportunities and operational matters that could adversely affect results or delay the achievement of the Company's strategic objectives.

The Company could be subject to potential undisclosed liabilities related to the ZCL acquisition

Although the Company conducted what it believes to be a thorough level of due diligence prior to the acquisition of ZCL, there is a potential risk of unknown or undisclosed liabilities related to ZCL's operations, which could include tax, litigation, environmental and other matters. In addition, to the extent that ZCL failed to comply with or otherwise violated applicable laws, including environmental laws, the Company, as a successor to ZCL, may be financially responsible for these violations. The discovery of any material undisclosed liabilities could have a material adverse effect on the Company's business, financial condition and results of operations.

As a result of the acquisition of ZCL, the Company has an increased level of indebtedness.

In connection with the acquisition of ZCL, the Company has undertaken additional indebtedness to fund the acquisition. This has significantly increased the Company's consolidated indebtedness, interest expense and debt service obligations. The increased indebtedness will require the Company to dedicate an increased amount of its cash flow to servicing this debt, thereby reducing the availability of cash to fund other business initiatives which could have an adverse effect on the Company results, operations or delay the achievement of its strategic objectives.

9.0 Environmental Matters

As at March 31, 2019, the provisions on the annual consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $27.0 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 were $34.7 million as at March 31, 2019. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0% and 21%. 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)		**March 31, 2019**
2019	**$**	**5,523**
2020		**5,753**
2021		**4,345**
2022		**508**
2023		**720**
More than five years		**17,832**
	$	**34,681**

10.0 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.

(in thousands of Canadian dollars)	Three Months Ended March 31, 2019	2018[b]
Net (Loss) Income	**$ (8,921)**	$ 3,961
Add:		
Income taxes	**(604)**	3,547
Finance costs, net	**3,457**	2,666
Amortization of property, plant, equipment, intangible and ROU assets	**20,608**	24,476
Cost associated with repayment of long-term debt and credit facilities	**12,308**	–
EBITDA	**$ 26,848**	$ 34,650
Acquisition cost	**551**	–
Hyperinflation adjustment for Argentina[b]	**845**	418
ADJUSTED EBITDA[a]	**$ 28,244**	$ 35,068

(a) Adjusted EBITDA and EBITDA are used by many analysts in the oil and gas industry as one of several important analytical tools.
(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

The Company adopted IFRS 16 in the first quarter of 2019. This new accounting standard requires the Company to recognize a lease ROU asset and a lease liability to reflect the benefit the Company obtains from the underlying asset in the lease and the requirement to pay the amounts included in the lease contract. Under the previous standard, IAS 17 Leases, costs relating to operating leases were recognized on a straight-line basis as a SG&A expense. Under IFRS 16, the Company records an amortization expense as amortization of ROU assets and records an interest expense relating to the lease liability. The amount of the amortization and interest recorded for the three months ended March 31, 2019 was $4.1 million and $0.7 million, respectively. The effect of this new accounting standard increased EBITDA by $4.8 million. The standard was adopted prospectively from January 1, 2019, and accordingly the 2018 results have not been affected.

Adjusted Net Income and Adjusted EPS

Adjusted net income is a non-GAAP measure defined as net (loss) income before acquisition-related and integration items, including transaction costs and financing fees; cost reduction and integration related initiatives such as separation benefits, retention payments, other exit costs and certain costs associated with integrating an acquired company's operations; gains or losses from early termination of debt and hedging activities; gains and losses on the disposal of land; asset impairment charges; hyperinflation adjustment for Argentina and the tax effect of the pre-tax adjustments above at applicable tax rates and certain other tax items. We define adjusted EPS as adjusted net income attributable to shareholders divided by the weighted average number of shares and the weighted average number of diluted shares.

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended March 31, 2019	2018
Net (Loss) Income	**$ (8,921)**	$ 3,961
Add:		
Acquisition cost	**551**	–
Hyperinflation adjustment for Argentina	**1,599**	1,147
Cost associated with repayment of long-term debt and credit facilities	**12,308**	–
Tax effect of the above adjustments	**(2,207)**	234
Adjusted Net Income	**$ 3,330**	$ 5,342
Adjusted Net Income Attributable to Shareholders	**3,177**	5,210
Adjusted EPS		
Basic	**$ 0.05**	$ 0.07
Diluted	**$ 0.05**	$ 0.07

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.

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)		**March 31, 2019**		December 31, 2018[(a)]
Revenue for the quarter	**$**	**349,578**	$	354,148
Average trade accounts receivable	**$**	**204,527**	$	221,911
DSO		**53**		56

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*

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)		**March 31, 2019**		December 31, 2018[(a)]
Cost of goods sold and services rendered for the quarter	**$**	**251,374**	$	254,360
Average accounts payable and accrued liabilities	**$**	**204,668**	$	197,695
DPO		**73**		70

(a) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies*.

11.0 Summary of Quarterly Results

The following is a summary of selected financial information for the nine most recently completed quarters:

(in thousands of Canadian dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue					
2019	**349,578**	–	–	–	–
2018 (b) (d)	350,767	353,368	350,589	354,148	1,408,872
2017 (c) (d)	360,060	383,571	395,052	426,816	1,565,499
Income from operations					
2019	**7,634**	–	–	–	–
2018 (b) (d)	10,765	13,465	17,057	9,326	50,613
2017 (c) (d)	26,138	28,023	39,368	34,472	128,001
Net (loss) income(a)					
2019	**(9,074)**	–	–	–	–
2018 (b) (d)	3,829	7,308	10,373	4,366	25,876
2017 (c) (d)	15,393	15,877	19,540	20,345	71,155
Income from operations per share					
Basic					
2019	**0.11**	–	–	–	–
2018 (b) (d)	0.15	0.19	0.24	0.13	0.72
2017 (c) (d)	0.37	0.40	0.56	0.49	1.83
Diluted					
2019	**0.11**	–	–	–	–
2018 (b) (d)	0.15	0.19	0.24	0.13	0.72
2017 (c) (d)	0.37	0.40	0.56	0.49	1.83
Net (loss) income per share					
Basic					
2019	**(0.13)**	–	–	–	–
2018 (b) (d)	0.05	0.10	0.15	0.06	0.37
2017 (c) (d)	0.22	0.23	0.28	0.29	1.02
Diluted					
2019	**(0.13)**	–	–	–	–
2018 (b) (d)	0.05	0.10	0.15	0.06	0.37
2017 (c) (d)	0.22	0.23	0.28	0.29	1.02

(a) Represents the net income attributable to shareholders of the Company.
(b) Includes the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina as of January 1, 2018. See *Section 12.0 - Financial Reporting in Hyperinflationary Economies.*
(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) Prior year quarterly financial information is not restated for IFRS 16.

The following are key factors affecting the comparability of quarterly financial results.

The Company's operations in the Pipeline and Pipe Services segment, representing approximately 84% of the Company's consolidated revenue in the three-month period ended March 31, 2019 are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars.

12.0 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 quarter and prior year quarters and the corresponding conversion coefficient were as follows:

Year	Index	Conversion coefficient	CAD/ARS exchange rate
2018 - March	514.58	1.5101	0.063925
2018 - December	707.26	1.0987	0.036229
2019 - March	777.07	1.0000	0.030804

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at March 31, 2019. Non-monetary assets, liabilities, equity, revenue and expenses (items that are not already expressed in terms of the monetary unit as at March 31, 2019) are restated by applying the index at the end of the current reporting period. The effect of inflation on the Argentine subsidiary’s net monetary position is included in the interim consolidated statements of (loss) 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 (loss) 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 required to be restated for the effects of hyperinflation. The Company restated the first quarter of 2018 for comparative purposes, which was permitted but not required under IAS 29.

The impact of IAS 29 for selected items on our consolidated statements of (loss) income was as follows:

	Three months ended		
(in thousands of Canadian dollars, except per share amounts)	**March 31, 2019**	December 31, 2018	March 31, 2018
	$	$	$
Revenue	**(709)**	8,645	248
Gross profit	**(192)**	2,820	66
Foreign exchange loss (gain)	**89**	(3,237)	(20)
(Loss) Income from operations	**(927)**	2,498	(672)
Net monetary loss	**(651)**	(2,721)	(475)
Loss before income taxes	**(1,599)**	(227)	(1,147)
Income tax expense	**191**	1,062	234
Net Loss	**(1,790)**	(1,289)	(1,381)
Earnings per Share			
Basic	**(0.03)**	(0.02)	(0.02)
Diluted	**(0.03)**	(0.02)	(0.02)

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, judgements 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 growth in capital expenditures in the offshore oil and gas sector, the achievement of annualized run-rate cost synergies following the acquisition by the Company of ZCL, the timing to complete the BP Tortue and Liza II projects, the sanctioning of large projects in 2019 and the impact thereof on the Company's business, the level of financial performance throughout the balance of 2019, the effect of the Company's diversified portfolio of products on revenue and operating income, 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 changes in the strategy by U.S. oil and gas operators to heighten focus on capital discipline, 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, increased capital expenditures in the global offshore oil and gas segment, modest global economic growth, softening demand in the European and Chinese automotive market and stable demand 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 integration of the business and operations of ZCL, 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 Wednesday, May 15th, 2019 at 10:00AM ET, which will discuss the Company's First Quarter 2019 Financial Results.

To participate via telephone, please dial 1-877-776-4039 or 1-315-625-6955. Conference Call ID: 8570249; alternatively, please go to the following website address to participate via webcast:
https://edge.media-server.com/m6/p/ti2v5ove

14.0 Additional Information

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

May 14, 2019